

November 21, 2022

REIT Issuer: Daiwa Office Investment Corporation (Stock Code No.: 8976)
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Notice Concerning Divestment of Asset (Daiwa SHIBUYA EDGE)

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 SHIBUYA EDGE (the “Property”)
Type of Asset	Trust beneficial interest in domestic real estate
Sale Price	7,313 million yen (excluding settlement amounts of fixed asset tax and city planning tax and consumption tax.)
Book Value	5,547 million yen (As of May 31, 2022)
Difference between Sale Price and Book Value	1,765 million yen (Note 1)
Date of Conclusion of Sales Agreement	November 21, 2022
Scheduled Delivery Date	December 21, 2022
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, 2022, 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.

* 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 acquisition of the Property, the property has maintained stable operations while replacing some tenants, contributing to the stability of the portfolio. In light of the current status of the management of the portfolio, after considering the level of yields on the property and potential for future stability and growth, it was determined that the Divestment is expected to be at a price significantly higher than the latest book value and real estate appraisal value. Therefore, it was determined that the evaluation of the property in the current trading market should be actualized and the profit from the Divestment should be returned to investors to stabilize the distribution, thereby contributing to the enhancement of investment value.

3. Details of the Asset to Be Divested

Asset Name	Daiwa SHIBUYA EDGE
Type of Specified Asset	Trust beneficial interest in domestic real estate
Trustee	Sumitomo Mitsui Trust Bank, Limited
Maturity of Trust Period	August 31, 2025
Location (Address)	10-3 Udagawacho, Shibuya-ku, Tokyo
Use (Real Property Registry)	Office / Store / Parking
Ownership Form	Ownership
Site Area (Real Property Registry)	527.65 m ²
Total Floor Area (Real Property Registry)	3,022.33 m ²
Structure (Real Property Registry)	Reinforced concrete structure flat roof, 9 stories above ground and 1 below
Construction Date (Real Property Registry)	August 30, 2006
Book Value	5,547 million yen (May 31, 2022)
Appraisal Value (Date of Valuation)	5,480 million yen (as of May 31, 2022)
Appraiser	JLL Morii Valuation & Advisory K.K.
Date of Delivery	December 21, 2022
Summary of Tenants (as of September 30, 2022)	
Total Number of Tenants	5
Rent Revenue	95 million yen (Note)
Security Deposit and Guaranty	196 million yen
Total Leased Floor Space	2,480.65 m ²
Total Leasable Floor Space	2,480.65 m ²
Occupancy Rate	100.0%

(Note) Rent revenue is for the fiscal period ended May 2022 (from December 1, 2021, to May 31, 2022).

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 2022 (34th fiscal period) as the delivery is taking place on December 21, 2022. Gain from sale of real estate properties (approximately 1,518 million yen) from the Divestment is scheduled to be recorded in the fiscal period ending May 2023 (35th fiscal period). A portion of the gain is scheduled to be allocated to internal reserves, but is yet to be determined at present. The amount of internal reserves is currently being examined in conjunction with the increase in utilities charges due to the rise in energy prices and the management status of existing properties. The impact on the management status and distribution for the said fiscal period is currently being evaluated, and they are scheduled to be announced at the time of announcement of the final accounts for the fiscal period ended November 2022 (34th Fiscal Period), which is scheduled to be announced on January 20, 2023. In the event of any future revisions to laws, regulations, taxation systems, accounting standards, etc., the calculation will be based on the content of such revisions.

6. Summary of Appraisal Report

Appraiser	JLL Morii Valuation & Advisory K.K.	
Appraisal Date	May 31, 2022	
Appraised Value	5,480 million yen	
Items	(million yen) (Note 1)	Outline, etc.
Income Approach Value	5,480	Estimated equally based on direct capitalization value and discounted cash flow value.
Direct Capitalization Value	5,590	
(1) Operating Revenue	240	
Potential Annual Rent Revenue	253	Assessed rent, which is stable over the medium to long term, etc.
Amount of Loss due to Vacancy	12	Assessed by taking into account the standard vacancy rate and specific factors of the subject property.
(2) Operating Expenses	49	
Maintenance and Operation Cost	13	Assessed based on actual historical data and the level of peer properties.
PM Fee	(Note 2)	
Water & Utility Charges	13	Assessed based on actual historical data and the level of peer properties.
Repair	1	Referred to the ER estimate, assessed as 30% of the levelled amount.
Leasing Fee	2	Amount equivalent to new monthly rent for 1.2 months.
Tax	17	Based on actual historical amount.
Non-life Insurance	0	Deemed actual amount, etc. as being appropriate.
Others	0	
(3) Net Operating Revenue	190	
(4) Profit from deposits/guarantees	1	Return yield is assumed at 1.0%.
(5) Capital Expenditures	2	Amount equivalent to 70% of the levelled amount based on the estimate on the ER.
(6) Net Revenue ((3)+(4)-(5))	190	
(7) Capitalization Rate	3.4%	Assessed by reflecting fluctuation risks of income and principal in the discount rate.
Discounted Cash Flow Value	5,370	
Discount Rate	3.2%	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	3.6%	Assessed considering future uncertainties, deterioration of buildings and divestment risks, based on capitalization rate.
Integrated Value by Using Cost Method	4,020	
Ratio of Land	91.3%	
Ratio of Building	8.7%	
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 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 PM, resulting in a 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 turn further cause adverse effects on unitholders' interests. 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 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%
	Shinjuku Maynds Tower	Jul 13/ Nov 26, 2007	66,900.0	14.5%
	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%
	Daiwa Shibuya Shinsen	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%
	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%

Region	Name of Property	Date of Acquisition	Acquisition Price (million yen)	Investment Ratio (Note 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 (land)	Nov 13, 2020	3,775.0 (note 5)	0.8%
	Daiwa Kandabashi	Sep. 29, 2021	1,970.0	0.4%
	Kandasudacho 2-Chome Development Site (land)	Oct. 20, 2021	10,600.0 (note 6)	2.3%
Total Number of Properties located in Five Central Wards of Tokyo: 48			370,508.7	80.4%
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	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: 58			460,628.2	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) Only the acquisition price for development sites is indicated. For more details, please refer to "Notice Concerning Acquisition and Conclusion of Agreements Concerning Development Project (Nihonbashi-Bakurocho 1-Chome Development Project)" announced on October 21, 2020 and "Notice Concerning Nihonbashi-Bakurocho 1-Chome Development Project (Follow-Up)" announced on May 20, 2021.

(Note 6) Only the acquisition price for development sites is indicated. For more details, please refer to "Notice Concerning Asset Replacement and Conclusion of Agreements Concerning Development Project with World Holdings Group (Kandasudacho 2-Chome Development Project)" announced on October 20, 2021 and "Notice Concerning Partial Amendments to the Disclosed Matter of Kandasudacho 2-Chome Development Project" announced on June 21, 2022.

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