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February 27, 2019

REIT Issuer: Daiwa Office Investment Corporation (Stock Code No.: 8976)  
Representative: Motoi Takahashi, Executive Director

Asset Manager: Daiwa Real Estate Asset Management Co. Ltd.  
Representative: Akira Yamanouchi, President and Representative Director  
Inquiries to: Kentaro Azumi, General Manager, Corporate Division  
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### **Notice Concerning Divestment of Asset (Daiwa Onarimon Building)**

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 determined today to divest a trust beneficial interest in real estate as follows.

#### **1. Summary of Asset to be Divested**

|  |   |
|--|---|
| Asset Name   | Daiwa Onarimon Building (the “Property”)  |
| Type of Asset  | Trust beneficial interest in domestic real estate   |
| Sale Price (scheduled)   | 13,700 million yen (excluding settlement amounts of fixed asset tax and city planning tax, consumption tax and local consumption tax) |
| Book Value   | 13,504 million yen (November 30, 2018)  |
| Difference between the Sale Price (scheduled) and the Book Value | 195 million yen (Note)  |
| Date of Conclusion of Sales Agreement                            | February 28, 2019   |
| Date of Delivery (scheduled)                                     | February 28, 2019   |
| Purchaser  | Daiwa Property Co., Ltd.  |
| Payment Method   | Lump-sum payment at the time of delivery  |
| Intermediary   | -   |

(Note) The figure differs from a capital gain from divestment. It is a simple calculation of difference between the sale price (scheduled) and the book value as of November 30, 2018 for reference.

#### **2 Reason for Divestment**

The Investment Corporation decided to divest the Property in line with its management policy by comprehensively taking into account the characteristics of the Property, measures on return of profits to unitholders, current and future portfolio strategy and the trend of the real estate market condition for the improvement of unitholder value.

Since the Property is a 45-year-old property complying with outdated earthquake resistance standards, the Investment Corporation carefully considered the declining competitiveness in future leasing with respect to competing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 and their impact.

Under such circumstances, the Investment Corporation judged that it is reasonable to divest the Property as the reconstruction of the Property by the Investment Corporation itself will have a significant impact on the Investment Corporation’s business performance while such reconstruction is inevitable over the medium to long term and because the various risks associated with the development cannot be eliminated completely even when selling the building and continuing to own the land.

Note: This press release has been prepared as a public announcement regarding the Investment Corporation’s divestment of an asset and not prepared with the aim of soliciting investments.

Moreover, with regard to the divestment of the Property, the Investment Corporation inspected properties (projects) proposed by multiple developers, etc. and comprehensively judged the impact on the Investment Corporation's business performance, the possibility of mutual transactions assuming asset replacement, the possibility of acquisition of assets after reconstruction, sale price, assumed divestment schedule and the accuracy of settlement.

As a result, a sponsor support agreement was concluded for the Property, leading to divestment to Daiwa Property Co., Ltd., which is a member of Daiwa Securities Group expected to obtain information on the divestment of properties after reconstruction.

### 3. Details of the Asset to be Divested

|  |  |
|--|--|
| Asset Name                                   | Daiwa Onarimon Building  |
| Type of Specified Asset                      | Trust beneficial interest in domestic real estate                                    |
| Trustee                                      | Mizuho Trust & Banking Co., Ltd.   |
| Maturity of Trust Period                     | December 31, 2026  |
| Location (Address)                           | 6-1-11 Shimbashi, Minato-ku, Tokyo   |
| Use (Real Property Registry)                 | Office   |
| Ownership Form                               | (i) Land: Ownership<br>(ii) Building: Ownership (Ratio of sectional ownership: 100%) |
| Site Area (Real Property Registry)           | 1,990.40 m <sup>2</sup>  |
| Total Floor Area (Real Property Registry)    | 13,805.18 m <sup>2</sup>   |
| Structure (Real Property Registry)           | Steel framed reinforced concrete structure flat roof, 9 stories above ground         |
| Construction Date (Real Property Registry)   | Initial construction: April 13, 1973<br>Extension: November 15, 1974                 |
| Book Value                                   | 13,504 million yen (November 30, 2018)   |
| Appraisal Value (Date of Valuation)          | 13,700 million yen (as of November 30, 2018)   |
| Appraiser                                    | JLL Morii Valuation & Advisory K.K.  |
| Date of Delivery (scheduled)                 | February 28, 2019  |
| Summary of Tenants (as of December 31, 2018) |  |
| Total Number of Tenants                      | 7  |
| Rent Revenue                                 | 355 million yen (Note)   |
| Security Deposit and Guaranty                | 523,593,455 yen  |
| Total Leased Floor Space                     | 11,189.69 m <sup>2</sup>   |
| Total Leasable Floor Space                   | 11,614.92 m <sup>2</sup>   |
| Occupancy Rate                               | 96.3%  |

(Note) Rent revenue is for the fiscal period ended November 2018 (from June 1, 2018 to November 30, 2018).

### 4. Details of the Purchaser

|   |  |
|---|--|
| (1) Name  | Daiwa Property Co., Ltd.   |
| (2) Address   | 1-2-1 Kyobashi, Chuo-ku, Tokyo   |
| (3) Title/Name of Representative                                | President and CEO Shinya Kusaba  |
| (4) Nature of Business  | 1. Holding and lease of real estate at stores and offices of companies in Daiwa Securities Group and maintenance and management of facilities<br>2. Sale and purchase, intermediation and lease of real estate and trust beneficial interests in real estate<br>3. Consulting of real estate and building management<br>4. Real estate appraisal   |
| (5) Stated Capital  | 100 million yen  |
| (6) Sales   | Not disclosed as consent for disclosure of sales has not been obtained from the purchaser  |
| (7) Date of Incorporation                                       | January 22, 1954   |
| (8) Net Assets  | The purchaser has not agreed to disclose net assets  |
| (9) Total Assets  | The purchaser has not agreed to disclose total assets  |
| (10) Major Shareholder  | Daiwa Securities Group Inc.  |
| (11) Relationship with the Investment Corporation/Asset Manager |  |
| Capital Relationship  | The purchaser is a subsidiary of Daiwa Securities Group Inc. (investment ratio: 99.4%), which is a parent company of the Asset Manager (investment ratio: 100%), and falls under interested persons, etc. stipulated in the Act on Investment Trusts and Investment Corporations (the "Investment Trust Act"). There is no capital relationship to be stated between the Investment Corporation and the purchaser, but Daiwa Securities Group Inc., which is a parent company of the purchaser, holds 59,321 units (12.1%) of the Investment Corporation's investment units. |
| Personnel Relationship  | There is no personnel relationship to be stated between the Investment Corporation/Asset Manager and the purchaser. Furthermore, there is no personnel relationship to be stated between the affiliated parties and the  |

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|  |   |  |
|--|---|--|
|  |   | affiliated companies of the purchaser and those of the Investment Corporation/Asset Manager. Directors and employees of the Asset Manager include seconded staff from Daiwa Securities Group Inc.  |
|  | Business Relationship                     | There is no business relationship to be stated between the Investment Corporation/Asset Manager and the purchaser. Daiwa Securities Group Inc., which is a parent company of the purchaser, has concluded a sponsor support agreement with the Asset Manager and is a supplier of information on properties. |
|  | Status of Classification as Related Party | The purchaser is a subsidiary of Daiwa Securities Group Inc., which is a parent company of the Asset Manager, and falls under a Related Party.   |

## 5. Status of the Purchaser of the Property

The purchaser of the Property is a subsidiary of Daiwa Securities Group Inc., which is a parent company of the Asset Manager. As the purchaser falls under interested persons, etc. stipulated in the Investment Trust Act and interested persons in the rules for preventing conflicts of interest, which is an internal rule of the Asset Manager, the Asset Manager has taken decision-making procedures defined in the rules for preventing conflicts of interest when implementing transactions with the purchaser for acquiring the Assets to be Acquired.

Moreover, the approval process at the Board of Directors meeting has been omitted as the transaction falls under the transaction listed in Article 245-2, Paragraph 1 of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations.

## 6. Status of the Intermediary

Not applicable

## 7. Future Prospects

The impact of the divestment of the Property on the management status forecast for the fiscal period ending May 2019 (27th fiscal period) and the fiscal period ending November 2019 (28th fiscal period) has been reflected as properties assumed to be divested in the “REIT Financial Report for the 26th Fiscal Period” announced on January 21, 2019, and there are no revisions to the forecasts. In addition, a gain from sale of real estate properties obtained by the divestment of the Property (approximately 143 million yen) will be recorded in the fiscal period ending May 2019 (27th fiscal period), but the entire amount is scheduled to be retained as reserve for reduction entry. Moreover, as for the acquisition of Glass City Harumi announced separately on February 27, 2019, the impact on the management status forecast for the fiscal period ending May 2019 (27th fiscal period) and the fiscal period ending November 2019 (28th fiscal period) is not significant, and there are presently no revisions to the previously released forecasts.

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**8. Summary of Appraisal Report**

|                 |                                     |
|-----------------|-------------------------------------|
| Appraiser       | JLL Morii Valuation & Advisory K.K. |
| Appraisal Date  | November 30, 2018                   |
| Appraised Value | 13,700 million yen                  |

| Items  | (million yen)<br>(Note 1) | Outline, etc.  |
|--|---------------------------|--|
| Income Approach Value                        | 13,700                    | Based on direct capitalization method with reference to DCF method.  |
| Direct Capitalization Value                  | 14,000                    |  |
| (1) Operating Revenue                        | 729                       |  |
| Potential Annual Rent Revenue                | 768                       | Assessed rent which is stable over the medium to long term with reference to the current contract and actual historical data of peer properties, etc.  |
| Amount of Loss due to Vacancy                | 38                        | Estimated stable vacancy rate for the medium to long term and recorded amount of loss due to vacancy for rent income, water and utility charges income and other income.   |
| (2) Operating Expenses                       | 173                       |  |
| Maintenance and Operation Cost               | 32                        | Assessed with reference to the current contract and maintenance and operation cost of peer properties.   |
| PM Fee                                       | (Note 2)                  |  |
| Water & Utility Charges                      | 48                        | Recorded stable water and utility charges over the medium to long term based on actual historical data of the past fiscal year with reference to actual historical data of peer properties.  |
| Repair                                       | 11                        | Judging the estimate on the ER to be appropriate with reference to the levels of those for peer properties, recorded 30% of the levelled amount.   |
| Leasing Fee                                  | 6                         | Assessing cancellation rate taking into account the actual vacancy rate of the past fiscal year and estimated vacancy rate, assessed tenant solicitation fees, renewals fees, etc. arising upon tenant replacement based on the scheduled contract and local practices.  |
| Tax  | 74                        | Based on actual historical data.   |
| Non-life Insurance                           | 0                         | Deemed actual amount as being appropriate  |
| Others                                       | 0                         |  |
| (3) Net Operating Revenue                    | 556                       |  |
| (4) Profit from deposits/guarantees          | 4                         | Return yield is assumed at 1.0%.   |
| (5) Capital Expenditures                     | 26                        | Amount equivalent to 70% of the levelled amount based on the estimate on the ER, after also considering CM fees.   |
| (6) Net Revenue ((3)+(4)-(5))                | 533                       |  |
| (7) Capitalization Rate                      | 3.8%                      | Assessed by reflecting fluctuation risks of income and principal in the discount rate with reference to capitalization rate of J-REIT which is deemed to possess a certain degree of canonicity with the property.   |
| Discounted Cash Flow Value                   | 13,400                    |  |
| Discount Rate                                | 3.6%                      | Assessed, comprehensively taking into account the investors survey, REIT cases, market trends in the transaction market, etc. after considering risk factors of the property associated with regional/individual characteristics, including conditions of location, building and contract as well as rights relations, etc., using Class A buildings in Tokyo's Marunouchi/Otemachi area for base yield, based on the interest rate trends of long-term government bonds, etc. |
| Terminal Capitalization Rate                 | 4.0%                      | Assessed considering uncertainty of future net revenue forecasts, future deterioration of buildings and divestment risks, based on capitalization rate.  |
| Integrated Value by Using Cost Method        | 13,200                    |  |
| Ratio of Land                                | 95.3%                     |  |
| Ratio of Building                            | 4.7%                      |  |
| Other, things appraiser noted upon valuation |                           | —  |

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(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 Divestment of the Property**

| Region                                     | Name of Property             | Date of (Scheduled) Acquisition     | Acquisition Price<br>(million yen) | Investment Ratio<br>(Note 4) |
|--|------------------------------|-------------------------------------|------------------------------------|------------------------------|
| Five Central<br>Wards of Tokyo<br>(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/<br>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 Shimbashi 510          | Oct 21, 2005                        | 2,080.0                            | 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 Nihombashi 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                            | 0.8%                         |
|  | Daiwa Kojimachi 4 Chome      | Oct 6, 2006<br>Mar 29/ May 29, 2013 | 2,910.0                            | 0.6%                         |
|  |                              |                                     |                                    |                              |
|  | Shinjuku Maynds Tower        | Jul 13/ Nov 26, 2007                | 66,900.0                           | 14.5%                        |
|  | SHIBUYA EDGE                 | Jul 13, 2007                        | 5,900.0                            | 1.3%                         |
|  | Daiwa Kodenmacho             | Aug 31, 2007                        | 2,460.0                            | 0.5%                         |
|  | Daiwa Jimbocho               | Mar 10, 2010                        | 4,150.0                            | 0.9%                         |
|  | 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/<br>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%                         |
|  | Azabu Green Terrace          | July 4, 2014                        | 14,000.0                           | 3.0%                         |
| Daiwa Ebisu 4-chome                        | December 1, 2014             | 4,135.2                             | 0.9%                               |                              |
| LAQAS Higashi Shinjuku                     | December 3, 2014             | 8,450.0                             | 1.8%                               |                              |
| Daiwa Aoyama                               | March 2, 2015                | 9,800.0                             | 2.1%                               |                              |
| Shinsen Place                              | March 2, 2015                | 4,800.0                             | 1.0%                               |                              |
| Grass City Shibuya                         | May 1, 2015                  | 16,000.0                            | 3.5%                               |                              |
| Daiwa River Gate                           | Jun 2, 2015                  | 28,000.0                            | 6.1%                               |                              |
| Daiwa Hatchobori ekimae                    | September 11, 2015           | 2,871.0                             | 0.6%                               |                              |

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| Region  | Name of Property                  | Date of Acquisition      | Acquisition Price<br>(million yen) | Investment Ratio<br>(Note 4) |
|---|-----------------------------------|--------------------------|------------------------------------|------------------------------|
| Five Central Wards of Tokyo<br>(Note 1)                               | Daiwa Hatchobori ekimae West      | September 11, 2015       | 1,647.0                            | 0.4%                         |
|   | Nikko Building                    | 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%                         |
|   | Square Daikanyama Building        | Jun 29, 2016             | 2,280.0                            | 0.5%                         |
|   | Shinjuku West Building            | Jul 21, 2016             | 942.0                              | 0.2%                         |
|   | Daiwa Kanda Mikuracho Building    | Dec 21, 2016             | 1,592.0                            | 0.3%                         |
|   | Nippon Manpower Building          | Jan 12, 2018             | 4,200.0                            | 0.9%                         |
|   | Prime Kanda Building              | Jun 7, 2018/ Nov 1, 2018 | 2,295.0                            | 0.5%                         |
|   | Sasazuka NA Building              | Oct 30, 2018             | 15,500.0                           | 3.4%                         |
|   | Sasazuka South Building           | Dec 27, 2018             | 3,000.0                            | 0.7%                         |
|   | Glass City Harumi                 | Feb 27, 2019             | 11,200.0                           | 2.4%                         |
| Total Number of Properties located in Five Central Wards of Tokyo: 49 |                                   |                          | 371,057.2                          | 80.7%                        |
| Greater Tokyo<br>(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 Osaki 3 Chome               | Sep 18, 2012             | 1,650.0                            | 0.4%                         |
|   | Daiwa Kamiooka                    | Mar 1, 2013              | 2,000.0                            | 0.4%                         |
|   | Integral 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%                         |
|   | CONCUREDD Yokohama                | Jan 11, 2018             | 38,100.0                           | 8.3%                         |
|   | Kita-Shinagawa Gotenyama Building | Sep 13, 2018             | 2,500.0                            | 0.5%                         |
| Total Number of Properties located in Greater Tokyo: 9                |                                   |                          | 79,538.0                           | 17.3%                        |
| 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  |                                   |                          | 460,076.7                          | 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 Local Autonomy Act.

(Note 4) Figures in the "Investment Ratio" column represent the percentage of the (scheduled) acquisition price of each property to the aggregate amount of the (scheduled) 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.

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

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# Divestment of Aged Properties

## Points for consideration in divestment of aged properties

- Profitability of individual properties (Rent forecast based on competitiveness, etc. and increase in maintenance cost)
- Market environment (Tenant composition and various market trends)
- Possibility of redevelopment (Potential, floor-area ratio, scale and other right holders of land)



## Divestment method

- (1) Simple divestment
- (2) Replacement with newly acquired properties
- (3) Divestment eyeing reacquisition

## [Divestment method of old properties]

