

December 23, 2020

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Notice Concerning Divestment of Asset (Daiwa Kyobashi)

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 Kyobashi (the “Property”) |
| Type of Asset | Trust beneficial interest in domestic real estate |
| Sale Price | 4,200 million yen (excluding settlement amounts of fixed asset tax and city planning tax and consumption tax.) |
| Book Value | 3,152 million yen (As of May 31, 2020) |
| Difference between Sale Price and Book Value | 1,048 million yen (Note 1) |
| Date of Conclusion of Sales Agreement | December 23, 2020 |
| Date of Delivery | December 23, 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 the Divestment in line with its management policy, comprehensively taking into account the characteristics of the Property, measures on return of profits to unitholders, current and future portfolio strategy and trends in real estate market conditions for the improvement of unitholder value.

Since the Property is a 46-year-old property complying with outdated standards for earthquake resistance, the Investment Corporation carefully considered the declining competitiveness in future leasing with respect to competing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 among all possible options such as reconstruction by the Investment Corporation or asset replacement, comprehensively taking into account viewpoints including various risks and profitability of respective measures.

3. Details of the Asset to Be Divested

| | |
|---|---|
| Asset Name | Daiwa Kyobashi |
| Type of Specified Asset | Trust beneficial interest in domestic real estate |
| Trustee | Mitsubishi UFJ Trust and Banking Corporation |
| Maturity of Trust Period | June 30, 2026 |
| Location (Address) | 4-3-3 Hatchobori, Chuo-ku, Tokyo |
| Use (Real Property Registry) | Office |
| Ownership Form | (i) Land: Ownership (ii) Building: Sectional Ownership (100% sectional ownership interest) |
| Site Area (Real Property Registry) | 596.19 m ² |
| Total Floor Area (Real Property Registry) | 4,069.15 m ² (total floor area of the whole building) |
| Structure (Real Property Registry) | Steel framed reinforced concrete structure flat roof, 8 stories above ground and 1 below |
| Construction Date (Real Property Registry) | October 28, 1974 (Note 1) |
| Book Value | 3,152 million yen (May 31, 2020) |
| Appraisal Value (Date of Valuation) | 3,450 million yen (as of May 31, 2020) |
| Appraiser | JLL Morii Valuation & Advisory K.K. |
| Date of Delivery | December 23, 2020 |
| Summary of Tenants (as of October 31, 2020) | |
| Total Number of Tenants | 10 |
| Rent Revenue | 103 million yen (Note 2) |
| Security Deposit and Guaranty | 127,496,645 yen |
| Total Leased Floor Space | 3,265.83 m ² |
| Total Leasable Floor Space | 3,265.83 m ² |
| Occupancy Rate | 100.0% |

(Note 1) Date of issuance of inspection certificate is indicated as the construction period is not indicated in a copy of real estate registry for the building.

(Note 2) 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, because 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 relationships. The Divestment is not a transaction with any persons having a special interest in the Investment Corporation or the Asset Manager.

5. Future Prospects

The Divestment of the Property has no impact on the management status for the fiscal period ended November 2020 (30th fiscal period) as the delivery is taking place on December 23, 2020.

Gain from sale of real estate properties (approximately 1,036 million yen) from the Divestment is scheduled to be recorded in the fiscal period ending May 2021 (31st fiscal period). Almost the entire amount is scheduled to be allocated to internal reserves, but is yet to be determined at present. The impact on the management status and distribution for the said fiscal period is currently being evaluated along with the management status of existing properties, and they are scheduled to be announced at the time of announcement of the final accounts for the fiscal period ended November 2020 (30th Fiscal Period), which is scheduled to be announced on January 20, 2021.

6. Summary of Appraisal Report

| Appraiser | JLL Morii Valuation & Advisory K.K. | |
|--|-------------------------------------|---|
| Appraisal Date | May 31, 2020 | |
| Appraised Value | 3,450 million yen | |
| Items | (million yen) (Note 1) | Outline, etc. |
| Income Approach Value | 3,450 | Estimated equally based on direct capitalization value and discounted cash flow value. |
| Direct Capitalization Value | 3,490 | |
| (1) Operating Revenue | 197 | |
| Potential Annual Rent Revenue | 207 | Assessed rent, which is stable over the medium to long term, etc. |
| Amount of Loss due to Vacancy | 10 | Assessed by taking into account the standard vacancy rate and specific factors of the subject property. |
| (2) Operating Expenses | 48 | |
| Maintenance and Operation Cost | 11 | Assessed based on actual historical data and the level of peer properties. |
| PM Fee | (Note 2) | |
| Water & Utility Charges | 16 | 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 | 15 | Based on actual historical amount. |
| Non-life Insurance | 0 | Deemed actual amount, etc. as being appropriate. |
| Others | 0 | |
| (3) Net Operating Revenue | 148 | |
| (4) Profit from deposits/guarantees | 1 | Return yield is assumed at 1.0%. |
| (5) Capital Expenditures | 6 | Amount equivalent to 70% of the levelled amount based on the estimate on the ER. |
| (6) Net Revenue ((3)+(4)-(5)) | 143 | |
| (7) Capitalization Rate | 4.1% | Assessed by reflecting fluctuation risks of income and principal in the discount rate. |
| Discounted Cash Flow Value | 3,400 | |
| Discount Rate | 3.9% | 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 | 4.3% | Assessed considering future uncertainties, deterioration of buildings and divestment risks, based on capitalization rate. |
| Integrated Value by Using Cost Method | 2,510 | |
| Ratio of Land | 91.2% | |
| Ratio of Building | 8.8% | |
| 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.

[Reference Material] Portfolio Overview After the Divestment

| 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 | 3.1% |
| | 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 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 | 14.5% |
| | 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 | 5.2% |
| | 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 | 3.5% |
| | Daiwa River Gate | Jun 2, 2015 | 28,000.0 | 6.1% |
| | Daiwa Hatchobori ekimae | Sep 11, 2015 | 2,871.0 | 0.6% |

| 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 | 3.0% |
| | 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 | 3.4% |
| | Daiwa Sasazuka | Dec 27, 2018 | 3,000.0 | 0.7% |
| | 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 | Nov 13, 2020 | 3,775.0 (note 5) | 0.8% |
| Total Number of Properties located in Five Central Wards of Tokyo: 49 | | | 371,298.7 | 80.5% |
| 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 | 8.3% |
| | 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 | 17.5% |
| Major Regional Cities (Note 3) | Daiwa Kitahama | Aug 1, 2014 | 9,481.5 | 2.1% |
| Total Number of Properties located in Major Regional Cities: 1 | | | 9,481.5 | 2.1% |
| Total Number of Properties: 59 | | | 461,418.2 | 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/>