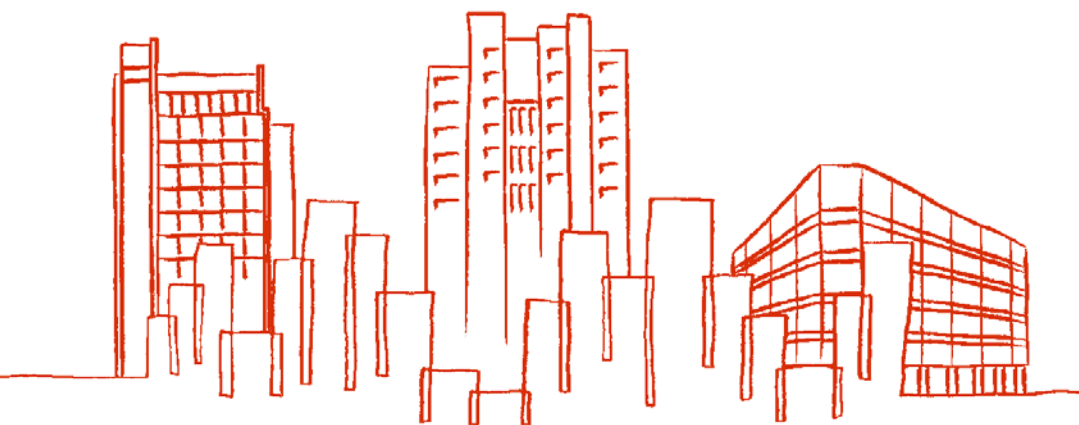




Daiwa Office Investment Corporation

**Supplemental Explanatory Material for the Timely Disclosure on the
Asset Replacement Announced Today**



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Transferred an old property and engaged in a development project to solve the issues that had been existing

[Transfer] Daiwa Shimbashi 510



Date of Transfer (scheduled)	November 12, 2020
Location/Distance from Station	Shimbashi, Minato-ku, Tokyo/6-minute walk from Shimbashi Station on various lines
Transfer Price/Book Value	2,530 million yen and 2,112 million yen (end of the fiscal period ended May 2020)
Appraisal Value	2,530 million yen (end of the fiscal period ended May 2020)
Gain on Sale	Approx. 330 million yen (expected)
Land Area/Total Floor Area	626.18 m ² /3,653.19 m ²
Structure/Floor	Steel-framed reinforced concrete structure with flat roof, 8 stories above ground and 1 below
Construction Date	April 1974 (46 years)
NOI Yield Based on Transfer Price	4.3% ^(note)



Issues Before the Replacement

- Because Daiwa Shimbashi 510 is a 46-year-old property that complies with outdated standards for earthquake resistance, there were concerns about its declining competitiveness in future leasing against competing properties in the surrounding area, responses to the incurrence of medium- to long-term repair and renewal expenses, as well as risk factors that may occur in the future.
- As the reconstruction of Daiwa Shimbashi 510 is inevitable, the Investment Corporation deemed that reconstructing the property itself would require substantial time and expenses for responding to existing tenants and demolishing/constructing the building.

Purpose and Results of Replacement

- **Rejuvenation of building age (46-year-old building → new building):**
Improved property competitiveness and elimination of future reconstruction risks pertaining to old building
- **Acquisition of location near a station:**
A rare location above the station
- **Reduction of development risks:**
The development of property in a vacant lot will allow the property to be monetized quickly, and no time will be spent in responding to existing tenants and demolishing the building (it is also advantageous in terms of costs as there will be no losses on the retirement of fixed assets or building demolition costs)
- **Scheduled to post gain on sale of 300 million yen and expand internal reserves to 1.1 billion yen:**
Sold at the appraisal value.

[Acquisition] Nihonbashi-Bakurocho 1-Chome Development Project



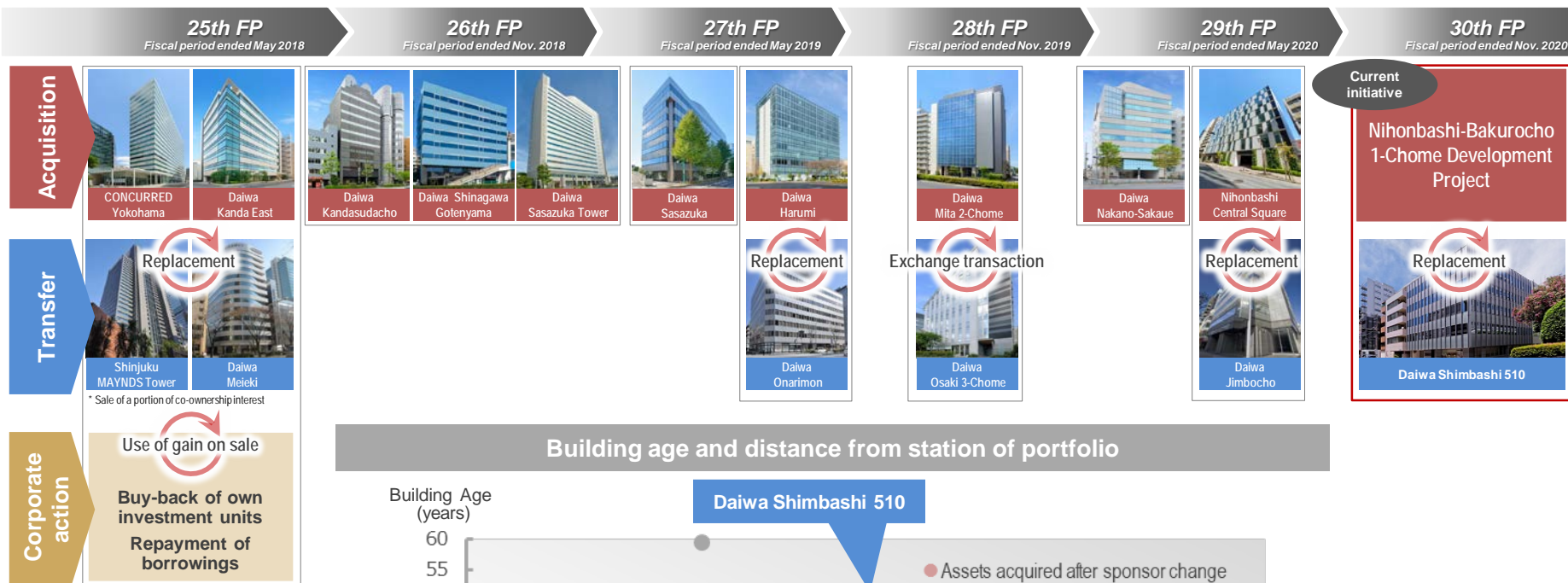
Date of Acquisition (scheduled)	November 13, 2020
Location/Distance from Station	Nihombashi-Bakurocho, Chuo-ku, Tokyo/1-minute walk from Bakurocho Station on the JR Sobu Line
Expected Acquisition Price after Completion of Building	5,607 million yen (scheduled)
Price of Land	3,775 million yen
Main Fees Related to Construction	1,832 million yen (scheduled)
Land Area/Total Floor Area after Completion of Building	620.93 m ² /4,842.30 m ²
Structure after Completion of Building	Steel-framed structure with flat roof, 10 stories above ground (scheduled)
Construction Date	November 2022 (scheduled)
NOI Yield Expected in a Normal Operation Period after Completion	4.1%

(Note) This figure is calculated by dividing the annualized NOI for the fiscal period ended May 2020 (29th fiscal period) by the transfer price. The figure has been rounded to the first decimal place.

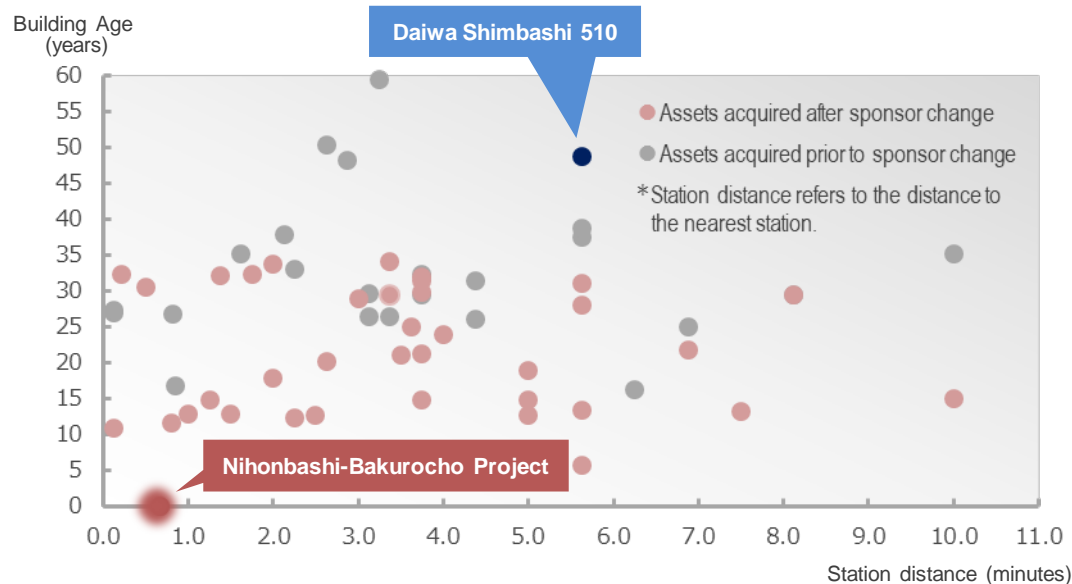
* For details of the properties, please refer to the following press releases: "Notice Concerning Acquisition and Conclusion of Agreements Concerning Development Project (Nihonbashi-Bakurocho 1-Chome Development Project)" dated October 21, 2020, and "Notice Concerning Divestment of Asset (Daiwa Shimbashi 510)" dated today.

Efforts to Improve the Portfolio Quality

Efforts to improve the portfolio quality over the last six fiscal periods



Building age and distance from station of portfolio



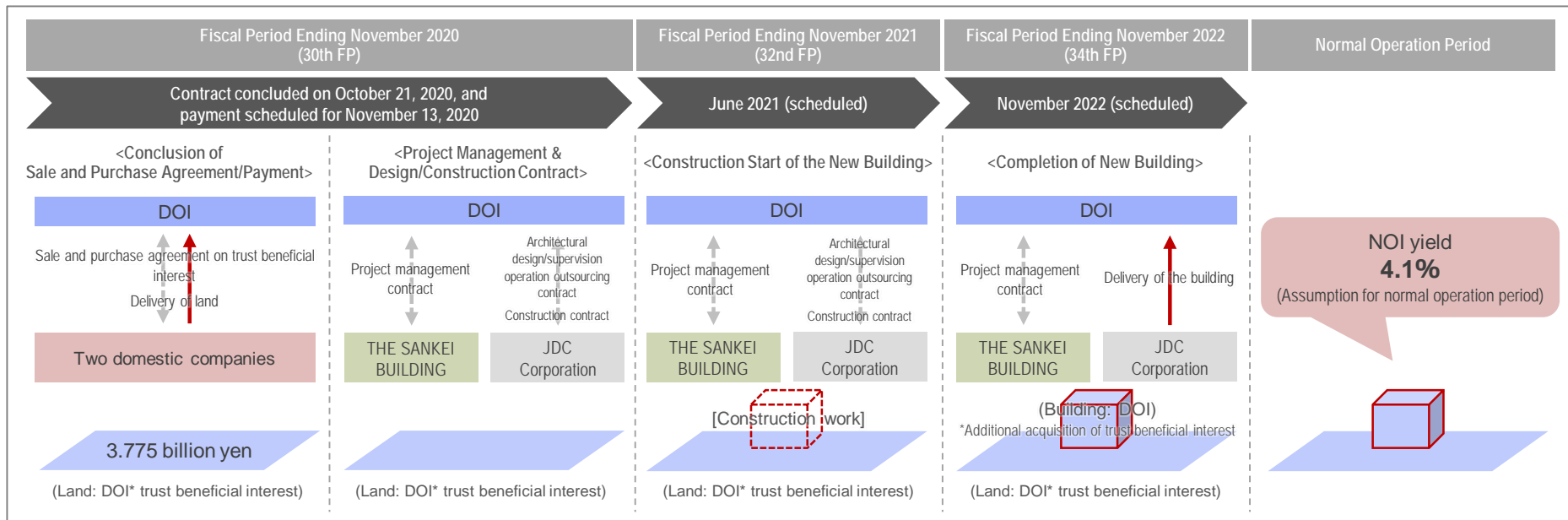


(Reference)

Efforts on First Development Project for the Investment Corporation

- This is the **first development** project for the Investment Corporation. In a context where the real estate transaction market remains competitive, 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.

This document is not material disclosed in compliance with the Financial Instruments and Exchange Act or any regulation of similar nature, nor is it intended for the purposes of solicitation. Daiwa Office Investment Corporation advises readers to make investment decisions at their own judgment.

