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Notice Concerning Nihonbashi-Bakurocho 1-Chome Development Project (Follow-Up)

Daiwa Office Investment Corporation (the “Investment Corporation”) hereby announces that, concerning Nihonbashi-Bakurocho 1-Chome Development Project (the “Project”) announced in “Notice Concerning Acquisition and Conclusion of Agreements Concerning Development Project (Nihonbashi-Bakurocho 1-Chome Development Project)” dated October 21, 2020 (the “News Release dated October 21, 2020”), it has decided to conclude a construction change contract for changing the construction costs in line with the partial change to the specifications of the building, and there has been a change to the details disclosed in the News Release dated October 21, 2020, as described in 1 below. The Investment Corporation will continue to update the status of progress of the Project.

1. Details of the Change

(Changes are underlined.)

① 6. Overview of the Project (Before the change)

After development, the building is planned to have 10 floors above ground with a gross floor area of 4,842.30 m², 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.

Property Overview After Completion of the Building (Note 1)

| | | |
|----------------------|--|---|
| | Expected Acquisition Price | <u>5,607million yen</u> |
| | Price of Land | 3,775million yen |
| | Main Fees Related to Construction (Note 2) | <u>1,832million yen</u> |
| Building (Note 3) | Structure | Steel framed structure flat roof, 10 stories above ground |
| | Construction Date | November 2022 (Planned) |
| | Building Area | <u>485.52 m²</u> |
| | Gross Floor Area | <u>4,842.30 m²</u> |
| | Total Leasable Space | <u>3,530.65 m²</u> |
| | 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.

(After the change)

After development, the building is planned to have 10 floors above ground with a gross floor area of 4,894.14 m², and a leasable area of approximately 118 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.

Property Overview After Completion of the Building (Note 1)

| | | |
|----------------------|--|---|
| | Expected Acquisition Price | <u>5,736million yen</u> |
| | Price of Land | 3,775million yen |
| | Main Fees Related to Construction (Note 2) | <u>1,961million yen</u> |
| Building (Note 3) | Structure | Steel framed structure flat roof, 10 stories above ground |
| | Construction Date | November 2022 (Planned) |
| | Building Area | <u>485.20 m²</u> |

| | | |
|--|----------------------|-------------------------------|
| | Gross Floor Area | <u>4,894.14 m²</u> |
| | Total Leasable Space | <u>3,677.63 m²</u> |
| | 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.

② 7. Impact on Management Status

I. Construction Costs

(Before the change)

(Previous section omitted)

The main expenses 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.

(Following section omitted)

(After the change)

(Previous section omitted)

The main expenses related to construction (the "Construction Costs") of the Project are currently expected to be a total of 1,961 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.

(Following section omitted)

II. Expected Revenue and Expenses of the Project

(Before the change)

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 | <u>293 million yen</u> |
| NOI (Note 2) | <u>228 million yen</u> |
| NOI Yield (Based on Expected Acquisition Price (Note 3)) | <u>4.1%</u> |

(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.

(After the change)

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 | <u>305 million yen</u> |
| NOI (Note 2) | <u>239 million yen</u> |
| NOI Yield (Based on Expected Acquisition Price (Note 3)) | <u>4.2%</u> |

(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.

2. (Reference) Project Schedule

| | |
|---|--------------------------------|
| Conclusion of Design Supervision and Construction Contracts | October 21, 2020 |
| Scheduled Building Certification Date | May 31, 2021 |
| New Construction Work (expected) | June 10, 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.

3. Future Prospect

As the Project is scheduled to be completed in November 2022, the impact of the Project and the conclusion of the construction change contract this time on the management status forecast for the fiscal period ending May 2021 (31st fiscal period) and the fiscal period ending November 2021 (32nd fiscal period) is minimal, and there are no revisions to previously released forecasts.

(Reference press release)

- As of October 21, 2020 “Notice Concerning Acquisition and Conclusion of Agreements Concerning Development Project (Nihonbashi-Bakurocho 1-Chome Development Project)”
- As of November 13, 2020 “Notice Concerning Completion of Acquisition of Trust Beneficial Interest in Domestic Real Estate”

- End -

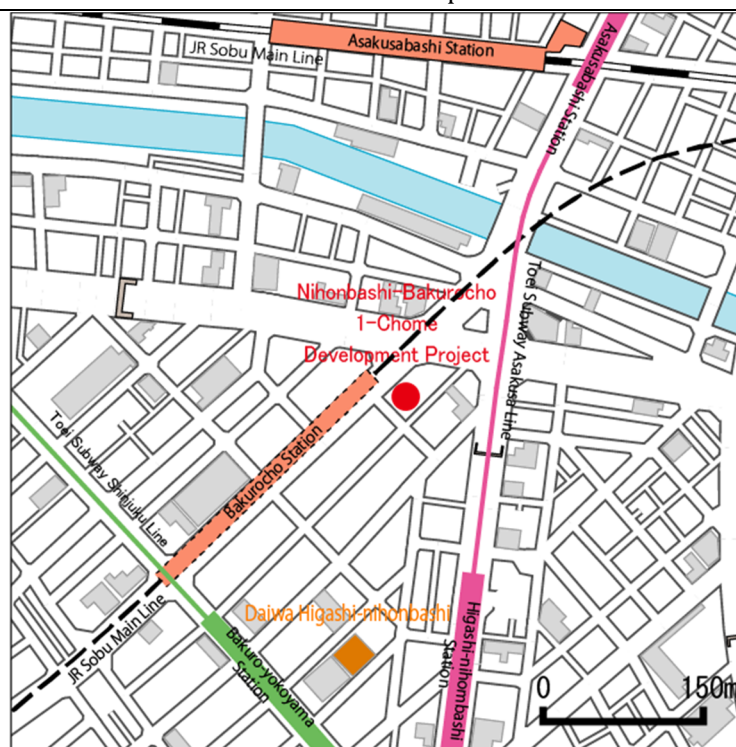
【Reference Material】 Graphic rendering of the completed project/Map

« Graphic rendering of the completed project (Note) »



(Note) The above is an architectural rendering prepared based on the expected building after development and may differ from the actual building.

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