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June 28, 2018

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Notice Concerning Execution of Memorandum of Understanding Regarding Merger of Daiwa Real Estate Asset Management Co. Ltd.

Daiwa Real Estate Asset Management Co. Ltd. (hereinafter referred to as “DR”), the asset manager of Daiwa Office Investment Corporation (hereinafter referred to as “DOI”), announces that DR has decided today to enter into a memorandum of understanding (the “MOU”) regarding the merger (hereinafter referred to as the “Merger”) with Mi-Casa Asset Management Inc. (hereinafter referred to as “MAM”), where MAM shall be the absorbed company and DR shall be the surviving company (hereinafter, DR as the surviving company after the Merger shall be referred to as the “New Merged Company”). Details are as follows. Further, the Merger concerns only the asset management companies, DR and MAM, and the REIT, DOI will not merge with any other investment corporation.

1. Purpose of the Merger

DR and MAM are real estate asset management companies both held by Daiwa Securities Group Inc. (hereinafter referred to as “DSGI”) as the parent company but each has operated independently as a separate entity. However, DSGI has proposed the Merger, which will integrate the personnel and expertise on real estate asset management of both DR and MAM, as well as to help concentration of management resources of Daiwa Securities group and seek improvement in stability of asset management base and competitiveness, thereby will enhance the unitholder value of DOI. This proposal was discussed and approved by DR’s Board of Directors and it was decided that the Merger be implemented and the MOU be signed today. Going forward, DR and MAM will discuss the details of the operating structure and plan to enter into a merger agreement by the end of August 2018.

The asset management agreement which JRH has executed with MAM will be succeeded by DR upon the Merger. Furthermore, the company name of DR as the New Merged Company will not be changed after the Merger.

Through the Merger, the New Merged Company contemplates to become a larger real estate asset management company operated by a number of professionals, succeeding and further developing the management system/method that MAM has established over the years.

2. Effects of the Merger

The following are effects expected from the Merger.

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(1) Securement and retention of professional personnel

In order to ensure that unitholder value of investment corporations be maintained and enhanced, securement and retention of professional personnel at the asset management company is an important prerequisite. However, securement of excellent talent has become difficult due to the mobilization of human resources accompanying economic expansion as well as the strong real estate market. The expansion of the size of the New Merged Company through the Merger is believed to contribute to the securement and retention of professionals personnel. Going forward, the New Merged Company aims to further develop a group of highly-motivated and skillful professionals by strengthening securement of talent, etc.

(2) Expansion of information base

After the Merger, the New Merged Company will be entrusted with asset management of five separate investment corporations which will be the largest number ever in Japan; DOI, Daiwa Residential Private Investment Corporation (hereinafter referred to as “DRP”), Nippon Healthcare Investment Corporation (hereinafter referred to as “NHI”), Daiwa Hotel Private Investment Corporation, JRH and real estate funds in forms other than investment corporations, etc. (hereinafter referred to as “Other Funds, etc.”) As a result, it will have a stronger presence and higher recognition in the industry and may be able to actively take on transactions that were difficult to handle such as a bulk sale transaction of assets with multiple types. The New Merged Company believes this will also lead to expansion of property acquisition opportunities for each investment corporation it will manage.

3. Measure to Prevent Conflicts of Interests

Currently, with regard to a property acquisition by DR, when an opportunity is competed between an investment corporation for which DR manages assets and Other Funds, etc., such as the use of the property falls under the investment target of the above investment corporations and Other Funds, etc. respectively, DR first grants the preferential right to acquire the property to the investment corporation. Only when such investment corporation decides not to exercise the preferential right, Other Funds, etc. are able to consider the acquisition. In this way, DR prevents conflicts of interests between the investment corporations and Other Funds, etc. Since there was no overlap in a type of asset targeted by the investment corporations for which DR has managed assets, DR had not set an order of priority among the investment corporations for acquisition.

However, the Merger will cause conflicts of interests among DRP, JRH and possibly Other Funds, etc. since they are all investing in residential properties. Therefore, concerning the residential properties, the New Merged Company will control arbitrary distribution of property information among DRP, JRH and the Other Funds, etc. and prevent conflicts of interests by establishing the following “Rotation Rule.”

The New Merged Company believes that there will be no major impact on acquisition opportunities of the new properties for DRP even after implementation of the Rotation Rule through the expansion of the information base and advancement of stronger presence and higher recognition in the industry by this Merger as described in the above section 2. (2) “Expansion of information base”.

The details of the structure to minimize conflicts of interests, including the Rotation Rule, will be determined through discussion building up to the conclusion of the merger agreement of the Merger.

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For other property types, DR's rule on prevention of conflicts of interests stated above will continue to be applied after the Merger.

<Rotation Rule concerning Acquisition of Residential Properties>

When completion year in western calendar is an even number	Order of priority First priority: DRP Second priority: JRH Third priority: Other Funds, etc.
When completion year in western calendar is an odd number	Order of priority First priority: JRH Second priority: DRP Third priority: Other Funds, etc.

However, the Rotation Rule shall not apply to the following cases, etc.

- ① If either DRP, JRH or the Other Funds, etc. is designated by the seller or other related parties as a preferred party to discuss the acquisition.
- ② If either DRP, JRH or the Other Funds, etc. already holds the relevant right or interest due to co-ownership, sectional ownership of a building, quasi co-ownership of a beneficiary interest, etc.
- ③ If there are special reasons such as DRP, JRH or the Other Funds, etc. already owning the adjacent property.

4. Overview of the Merger

(1) Schedule

Date of Meeting of Boards of Directors to Approve MOU	June 28, 2018
Execution Date of the MOU	June 28, 2018
Date of Meeting of Boards of Directors to Approve the Merger Agreement	Late August, 2018 (scheduled)
Execution Date of the Merger Agreement	Late August, 2018 (scheduled)
Date of General Meeting of Shareholders (Note 1)	Early September, 2018 (scheduled)
Effective Date of the Merger	October 1, 2018 (scheduled)
Date of Registration of the Merger	Early October, 2018 (scheduled)
Date of the Report to the Prime Minister	Early October, 2018 (scheduled)

(Note 1) To be held by MAM only. (DR will not hold a shareholders' meeting regarding the approval of the merger agreement since it satisfies requirements for a short-form merger defined in Article 796, Paragraph 2 of the Companies Act.)

(2) Method of the Merger

The Merger will be an absorption-type merger, with DR being the surviving company and MAM being the absorbed company; and MAM will be dissolved upon the Merger. Rights and obligations pertaining to contracts for which MAM is the party, including the asset management agreement with JRH, will be succeeded to the New Merged Company. For DR, the Merger falls under the category of a short-form merger defined in Article 796, Paragraph 2 of the Companies Act.

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(3) Allotment of Units under the Merger

As mentioned above, DSGI plans to make MAM a wholly owned subsidiary through a demand for share cash-out, prior to the conclusion of the merger agreement concerning the Merger. As a result, the Merger will become a merger between wholly owned subsidiaries of DSGI, and thus DR, the surviving company, will not deliver to shareholders of MAM shares or any other assets, as consideration for the Merger.

(4) Change in MAM Management and Succession of Employees Accompanying the Merger

Yutaka Higashino, President and Chief Executive Officer of MAM, is scheduled to resign on September 30, 2018, and will assume the position of Adviser (Komon) of the New Merged Company. Other officers and employees of MAM are scheduled to remain at the New Merged Company after the Merger.

The details of the managerial and executive structures will be decided and disclosed before the Merger takes place.

(5) Outline of Merging Parties (as of June 28, 2018)

	Surviving Corporation under the Merger	Absorbed Corporation under the Merger
(1) Name	Daiwa Real Estate Asset Management Co. Ltd. (DR)	Mi-Casa Asset Management Inc. (MAM)
(2) Location	6-2-1 Ginza Chuo-ku Tokyo, Japan	6-16-12 Shinbashi Minato-ku Tokyo, Japan
(3) Name and Title of the Representative	Akira Yamanouchi, Executive Director	Yutaka Higashino, President & CEO
(4) Main Business	Investment management business, administration business for organizational operation of Investment Corporation, etc.	Investment management business, administration business for organizational operation of Investment Corporation, etc.
(5) Capital	200 million yen	400 million yen
(6) Date Established	October 21, 2004	February 25, 2005
(7) Major Unitholders and Ratio of Units Held	Daiwa Securities Group Inc. (DSGI) 100.0%	Daiwa Securities Group Inc. (DSGI) 98.1%* MUFG Bank, Ltd. 1.0% Sumitomo Mitsui Banking Corporation 1.0%
(8) Relationship between DR and JRH or MAM		
Capital relationship	DR and MAM are group companies held by DSGI as the parent company. There are no capital ties between DR and JRH or MAM.	
Personnel relationship	There is no concurrent post of officers and employees between DR and JRH or MAM. Mikita Komatsu and Naoya Otani, Directors (part-time) of DR, Morimasa Matsuda and Shinji Kiso, Auditor (part-time) of the same, Eiji Sato and Keiichi Ishikawa, Directors (part-time) of MAM, and Hideharu Kasuga, Auditor (part-time) of the same, concurrently serve as officers and employees of DSGI, the parent company of both DR and MAM.	
Business relationship	N/A	
Related Parties	Both parent companies of DR and MAM are DSGI, and DR and MAM are mutually related parties.	

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(9) Business Results for Last Fiscal Period		
Fiscal Period	2018/3	2018/3
Total Asset Amount	3,790 million yen	1,790 million yen
Net Asset Amount	2,684 million yen	1,585 million yen
Sales Amount	3,906 million yen	1,174 million yen
Operating Income	2,464 million yen	453 million yen
Ordinary Income	2,479 million yen	461 million yen
Net Income	1,716 million yen	286 million yen

*DSGI plans to acquire additional MAM shares through a demand for share cash-out scheduled on August 1, 2018, and then the ratio of holding shares of DSGI will be 100%. For details of the demand for shares cash-out, please refer to "Notice Concerning Decision by Daiwa Securities Group Inc. on Demand for Share Cash-Out to Shareholders of Asset Manager and Approval of Said Demand for Share Cash-Out by Asset Manager" separately announced today by JRH.

5. Post-Merger Status (Status of New Merged Company)

(1) Name	Daiwa Real Estate Asset Management Co. Ltd.
(2) Location	6-2-1 Ginza Chuo-ku Tokyo, Japan
(3) Name and Title of the Representative	Akira Yamanouchi, Executive Director
(4) Main Business	Investment management business, administration business for organizational operation of Investment Corporation, etc.
(5) Capital	200 million yen
(6) Fiscal Year Ended	March
(7) Net Asset Value	To be determined
(8) Total Asset Value	To be determined

6. Outlook

(1) Amendment to Asset Management Agreement

There will be no amendment to the asset management agreement executed between JRH and MAM, and the agreement is scheduled to be succeeded to the New Merged Company upon the Merger.

(2) Amendment to the Organization of the Asset Management Company

The New Merging Company plans to establish a unit that will succeed the current MAM's function in the present "Acquisition and Asset Management Division" and "Corporate Division" of DR to accomplish smooth succession and transitions of the MAM's investment management for JRH.

The details are scheduled to be finalized by DR and MAM through discussions before the conclusion of the merger agreement.

(3) Amendment to Process of Investment Decision-making

The details of the amendment after the Merger are scheduled to be finalized by DR and MAM through

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discussions before the conclusion of the merger agreement.

(4) Amendment to Rules on Compliance/Interested Parties, etc.

The details of the amendment after the Merger are scheduled to be finalized by DR and MAM through discussions before the conclusion of the merger agreement.

(5) Amendment to Investment Policy

Each investment corporation, including DOI, which will entrust asset management to the New Merged Company after the Merger, will remain independent as before, and there will be no amendment to their investment/management policies, etc. We aim to further improve performance without amending prior and existing investment/management policies, capitalizing on securement/retention of professional personnel, increase in information acquisition opportunities, unification of sponsor support, etc. at the New Merged Company that are expected through the Merger.

(6) Amendment to Agreements entered into with Sponsors

There will be no amendment to the sponsor support agreement entered into between DSGI and MAM, and the agreement is scheduled to be succeeded to the New Merged Company upon the Merger.

(7) Expectations of Continuance of Listing of Investment Corporation

DOI, NHI and JRH are scheduled to remain listed.

(8) Others

For these transactions, necessary filings and any other actions shall be taken in accordance with the Financial Instruments and Exchange Act, the Building Lots and Buildings Transaction Business Act, and other applicable laws and rules. Among the items currently undecided, those requiring disclosure will be disclosed as soon as decided.

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

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