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Main Q&A in the 10th Fiscal Period Earnings Announcement

Date and Time: 15:30~16:40, January 14, 2011 (Fri.)

Presenter: Akira Yamanouchi / President and Representative Director

Daiwa Real Estate Asset Management Co. Ltd.

*Questions are presented in order of sequence.

Q1. How do you view the outlook for the office market 2 to 3 years from now? Would there not appear the risk of tenants being pulled out with the completion of large-scale buildings?

A1. There is an emergence of forward-looking companies which are trying to expand their business and I think that demand for office space is about to hit bottom. With regards to rents under the office environment for the next 2 to 3 years, there may be a drawing together of existing contract rents with new asking rents, but I do not think that it will drop significantly below current asking rents. I think the risk of tenants being pulled out is low because I think the quality between our buildings, and buildings to be completed from now on, differ in terms of rents and specifications.

Q2. Is there a possibility that rents will increase in the next 2 to 3 years?

A2. I think that it will be difficult for rents to suddenly increase. However, we have concluded new leases with tenants who have recently moved in at reasonable rents, so that we can raise the occupancy rate. Therefore, I think that it is possible for rents for some tenants to gradually rise in the next 2 to 3 years.

Q3. The appraisal value of Shinjuku Maynds Tower did not change from the end of the previous fiscal period. I would like to ask if cash flow, which acts as the basis for appraisals, will change due to rents coming in due to the recovery of the occupancy rate to around 99%.

A3. The reason why the appraisal value did not change is because projections of the previous fiscal period by the appraiser did not change that much. It would depend upon future trends in Nishi-Shinjuku, but we think that the appraisal value will not change for a while. We do have issues surrounding supplies, but from a medium to long-term viewpoint, our understanding is that the Nishi-Shinjuku area has the potential to grow.

Q4. I would like to ask about the possibility of making acquisitions in the near future.

A4. Of properties we are currently negotiating, we can imagine a few particular purchases. These are not for 1 year ahead, but among properties for which we are currently negotiating, if we add up properties which are in a stage where we would be able to acquire them once negotiations are completed. In addition, the Daiwa Securities Group and many others are giving us new information on prime properties.

Q5. Please explain the factors for the increase in operating revenue for the 11th Fiscal Period compared to the 10th Fiscal Period.

A5. During the 11th Fiscal Period, rents arising from the ending of the free rent periods will add on to the revenue. And then full 6-months of contributions from 2 newly acquired properties will also add slightly to the figure. On the other hand, in other properties, rents will have decreased and some tenants will have vacated the properties, which is why we arrived at this figure.

Q6. I would like to ask about the factors behind the increase of revenue from the 11th Fiscal Period to the 12th Fiscal Period.

A6. During the 12th Fiscal Period, we project that more rents will come in as a result of the ending of more free rent periods. However, since we also project that a certain amount of rents will decrease and that some tenants will vacate the properties, we forecast an increase of around 107 million yen in revenue.

Q7. You purchased Nishishimbashi's Kyodo Building, but wouldn't you have been able to proactively purchase other Kyodo Buildings out in the market which other REITs purchased?

A7. Although we had already received information about the properties which other companies had bought, we were unable to present the kind of evaluations the sellers were expecting based on our calculations. Differences between the property acquisition policies of each REIT have a great impact. We think that the property acquisition policy significantly differs by REIT, such as in which locations they wish to purchase, what sort of property they want to acquire and what kind of growth strategy they have in mind.

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