

November 9, 2020

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Notice Concerning Divestment of Asset (Daiwa Shimbashi 510)

Daiwa Office Investment Corporation (the “Investment Corporation”) hereby announces that Daiwa Real Estate Asset Management Co. Ltd., to which the Investment Corporation entrusts management of its assets (the “Asset Manager”), has decided today to divest trust beneficial interest in real estate (the “Divestment”) as follows.

1. Summary of the Divestment

Asset Name	Daiwa Shimbashi 510 (the “Property”)
Type of Asset	Trust beneficial interest in domestic real estate
Sale Price	2,530 million yen (excluding settlement amounts of fixed asset tax and city planning tax and consumption tax.)
Book Value	2,112 million yen (As of May 31, 2020)
Difference between Sale Price and Book Value	418 million yen (Note 1)
Date of Conclusion of Sales Agreement	November 9, 2020
Date of Delivery (scheduled)	November 12, 2020
Purchaser	Not disclosed (Note 2)
Payment Method	Lump-sum payment at the time of delivery

(Note 1) The figure differs from a capital gain from divestment. It is a simple calculation of difference between the sale price and the book value as of May 31, 2020, for reference.

(Note 2) The purchaser is a domestic corporation, but the name is not disclosed as consent for disclosure has not been obtained from the purchaser.

(Note 3) The intermediary for the Divestment 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 the “rules on conflicts of interest,” the Asset Manager’s internal regulations.

2. Reason for the Divestment

The Investment Corporation decided to conduct the Divestment 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 and improvement of medium- to long-term profitability can be expected through the replacement of Nihonbashi-Bakurocho 1-Chome Development Project, which is assumed to be developed as described in “Notice Concerning Acquisition and Conclusion of Agreements Concerning Development Project (Nihonbashi-Bakurocho 1-Chome Development Project)” announced on October 21, 2020, and the Property.

Since the Property is a 46-year-old property complying with outdated standards for earthquake resistance, the Investment Corporation carefully considered the declining competitiveness in future leasing with respect to competing properties in the surrounding area, response to the incurrence of medium- to long-term repair and renewal expenses, as well as risk factors that are likely to occur in the future as well as their impact.

Under such circumstances, the Investment Corporation judged that the Divestment is reasonable as the reconstruction of the Property by the Investment Corporation itself would have a significant impact on the Investment Corporation’s business performance requiring substantial time and costs for responding to existing tenants and demolishing/constructing the building, while such reconstruction is inevitable over the medium to long term.

Moreover, with regard to the Divestment, the Investment Corporation verified reconstruction plans proposed by multiple developers and comprehensively made the decision after comparing and considering possible options including the possibility of mutual transactions assuming asset replacement.

<p>Note: This press release has been prepared as a public announcement regarding the Investment Corporation’s divestment of an asset and has not been prepared with the aim of soliciting investments.</p>
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3. Details of the Asset to be Divested

Asset Name	Daiwa Shimbashi 510
Type of Specified Asset	Trust beneficial interest in domestic real estate
Trustee	Sumitomo Mitsui Trust Bank, Limited.
Maturity of Trust Period	October 31, 2025
Location (Address)	5-10-5 Shimbashi, Minato-ku, Tokyo
Use (Real Property Registry)	Store, office, car park
Ownership Form	(i) Land: Ownership (ii) Building: Ownership
Site Area (Real Property Registry)	626.18 m ²
Total Floor Area (Real Property Registry)	3,653.19 m ²
Structure (Real Property Registry)	Steel framed reinforced concrete structure flat roof, 8 stories above ground and 1 below
Construction Date (Real Property Registry)	April 15, 1974
Book Value	2,112 million yen (as of May 31, 2020)
Appraisal Value (Date of Valuation)	2,530 million yen (as of May 31, 2020)
Appraiser	JLL Morii Valuation & Advisory K.K.
Date of Delivery (scheduled)	November 12, 2020
Summary of Tenants (as of September 30, 2020)	
Total Number of Tenants	7
Rent Revenue	76 million yen (Note)
Security Deposit and Guaranty	82,773,350 yen
Total Leased Floor Space	2,595.76 m ²
Total Leasable Floor Space	2,595.76 m ²
Occupancy Rate	100.0%

(Note) Rent revenue is for the fiscal period ended May 2020 (from December 1, 2019, to May 31, 2020).

4. Details of the Purchaser

The purchaser is a domestic corporation. However, since consent on disclosure of its name, etc. has not been obtained, such information is not disclosed. There is no relationship required to be disclosed between the Investment Corporation/Asset Manager and the purchaser in terms of capital, personnel and business. The Divestment is not one to any persons having a special interest in the Investment Corporation or the Asset Manager.

5. Future Prospects

Gain from sale of real estate properties (approximately 330 million yen) from the Divestment is scheduled to be recorded in the fiscal period ending November 2020 (30th fiscal period). However, because almost the entire amount is scheduled to be retained as reserve for reduction entry, the impact on the management status and distribution for the said fiscal period is expected to be minimal. In addition, as the impact on the management status and distribution forecasts for the fiscal period ending May 2021 (31st fiscal period) is minimal, there are presently no revisions to the previously released forecasts.

The proceeds from the Divestment are scheduled to be allocated in part to fund the acquisition of the land for the development of Nihonbashi-Bakurocho 1-Chome as announced in "Notice Concerning Acquisition of Asset and Conclusion of Agreements Concerning Development of Asset (Nihonbashi-Bakurocho 1-Chome Development Project)" announced on October 21, 2020. As of today, the scheduled date of acquisition of the Nihonbashi-Bakurocho 1-Chome Development Site (land) is scheduled to be November 13, 2020.

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6. Summary of Appraisal Report

Appraiser	JLL Morii Valuation & Advisory K.K.	
Appraisal Date	May 31, 2020	
Appraised Value	2,530 million yen	
Items	(million yen) (Note 1)	Outline, etc.
Income Approach Value	2,530	Estimated equally based on direct capitalization value and discounted cash flow value.
Direct Capitalization Value	2,570	
(1) Operating Revenue	150	
Potential Annual Rent Revenue	158	Assessed rent which is stable over the medium to long term, etc.
Amount of Loss due to Vacancy	7	Assessed by taking into account the standard vacancy rate and specific factors of the subject property.
(2) Operating Expenses	43	
Maintenance and Operation Cost	16	Assessed based on actual historical data and the level of peer properties.
PM Fee	(Note 2)	
Water & Utility Charges	9	Assessed based on actual historical data and the level of peer properties.
Repair	2	Referred to the ER estimate, assessed as 30% of the levelled amount.
Leasing Fee	1	Amount equivalent to new monthly rent for 1.2 months.
Tax	12	Based on actual historical amount.
Non-life Insurance	0	Deemed actual amount as being appropriate.
Others	0	
(3) Net Operating Revenue	107	
(4) Profit from deposits/guarantees	0	Return yield is assumed at 1.0%.
(5) Capital Expenditures	5	Amount equivalent to 70% of the levelled amount based on the estimate on the ER.
(6) Net Revenue ((3)+(4)-(5))	102	
(7) Capitalization Rate	4.0%	Assessed by reflecting fluctuation risks of income and principal in the discount rate.
Discounted Cash Flow Value	2,480	
Discount Rate	3.8%	Assessed by comprehensively taking into account the market trends, etc. after considering the regional factors, specific factors, etc. of the subject property.
Terminal Capitalization Rate	4.2%	Assessed considering future uncertainties, deterioration of buildings and divestment risks, based on capitalization rate.
Integrated Value by Using Cost Method	2,450	
Ratio of Land	91.1%	
Ratio of Building	8.9%	
Other, things appraiser noted upon valuation		—

(Note 1) The above revenue and expenses are based on the appraisal report and are not the figures forecasted by the Investment Corporation or the Asset Manager.

(Note 2) With no prospective PM's permission given for a specific disclosure of the PM fees, there is no disclosure of the breakdown of the fees. Disclosure of the PM fee figures in a specific manner may cause adverse effects on other business operations of the prospective PM, leading to bring about negative impact on the planned efficient operation based on the maintenance policy of the investment-target property of the Investment Corporation that the Investment Corporation is to contract with the PM. This may in return further cause adverse effects on unitholders' interest. Therefore, the figure presented in this column is calculated together with maintenance and operation costs.

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[Reference Material] 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 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	14.4%
	Daiwa SHIBUYA EDGE	Jul 13, 2007	5,900.0	1.3%
	Daiwa Kodenmachi	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	5.2%
	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%
	Nihonbashi Central Square	May 21, 2020	3,521.5	0.8%
	Nihonbashi-Bakurocho 1-Chome Development Site (land)	Nov 13, 2020 (Scheduled)	3,775.0 (note 5)	0.8%
Total Number of Properties located in Five Central Wards of Tokyo: 50			374,758.7	80.6%
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	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: 60			464,878.2	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 the 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) The acquisition price indicates that of the development site. For more details, please refer to "Notice Concerning Acquisition of Asset and Conclusion of Agreements Concerning Development of Asset (Nihonbashi-Bakurocho 1-Chome Development Project)" announced on October 21, 2020.

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

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