

Limitations on investments

a. Limitations on investments stipulated in the Articles of Incorporation

Limitations on investments stipulated in the Articles of Incorporation of the Investment Corporation are as follows.

(1) The Investment Corporation may invest in real estate described in “Article 12 of the Articles of Incorporation (Specified assets to be the primary type of investment), Item 1 (a)”, only if the asset management company provides in its business method of investment management business that real estate is the type of asset to be managed (Article 15 of the Articles of Incorporation). Relevant documents of the Investment Corporation contain the description accordingly.

(2) Limits on borrowings

1) The Investment Corporation may, in accordance with “Article 11 of the Articles of Incorporation (Basic Policy of Asset Management)”, obtain borrowings from the qualified institutional investors stipulated in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act (limited to institutional investors (specified by Article 67-15, Paragraph 1, Item 1 b (2) of the Special Taxation Measures Law)), or issue investment corporation bonds (including short-term investment corporation bonds; the same shall apply hereinafter). When issuing corporate bonds, the Investment Corporation shall entrust other parties in accordance with laws and ordinances to carry out business for issuing investment corporation bonds such as solicitation of persons to subscribe for the investment corporation bonds, preparation and keeping of investment corporation bonds registry (excluding the cases of short-term investment corporation bonds issued without investment corporation bonds registry), issuance of investment corporation bonds, paying interest or redemption money to investment corporation obligees, and receiving requests from investment corporation obligees regarding the exercise of rights or any other proposal from investment corporation obligees (Article 21 of the Articles of Incorporation).

2) The Investment Corporation shall spend borrowings and investment corporation bonds by acquiring assets, making repairs, repaying tenant leasehold deposit and tenant security deposit, paying distributions, paying the Investment Corporation’s expenses or repaying debts (including fulfillment of borrowings and investment corporation bond debts) (Article 22 of the Articles of Incorporation).

3) Borrowing and issuance of investment corporation bonds (including short-term investment corporation bonds) are limited to 2 trillion yen respectively and the aggregate amount thereof shall not exceed 2 trillion yen (Article 23 of the Articles of Incorporation).

4) When making borrowings or issuing investment corporation bonds, the Investment Corporation may offer the managed assets as collateral (Article 24 of the Articles of Incorporation).

b. Investment Limitations Pursuant to Laws and Regulations

(1) Investment Limitations on Asset Management Companies

A registered investment corporation is required to entrust business related to asset management to an asset management company, however an asset management company is prohibited from performing certain acts related to the business of managing the assets of the investment corporation, and as a result the investment corporation is subject to certain investment limitations. Of those prohibited acts, the main prohibited acts are as follows:

1) Internal Transactions, etc.

Performance of investment activities by an asset management company that involves transactions between an asset management company and its directors or executive officers (Article 42-2, Item 1 of the Financial Instruments and Exchange Act); provided, however, that this shall exclude those acts specified in Article 128 of the Cabinet Office Ordinance concerning Financial Instruments Businesses (Cabinet Office Ordinance No. 52, 2007. Including revisions thereafter.) (Hereinafter referred to as "Business Ordinances") as acts that are considered unlikely to result in failure to protect investors, damage the fairness of transactions or cause a loss of confidence in the financial instruments business.

2) Reciprocal Transactions with Managed Assets

Performance of investment activities by an asset management company that involves reciprocal transactions of managed assets (Article 42-2, Item 2 of the Financial Instruments and Exchange Act); provided, however, that this shall exclude those acts specified in Article 129 of the Business Ordinance as acts that are unlikely to result in failure to protect investors, damage the fairness of transactions or cause a loss of confidence in the financial instruments business.

3) Transactions for the Benefit of Third Parties

Performance of investment activities by an asset management company that involve transactions in certain financial instruments, financial indices or options based on fluctuations in the price, index, value or amount of consideration related to transactions with the objective of benefiting, without justifiable reason, a third party other than the asset management company itself or registered investment corporation (Article 42-2, Item 3 of the Financial Instruments and Exchange Act).

4) Transactions Harmful to the Interests of an Investment Corporation

Performance of investment activities by an asset management company that involve transactions under terms and conditions that differ from ordinary terms and conditions and would be harmful to the interests of the registered investment corporation (Article 42-2, Item 4 of the Financial Instruments and Exchange Act).

5) Other Transactions Specified by Business Ordinances

In addition to the acts mentioned above, any act specified by a Business Ordinance as an act that fails to protect investors, damages the fairness of transactions or causes a loss of confidence in the financial instruments business (Article 42-2, Item 7 of the Financial Instruments and Exchange Act, Article 130 of the Business Ordinance).

(a) Performance of investment activities by an asset management company that involve transactions among the asset management company's auditors, persons in positions equivalent to an officer, or employees (excluding acts listed in each of the points in Article 128 of the Business Ordinance). (Article 130, Paragraph 1, Item 1 of the Business Ordinance).

(b) Performance of investment activities by an asset management company that involve transactions to benefit the asset management company itself, or third parties, that would be harmful to the interests of the registered investment corporation (Article 130, Paragraph 1, Item 2 of the Business Ordinance).

- (c) Performance of investment activities by an asset management company that involve transactions to benefit third parties that are unnecessary according to investment management policies, the financial value of assets under management, or market conditions (Article 130, Paragraph 1, Item 3 of the Business Ordinance).
- (d) Performance of investment activities that involve unfair restrictions or other limitations on asset management from external parties (Article 130, Paragraph 1, Item 4 of the Business Ordinance).
- (e) Performance of investment activities that involve transactions for the purchase or sale of investment securities, or other similar transactions, etc., with the objective of unfairly inflating transaction volumes or creating artificial pricing (Article 130, Paragraph 1, Item 5 of the Business Ordinance).
- (f) Performance of investment activities that involve becoming an agent of a third party, and conducting a transaction with said third party (except, however transactions to which rights holders have agreed pursuant to advance explanation of the rationale for each individual transaction). (Article 130, Paragraph 1, Item 6 of the Business Ordinance).
- (g) Performance of other investment activities specified in the Business Ordinance.

(2) Scope of Asset Investments

A registered investment corporation may carry out transactions with regard to specified assets in accordance with the subject and policy of asset investments specified in the certificate of incorporation, however, may not carry out transactions involving carrying out its own land reclamation, or construction of buildings, nor carry out transactions of its own involving its own production, manufacture, and processing, etc. of products nor carry out transactions with regard to its own involvement in building and installation of renewable energy power-generating facilities. (Article 193, Investment Trust Act, Article 116, Investment Trust Act Enforcement Order, Article 220-2, Investment Trust Act Enforcement Ordinance)

(3) Limitations on Acquisition of the Same Issue of Shares

A registered investment corporation may not acquire the shares issued by the same corporation in cases where the total number of voting rights pertaining to the respective shares held by the registered investment corporation would exceed half of the total number of voting rights pertaining to said shares (Article 194-1 of the Investment Trust Act, Article 221 of the Investment Trust Act Enforcement Ordinance).

However, this rule does not apply when a registered investment corporation cannot engage in transactions of certain assets overseas as stipulated by Article 193, Paragraph 1, Items 3 and 5 of the Investment Trust Act due to laws and regulations of a country such assets are located in and other restrictions and when a registered investment corporation acquires the shares issued by the same corporation for the purpose of engaging in these transactions. (Article 194-2 of the Investment Trust Act, Article 116-2 of the Investment Trust Act Enforcement Order).

(4) Limitations on Acquisition of Own Investment Units and Acceptance of Pledges

An investment corporation may not acquire investment units issued by itself, or accept the same for the purpose of a pledge; provided, however, that this shall not apply to cases where the investment units issued by the corporation are acquired in the following cases (Article 80, Paragraph 1 of the Investment Trust Act). The Investment Corporation has provisions in place which correspond to rules described in 1) below. (Article 7, Paragraph 2, of

the Articles of Incorporation).

- 1) When rules stipulate that an investment corporation whose purpose is to invest in and manage specific assets can acquire investment units issued by itself for value based on an agreement with its unitholders
- 2) When the investment units are acquired from another investment corporation as the surviving entity of a merger.
- 3) When the investment units are purchased pursuant to the provisions of the Investment Trust Act.
- 4) Other cases specified in the Investment Trust Act Enforcement Ordinance.

In cases where specified in the Investment Trust Act Enforcement Ordinance, the following cases (Article 129 of the Investment Trust Act Enforcement Ordinance):

- (a) When said investment corporation's investment units are acquired free of cost.
 - (b) When receiving delivery of the investment corporation's investment units due to distribution of surpluses, or distribution of residual assets carried out by other corporations, etc. pertaining to shares (including interests and other instruments equivalent thereto. Same applies for (c)) of other corporations, etc. which are held by said investment corporation.
 - (c) When receiving delivery of the investment corporation's investment units in exchange for said shares when the following acts are carried out by the investment corporation, etc. pertaining to the shares of other corporations, etc. held by the investment corporation.
 - a. Organizational change
 - b. Merger
 - c. Share exchange (including acts equivalent to share transfer pursuant to laws and regulations (including foreign laws and regulations) other than the Companies Act)
 - (d) Where acquisition of the said investment corporation's investment units are necessary and essential for achieving the purpose in connection with execution of those rights (excluding cases specified in the Investment Trust Act, Article 80, Paragraph 1, Items 2 and 3, and (a) to (c) above).
- (5) Limitations on a subsidiary corporation's acquisition of the parent corporation's investment units

A subsidiary corporation may not acquire investment units of an investment corporation (parent corporation) that holds the majority of investment units pertaining to the total number of issued investment units of another investment corporation (subsidiary corporation), except in the following cases (Article 81, Paragraph 1 and Paragraph 2: Where a parent corporation and subsidiary corporation, or a subsidiary corporation holds the majority of the investment units pertaining to the issued investment units of another investment corporation, such other investment corporation shall be deemed to be the subsidiary corporation of the parent corporation (Article 81, Paragraph 4) of the Investment Trust Act).

- 1) Where the parent corporation investment units are succeeded from an investment corporation which has ceased to exist following a merger.
- 2) Other cases specified in the Investment Trust Act Enforcement Ordinance.

In cases where specified in the Investment Trust Act Enforcement Ordinance, the following cases (Article 131 of the Investment Trust Act Enforcement Ordinance):

- (a) Where parent corporation investment units are acquired free of cost.
- (b) Where receiving delivery of parent corporation investment units due to distribution of surpluses, or distribution of residual assets carried out by other corporations, etc. pertaining to those shares (including interests and other instruments equivalent thereto. Same applies for (iii)) held of other corporations, etc.
- (c) Where receiving delivery of the parent corporation investment units in exchange for said shares when the following acts are carried out by the other corporation, etc. pertaining to those shares held of other corporations, etc.
 - a. Organizational change
 - b. Merger
 - c. Share exchange (including acts equivalent to share exchange pursuant to laws and regulations (including foreign laws and regulations) other than the Companies Act)
 - d. Share exchange (including acts equivalent to share transfer pursuant to laws and regulations (including foreign laws and regulations) other than the Companies Act)
- (d) Where acquisition of parent corporation investment units is necessary and essential for achieving the purpose in connection with execution of those rights (excluding cases specified in the Investment Trust Act, Article 81, Paragraph 2, Item 1 and 2, and (a) to (c) above).

c. Other limitations on investments

(1) Securities underwriting and margin trading

No securities underwriting or margin trading will be conducted.

(2) Concentrated investments

No limitations are imposed on concentrated investments, but geographically-diversified investments are conducted in connection with the selection of real estate investment targets, so that cash flow risks arising from regional economic risks and earthquake risks can be alleviated. In principle, investments are diversified mainly into urban areas of three metropolitan cities (i.e. Tokyo area, Nagoya area and Osaka area) and ordinance-designated cities. The Investment Corporation will also invest in other areas, taking competitiveness of the respective investment properties and other various factors into consideration.

(3) Investments in other funds

Investments in other funds (beneficiary certificates of an investment trust and investment securities) are primarily limited to those backed by assets described in 1) or 3) below (Article 12, Paragraph 1, Items 7 and 8 of the Articles of Incorporation).

1) Real estate, real estate lease rights and surface rights

2) Trust beneficiary rights in trust of money (limited to the case where the purpose is to manage the trust assets principally as an investment in real estate, surface rights or real estate lease rights), real estate, surface rights or real estate lease rights (including the case where beneficiary certificates are issued).

3) Equity Interests in Silent Partnership on Real Estate.