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Main Q&A in the 13th Fiscal Period Earnings Announcement

Date and Time: 15:30~16:30, July 17, 2012 (Tuesday)

Presenter: Akira Yamanouchi / President and Representative Director

Daiwa Real Estate Asset Management Co. Ltd.

*Questions are presented in order of sequence.

Q1. It appears that some REITs have gradually started to make big acquisition deals. Can you tell me the status of your pipelines for acquiring large-scale properties and the prospects for any actual acquisitions?

(Answer)

We recognize that there have been a relatively large number of proposals given to the Investment Corporation from the early stages. However, we have not won a bid to date because the future rents we anticipate for the properties are lower than the competition. To bid properties, we have to offer higher prices based on more aggressive estimates of rents, but we want to carefully examine and select properties before acquiring them, rather than acquire assets in a hasty manner at a comparatively expensive price.

Q2. Discussions are under way concerning system reforms. Are there any suggestions or ideas in the discussions you want to see applied?

(Answer)

As a REIT sponsored by a securities firm, we would be interested in working on and applying new systematic arrangements related to capital policies as long as they benefit unitholders. At present, the investment unit price of the Investment Corporation is discounted significantly in comparison with the net asset value (NAV), and we as the asset management company are "concerned about" the status of the price to NAV ratio. In this

regard, we would be interested in being able to purchase treasury stocks, or the Investment Corporation's investment units, including the effects of demonstrating our concerns.

Furthermore, we consider that reduction of capital without any refund to unitholders may be a useful arrangement when we judge that selling a property even at a price lower than its book value should help increase the Investment Corporation's business value.

Regarding other aspects of the system reforms, we believe it would be advantageous if some systems that are applicable for foreign REITs but prohibited in Japan become available for J-REITs, as well.

Q3. What changes have you perceived in the voices of your tenants before the sponsor change?

(Answer)

Many tenants have welcomed the sponsor changing to Daiwa Securities, though there are some who have not shown any interest in the sponsor change. We have the impression that the change has been accepted particularly well by large tenants.

Q4. The Investment Corporation has become a subsidiary of the Daiwa Securities Group, with the Group holding around 46% of its investment units issued and outstanding.

Maybe not immediately, but will this fact not generate any concern about the Investment Corporation having difficulty in increasing capital or purchasing treasury investment units, or will there not be any restrictions imposed by the sponsor?

(Answer)

There have been no restrictions imposed by the sponsor on the operations of the Investment Corporation. Moreover, we believe that what is advantageous to other unitholders should also be advantageous for the sponsor, who is also an owner of investment units. On the other hand, the current investment unit price is not at a level that allows issuance of investment units through a public offering. So we will first acquire good properties so as to increase cash dividends, and then conduct a public offering when the investment unit price

rises to a certain level. We don't believe the sponsor will put a stop on such steps.

As for purchasing treasury investment units, we would carefully examine and consider the matter, to avoid any issues for unitholders as a result of violating conduit requirements.

Q5. Can you tell us how far your dividend per unit may increase as a result of termination of free rent periods and property acquisitions?

(Answer)

The possible increase may now be lower by several hundred yen compared to half a year ago, as there have been rent adjustments and lowering of rents for existing tenants. However, a further dividend increase of around 500 yen per unit can be expected, if the impact of free rent periods and phased rents are eliminated. Moreover, we believe it is possible to increase the dividend by around 1,000 yen per unit if we successfully conduct property acquisitions totaling 40 billion yen at appropriate interest rate costs and adequate cap rates.

Q6. You assume some tenants will move out from Shinjuku Maynds Tower in the 15th fiscal period. Do you think it is possible to fill the vacant spaces by leasing them at the same rent levels?

(Answer)

The rents for Shinjuku Maynds Tower are now almost the same as the market rents. Moreover, we feel that the Shinjuku market has been improving on a daily basis since we began leasing activities for the spaces, as we have received not only inquiries from possible new tenants but also received attractive proposals from existing tenants for expanding leased floors. Our budget for the 15th fiscal period does not assume any rent revenue through May 2013 from spaces becoming vacant after the move-out of tenants. Thus, we believe it possible to conduct leasing while focusing to some extent on the rent levels.

Q7. What is the rent gap situation? Please explain it separately for large-scale buildings and other buildings.

(Answer)

The rent gap for large-scale buildings has been significantly reduced, standing at less than 10%. However, the figure still remains at slightly more than 10% for medium-sized buildings, and advertised rents for new tenants are still decreasing at some buildings. However, we do not expect that the rents will significantly decrease much further going forward.

Q8. In terms of property transactions, do you think the properties for sale from CMBS have already peaked?

(Answer)

We think that property sales from CMBS are going to peak from now. While we have been contacted regarding properties for sale from CMGS, not all of them are excellent in quality or other aspects, and the Investment Corporation cannot often invest these properties in alone. At present, the more excellent the property, the more often they are refinanced. We feel that those who conduct refinancing have higher price perspectives than we do.

Q9. How are the pipelines of Daiwa Securities working in property acquisitions?

(Answer)

The Marketing Department members of the Asset Management Company visit operation bodies of Daiwa Securities one by one and make proposals on leasing and property brokerage for such operating companies, which are customers and receive property information from them. However, as the number of properties of investment-grade quality for REITs is limited, such information has not led to any specific results to date. Once some actual results are achieved, Daiwa Securities will understand that such information is beneficial to its customers, and will serve as a strong pipeline, as Daiwa Securities has broad networks and deep trust relationships with their customers.

Q10. What is the leasing status of Daiwa Shibadaimon?

(Answer)

The market in the area is quite difficult and we struggled with leasing not only for the property but also for Daiwa Onarimon. However, we successfully improved the occupancy rate of the property to 78% as of the end of the 13th fiscal period. We anticipate it to operate at almost full occupancy, judging from the applications received from prospective tenants. However, we think it does not make sense to conclude lease contracts at low rents just to increase the occupancy rate. Accordingly, we focus on increasing the number of private viewings by would-be tenants and work to conclude contracts with them at competitive rents that are competitive with market rents.

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