

October 21, 2020

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**Notice Concerning Acquisition and Conclusion of Agreements Concerning Development Project**  
**(Nihonbashi-Bakurocho 1-Chome Development Project)**

Daiwa Office Investment Corporation (the “Investment Corporation”) hereby announces that Daiwa Real Estate Asset Management Co. Ltd. (the “Asset Manager”), to which the Investment Corporation entrusts management of its assets, has determined today to acquire the domestic trust beneficial interest in real estate (the “Acquisition”) for the development site (the “Property”) as well as to conclude agreements concerning the development project of an office building on the Property (the “Project”) as follows.

**1. Summary of Asset**

Asset Name	Nihonbashi-Bakurocho 1-Chome Development Site (land)
Type of Asset	Trust beneficial interest in domestic real estate
Location (Lot Number)	1-204-12-4 Nihombashi-Bakurocho, Chuo-ku, Tokyo
Acquisition Price	3,775 million yen (Excluding acquisition costs, consumption tax, etc.) (Note 1)
Date of Conclusion of Purchase Agreement	October 21, 2020
Scheduled Delivery Date	November 20, 2020, or a date agreed upon separately by the Seller and the Investment Corporation by November 20, 2020
Seller	Undisclosed (Note 2)
Funding for Acquisition	Cash on hand
Payment Method	Lump-sum payment on delivery

(Note 1) The acquisition price is only for the Property.

(Note 2) While the sellers are two domestic companies, the information is undisclosed as consent has not been obtained from either party.

(Note 3) The intermediary is neither an interested person, etc., as stipulated in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations nor a related party as stipulated in “Rules on Conflicts of Interest,” the Asset Manager’s internal regulations.

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## 2. Reason for Acquisition and the Project

The Investment Corporation decided to conduct the Acquisition and the Project based on the basic policy for asset management set forth in the Articles of Incorporation and the management policy of the Investment Corporation as rejuvenation of the portfolio in terms of building age and improvement in medium- to long-term profitability can be expected.

Please refer to the following for further details.

### (1) Location

The Property is a 1-minute walk from Bakurocho Station on the JR Sobu Main Line, a 4-minute walk from Bakuro-yokoyama Station on the Toei Subway Shinjuku Line, a 4-minute walk from Higashi-nihombashi Station on the Toei Subway Asakusa Line, and a 5-minute walk from Asakusabashi Station on the JR Sobu Main Line and the Toei Subway Asakusa Line. With train rides taking 5 minutes to reach Tokyo Station from Bakurocho Station and 4 minutes to reach Nihombashi Station from Higashi-nihombashi Station, etc., the Property enjoys excellent access to major stations in central Tokyo.

The Bakurocho-Higashi-nihombashi area where the Property is located is positioned as a submarket of the adjacent Nihombashi-Yaesu-Kyobashi area. While the office building to be newly constructed on the site will have excellent access to central Tokyo, as it offers relatively inexpensive rent, it is expected to have a strong appeal for tenants.

### (2) Project Highlight

The Project is the first development project of the Investment Corporation. In a context where competition in the real estate transaction market remains fierce, the Project will carry out the development of a new office property upon acquiring a development site in central Tokyo, and the Project is deemed important as it is expected to rejuvenate the portfolio and improve its medium- to long-term profitability.

In addition to the fact that the Asset Manager has created an in-house real estate development team with expertise, by outsourcing project management to THE SANKEI BUILDING CO., LTD., which has a wealth of experience in office development, risks concerning development such as excessive development costs, schedule delays, and quality of the property developed are reduced. Moreover, by outsourcing design and construction to JDC Corporation, which has produced many results and has extensive experience in a wide range of fields along with a proven track record in the construction of office buildings throughout Japan, including in central Tokyo, completion risks are reduced.

Furthermore, the Asset Manager's asset management department will aim to lease up the building as soon as possible after construction is completed, leveraging its past leasing experience and tenant networks.

## 3. Summary of the Property

Asset Name	Nihonbashi-Bakurocho 1-Chome Development Site (land)
Type of Specified Asset	Trust beneficial interest in real estate
Trustee	Mizuho Trust & Banking Co., Ltd. (Planned)
Trust Period	(Note)
Location (Lot Number)	1-204-12-4 Nihombashi-Bakurocho, Chuo-ku, Tokyo
Ownership Form	Proprietary
Area	620.93 m <sup>2</sup>
Soil Contamination Risk Survey Company	Earth-Appraisal Co., Ltd.
Acquisition Price	3,775 million yen (Excluding acquisition costs, consumption tax, etc.)
Appraisal Value (Appraisal Date)	4,010 million yen (as of October 1, 2020)
Appraiser	JLL Morii Valuation & Advisory K.K.
Collateral	None
Other Matters of Special Note	Not Applicable

(Note) The Trust Period is planned to be ten years from the scheduled delivery date.

## 4. Summary of the Seller

While the sellers are two domestic companies, information such as company name remains undisclosed as consent has not been obtained from either party.

## 5. Status of Owners Etc. of the Property

The acquisition of the Property does not pertain to acquisition from any persons having a special interest in the Investment Corporation or the Asset Manager.

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## 6. Overview of the Project

The Project's contract shall be concluded on October 21, 2020, the Property shall be delivered by November 20, 2020, and the developed and completed building (the "Building") is scheduled to be delivered by November 2022.

After development, the Building is planned to have 10 floors above ground with a gross floor area of 4,842.30 m<sup>2</sup>, and a leasable area of approximately 115 tsubos per floor will be secured. The shape of the rooms is designed to allow for sectional leases and increases layout flexibility and efficiency of use.

The details of the Building's specification are currently under deliberation and will be announced when finalized.

### Property Overview After Completion of the Building (Note 1)

Building (Note 3)	Expected Acquisition Price	5,601million yen
	Price of Land	3,775million yen
	Main Fees Related to Construction (Note 2)	1,832million yen
	Structure	Steel framed structure flat roof, 10 stories above ground
	Construction Date	November 2022 (Planned)
	Building Area	485.52 m <sup>2</sup>
	Gross Floor Area	4,842.30 m <sup>2</sup>
	Total Leasable Space	3,530.65 m <sup>2</sup>
	Use	Office

(Note 1) This is based on the current plan and does not guarantee the details after development.

(Note 2) Main Fees Related to Construction include the total amount of the current estimates for construction fees, design supervision fees, and project management fees (excluding consumption tax, etc.), but may change depending on the progress of the Project in the future. The same applies hereafter.

(Note 3) Based on current design documents.

## 7. Impact on Management Status

### I. Construction Costs

As of the date of this document, a design supervision contract and a construction contract has been concluded with JDC Corporation, and a project management contract has been concluded with THE SANKEI BUILDING CO., LTD.

The main fees related to construction (the "Construction Costs") of the Project are currently expected to be a total of 1,832 million yen (excluding consumption tax). The Construction Costs are scheduled to be paid in installments corresponding to the completed amount of construction and will be capitalized as construction in progress in each period based on the timing of payment.

Construction Costs are scheduled to be financed through borrowings and cash on hand, and a new announcement will be made when the amount and timing of the borrowing is determined.

### II. Expected Revenue and Expenses of the Project

No real estate rental income will be generated from the beginning of the Project until its completion (scheduled for November 2020 to November 2022). While the status of revenue and expenses after the completion of the Project is yet to be determined at present as it could change depending on tenant occupancy, real estate rental income is expected to be generated as follows from the fiscal period ending May 2023 (35th fiscal period) and thereafter when tenants are expected to move in.

	Normal Operation Period (Expected) (Note 1)
Real Estate Rental Revenue	293 million yen
NOI (Note 2)	228 million yen
NOI Yield (Based on Expected Acquisition Price (Note 3))	4.1%

(Note 1) Figures are based on the calculations of the Asset Manager after the completion of the Project, excluding special factors. The estimated occupancy rate used in the calculations is 96%.

(Note 2) Net Operating Income = Real estate rental income – Real estate rental costs + Depreciation

(Note 3) The amount is the sum of the acquisition price of the Property and the estimated Construction Costs as of today.

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## 8. Overview of the Contracting Party

The following is an overview of the parties to the development contracts. Furthermore, none of said parties are an interested person, etc., as stipulated in the Order for Enforcement of the Act on Investment Trusts and Investment Corporations or a related party as stipulated in “Rules on Conflicts of Interest,” the Asset Manager’s internal regulations.

### I. Project Management Contract (Note)

(1)	Name	THE SANKEI BUILDING CO., LTD.
(2)	Location	1-7-2 Otemachi, Chiyoda-ku, Tokyo
(3)	Title/Name of Representative	President & CEO Kazunobu Iijima
(4)	Nature of Business	<ol style="list-style-type: none"> <li>1. Real-estate leasing</li> <li>2. Real-estate brokerage</li> <li>3. Civil work, design of construction work, supervising, and contracting</li> <li>4. Real-estate management and appraisal</li> <li>5. Providing nursing care services and management, planning, and operation of fee-based homes for the elderly</li> <li>6. Planning &amp; production of plays, movies, and other performances, management and operation of rental meeting rooms</li> <li>7. Restaurant management</li> <li>8. Hotel management</li> <li>9. General leasing operations and brokerage/transaction mediation and buying/selling of art objects</li> <li>10. Direct investment and sales, brokerage, or management of investments in special purpose companies (companies so defined by the regulations regarding language, format, and preparation of relevant financial statements), and REITs</li> <li>11. Other related services</li> </ol>
(5)	Stated Capital	28,120,460,000 yen

(Note) The general supervision, construction management, and auxiliary coordination for the Project have been entrusted.

### II. Construction Contract and Design Supervision Contract

(1)	Name	JDC Corporation
(2)	Location	4-9-9 Akasaka, Minato-ku, Tokyo
(3)	Title/Name of Representative	President Takeo Asakura
(4)	Nature of Business	<ol style="list-style-type: none"> <li>1. Operations relating to development of electrical power, transportation, ports and harbors, afforestation, flood control, irrigation, land reclamation, underground resources, and other development of national land</li> <li>2. Research and planning related to development of electrical power, transportation, ports and harbors, afforestation, flood control, irrigation, land reclamation, development of underground resources, and other development of national land, research and design of related export plants, and consulting work related to these.</li> <li>3. Production, sales, loan and repair of construction and mining machinery, other machinery, tools, etc., necessary for conducting our primary businesses, and related mediation activities</li> <li>4. Design, contractual, and management services related to civil engineering and building construction</li> <li>5. Activities related to the manufacture and sale of construction materials, stone materials, chemical products, etc.</li> <li>6. Activities related to the sale, rental, brokerage, management, appraisal of real estate, and consulting</li> <li>7. Investment in real estate-related special purpose companies and real estate investment trusts, the sale, brokerage, and management of investments interests, as well as activities based on the Act on Specified Joint Real Estate Ventures</li> <li>8. Type-II Financial Instruments Business and Investment Advisory and Agency Business based on the Financial Instruments and Exchange Act</li> <li>9. Land and sea transportation and warehousing</li> <li>10. Quarrying business based on the Quarrying Act, etc.</li> </ol>
(5)	Stated Capital	5,012,750,000,000 yen

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## 9. Project Schedule

Conclusion of Design Supervision and Construction Contracts	October 21, 2020
Scheduled Building Certification Date	May 2021
New Construction Work (expected)	June 2021 to November 2022
Scheduled Completion Date	November 2022

(Note) This is the current schedule based on certain assumptions and could change based on the building specifications and deliberations with the contractor. The Construction Costs are scheduled to be paid in installments corresponding to the completed amount of construction.

## 10. Future Prospect

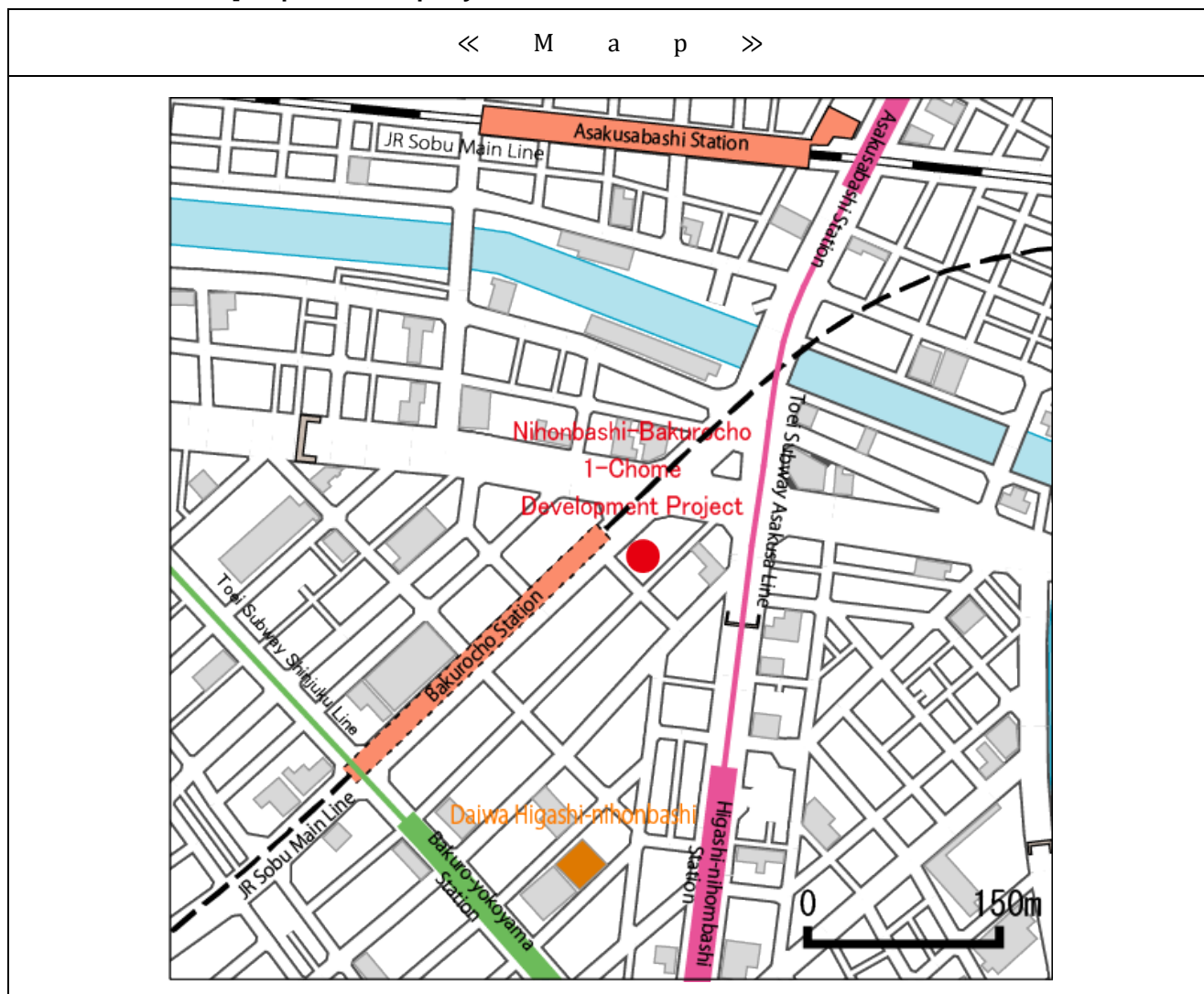
As the Project is scheduled to be completed in November 2022, the impact of the Acquisition and the Project on the management status forecast for the fiscal period ending November 2020 (30th fiscal period) and the fiscal period ending May 2021 (31st fiscal period) is minimal, and there are no revisions to previously released forecasts.

## 11. Summary of Appraisal Report for the Property

Appraiser	JLL Morii Valuation & Advisory K.K.
Appraisal Date	October 1, 2020
Appraisal Value	4,010 million yen
Comparable Value Based on Sales Comparison Approach	3,900 million yen
Income Approach Value (Development Leasing-Type)	4,010 million yen
Other Things Appraiser Noted Upon Appraisal	For the appraisal, upon taking into account the regional and individual analyses, the characteristics of the comparable value, and the suitability of the comparable value relative to the income value, in addition to determining the relative reliability of the documents utilized in each valuation approach, it was determined that the income value was the more convincing price.

(Note) The above values are based on the appraisal report and are not the figures forecast by the Investment Corporation or the Asset Manager.

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**[Reference Material 2] Portfolio Overview After Asset Replacement**

Region	Name of Property	Date of (Scheduled) Acquisition	Acquisition Price (million yen)	Investment Ratio (Note 4)
Five Central Wards of Tokyo (Note 1)	Daiwa Ginza	Oct 21, 2005	14,100.0	3.0%
	Daiwa Ginza Annex	Oct 21, 2005	3,050.0	0.7%
	Daiwa Shibaura	Oct 21, 2005	8,265.0	1.8%
	Daiwa Minami-Aoyama	Oct 21, 2005	4,550.0	1.0%
	Daiwa Sarugakucho	Oct 21, 2005/ Mar 30, 2012	3,190.0	0.7%
	Daiwa A Hamamatsucho	Oct 21, 2005	2,865.0	0.6%
	Daiwa Jingumae	Oct 21, 2005	2,800.0	0.6%
	Daiwa Shibadaimon	Oct 21, 2005	2,578.0	0.6%
	Daiwa Misakicho	Oct 21, 2005	2,346.0	0.5%
	Daiwa Shimbashi 510	Oct 21, 2005	2,080.0	0.4%
	Daiwa Tsukijiekimae	Jan 27, 2006	1,560.0	0.3%
	Daiwa Tsukiji	Jan 27, 2006	1,240.0	0.3%
	Daiwa Tsukishima	Mar 24, 2006	7,840.0	1.7%
	Daiwa Nihonbashi Horidomecho	May 1, 2006	2,520.0	0.5%
	Daiwa Azabudai	May 1, 2006	1,600.0	0.3%
	Daiwa Kyobashi	Jul 31, 2006	3,460.0	0.7%
	Daiwa Kojimachi 4-Chome	Oct 6, 2006 Mar 29/ May 29, 2013	2,910.0	0.6%
	Shinjuku Maynds Tower	Jul 13/ Nov 26, 2007	66,900.0	14.3%
	Daiwa SHIBUYA EDGE	Jul 13, 2007	5,900.0	1.3%
	Daiwa Kodenmacho	Aug 31, 2007	2,460.0	0.5%
	Daiwa Nishi-Shimbashi	Aug 13, 2010	5,000.0	1.1%
	Daiwa Kayabacho Building	Mar 25, 2011	5,600.0	1.2%
	Daiwa Jimbocho 3-chome	Mar 29, 2011	3,550.0	0.8%
	E SPACE TOWER	Jul 8, 2011	24,000.0	5.1%
	Daiwa Nihonbashi Hongokucho	May 11, 2012	1,721.0	0.4%
	shinyon curumu	Dec 3, 2012/ Apr 12, 2013	9,650.0	2.1%
	Daiwa Akasaka	Aug 9, 2013	9,200.0	2.0%
	Daiwa Shibuya Miyamasuzaka	Sep 27, 2013	7,000.0	1.5%
	Daiwa Azabu Terrace	Jul 4, 2014	14,000.0	3.0%
	Daiwa Ebisu 4-chome	Dec 1, 2014	4,135.2	0.9%
	LAQUAS Higashi Shinjuku	Dec 3, 2014	8,450.0	1.8%
	Daiwa Aoyama	Mar 2, 2015	9,800.0	2.1%
	Shinsen Place	Mar 2, 2015	4,800.0	1.0%
	Daiwa Shibuya Square	May 1, 2015	16,000.0	3.4%
	Daiwa River Gate	Jun 2, 2015	28,000.0	6.0%
	Daiwa Hatchobori ekimae	Sep 11, 2015	2,871.0	0.6%

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Region	Name of Property	Date of Acquisition	Acquisition Price (million yen)	Investment Ratio (Note 4)
Five Central Wards of Tokyo (Note 1)	Daiwa Hatchobori ekimae West	Sep 11, 2015	1,647.0	0.4%
	Daiwa Nishi-Shinjuku	Mar 29, 2016	13,710.0	2.9%
	Kirin Nihonbashi Building	May 26, 2016	8,180.0	1.8%
	Daiwa Higashi-Nihonbashi	Jun 1, 2016	6,370.0	1.4%
	Daiwa Daikanyama	Jun 29, 2016	2,280.0	0.5%
	Daiwa Shinjuku West	Jul 21, 2016	942.0	0.2%
	Daiwa Kanda Mikuracho Building	Dec 21, 2016	1,592.0	0.3%
	Daiwa Kanda East	Jan 12, 2018	4,200.0	0.9%
	Daiwa Kandasudacho	Jun 7, 2018/ Nov 1, 2018	2,295.0	0.5%
	Daiwa Sasazuka Tower	Oct 30, 2018	15,500.0	3.3%
	Daiwa Sasazuka	Dec 27, 2018	3,000.0	0.6%
	Daiwa Harumi	Feb 27, 2019	11,200.0	2.4%
	Daiwa Mita 2-Chome	Jul 1, 2019	2,635.0	0.6%
	Nihombashi Central Square	May 21, 2020	3,521.5	0.8%
	Nihonbashi-Bakurocho 1-Chome Development Site (land)	By Nov 20, 2020 (Scheduled)	3,775.0 (note 5)	0.8%
Total Number of Properties located in Five Central Wards of Tokyo: 51			376,838.7	80.7%
Greater Tokyo (Note 2)	Daiwa Higashi-Ikebukuro	Oct 21, 2005	2,958.0	0.6%
	Daiwa Shinagawa North	Jul 13, 2007	7,710.0	1.7%
	Daiwa Kamiooka	Mar 1, 2013	2,000.0	0.4%
	Daiwa Ogikubo Tower	May 29, 2014	15,220.0	3.3%
	Daiwa Meguro Square	May 1, 2015	5,600.0	1.2%
	Daiwa Ogikubo	Jul 21, 2016	3,800.0	0.8%
	CONCURRED Yokohama	Jan 11, 2018	38,100.0	8.2%
	Daiwa Shinagawa Gotenyama	Sep 13, 2018	2,500.0	0.5%
	Daiwa Nakano-Sakaue	Dec 13, 2019	2,750.0	0.6%
Total Number of Properties located in Greater Tokyo: 9			80,638.0	17.3%
Major Regional Cities (Note 3)	Daiwa Kitahama	Aug 1, 2014	9,481.5	2.0%
Total Number of Properties located in Major Regional Cities: 1			9,481.5	2.0%
Total Number of Properties: 61			466,958.2	100.0%

(Note 1) "Five Central Wards of Tokyo" means Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, and Shibuya-ku.

(Note 2) "Greater Tokyo" means Tokyo (excluding the Five Central Wards of Tokyo), Kanagawa, Chiba, and Saitama prefectures.

(Note 3) "Major Regional Cities" means Osaka area (i.e., Osaka, Kyoto, and Hyogo Prefectures), Nagoya area (Aichi, Mie and Gifu Prefectures), ordinance-designated cities and core cities under Local Autonomy Act.

(Note 4) Figures in the "Investment Ratio" column represent the percentage of the acquisition price of each property to the aggregate amount of the acquisition price and are rounded to the first decimal place. Please note that adding up of the investment ratio of the properties may not exactly match the investment ratio for each investment region or for the overall portfolio.

(Note 5) Only the acquisition price for the Property is recorded.

\*Website URL of the Investment Corporation: <http://www.daiwa-office.co.jp/en/>

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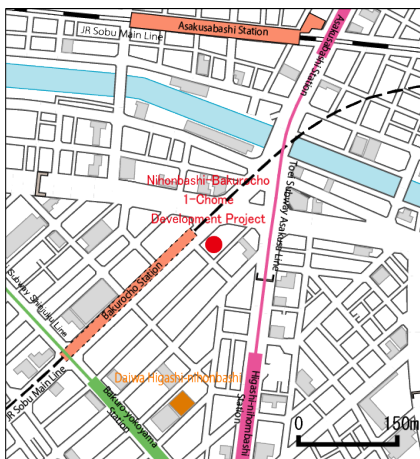




# Efforts on First Development Project of the Investment Corporation

Gain opportunity to acquire a newly constructed office property in central Tokyo amid a harsh acquisition environment by pursuing own development project

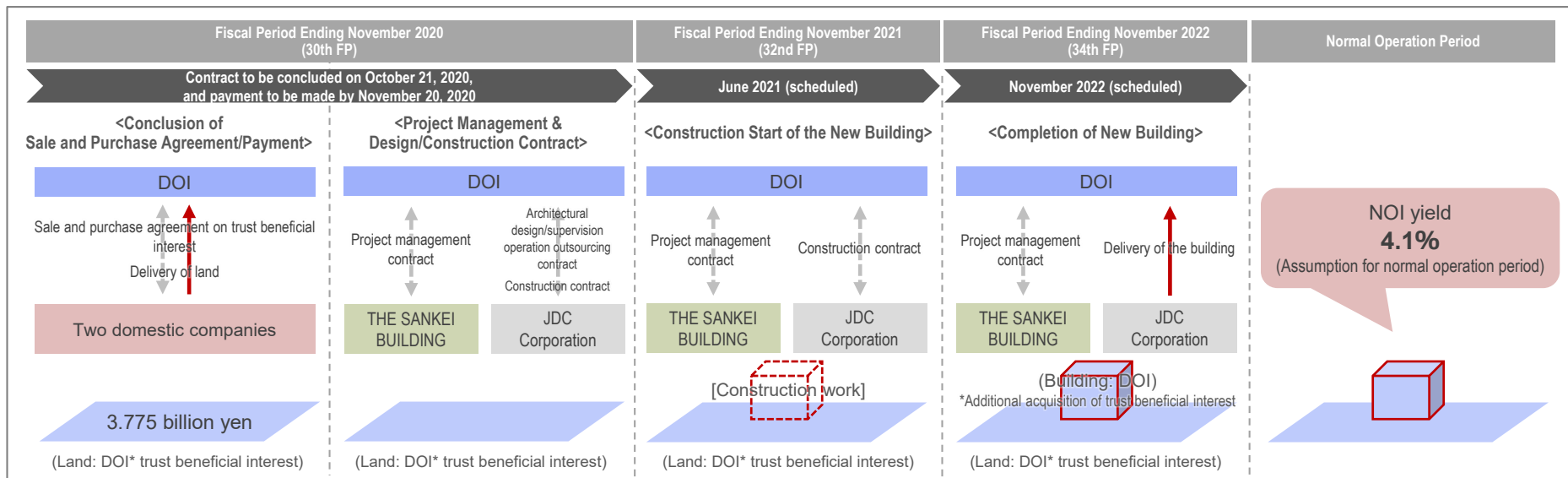
## Nihonbashi-Bakurocho 1-Chome Development Project



Scheduled Acquisition Date of Land	By November 20, 2020
Location/Distance from Station	Nihombashi-Bakurocho, Chuo-ku, Tokyo 1-minute walk from Bakurocho Station on the JR Sobu Line
Expected Acquisition Price after Building Completion	5,607 million yen (scheduled)
Price of Land	3,775 million yen
Main Fees Related to Construction	1,832 million yen (scheduled)
Land Area/ Gross Floor Area after Building Completion	620.93 m <sup>2</sup> / 4,842.30 m <sup>2</sup>
Structure after Building Completion	Steel framed structure flat roof, 10 stories above ground (scheduled)
Completion Date	November 2022 (scheduled)
NOI Yield Assumed for Normal Operation Period after Completion	4.1%

- This is the **first development** project of the Investment Corporation. In a context where competition in the real estate transaction market remains fierce, the project will develop a new office property upon acquiring a development site in central Tokyo.
- The Asset Manager **has created an in-house real estate development team** with expertise.
- **Outsource project management to THE SANKEI BUILDING CO., LTD.:** reduce risks concerning development (excessive development costs, schedule delays, and the quality of the property developed, etc.)
- **Concluded a construction contract and a design supervision contract with JDC Corporation:** reduce completion risks
- **Aim to lease up the building as soon as possible after construction is completed** by leveraging the past leasing experience and tenant networks of the Asset Manager.
- Assume **NOI yield of 4.1% in normal operation period** after completion.

## Scheme and Schedule for Nihonbashi-Bakurocho 1-Chome Development Project



(Note) The above includes figures, etc. based on assumption or schedule as of present, and actual results may vary.