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June 18, 2018

REIT Issuer: Daiwa Office Investment Corporation (Stock Code No.: 8976)
Representative: Yoshimi Murakami, 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
(Tel: +81-3-6215-9649)

Notice concerning Acquisition of Asset
(Kita-Shinagawa Gotenyama 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 acquire trust beneficial interest in real estate as follows.

1. Summary of Assets to be Acquired

Asset Name	Kita-Shinagawa Gotenyama Building (the “Property”)
Type of Asset	Trust beneficial interest in domestic real estate
Location	3-3-5 Kita-Shinagawa, Shinagawa-ku, Tokyo
Acquisition Price	2,500 million yen (Excluding acquisition costs, consumption tax, etc.)
Date of Conclusion of Purchase Agreement	June 18, 2018
Scheduled Delivery Date	September 13, 2018
Seller	Danke Holdings Co., Ltd.
Funding for Acquisition	Cash on hand
Payment Method	Lump-sum payment at the time of delivery
Intermediary	Mizuho Trust & Banking Co., Ltd.

2. Reason for Acquisition

The Property is an office building pursuant to the basic policy for the asset management set forth in the Articles of Incorporation and the management policy of the Investment Corporation, and the acquisition was determined upon appreciation of the Property’s rarity and profitability. Please refer to the following for further details.

(1) Location:

The Property is a 10-minute walk from Shinagawa Station on the JR Yamanote Line, JR Keihin Tohoku Line and JR Tokaido Line and a 1-minute walk from Kita-Shinagawa Station on the Keikyu Line.

The “Kita-Shinagawa” area where the Property is located has a large number of high-rise buildings due to redevelopments and is adjacent to the Shinagawa Port South Exit area, which has developed remarkably as a business area in recent years, and the Osaki area where large-scale office buildings with a high level of equipped facilities are supplied. As for office demand in the “Kita-Shinagawa” area, it is considered that needs for headquarters, branches and business offices in Tokyo from companies developing businesses nationwide and emphasizing wide-area traffic convenience as well as demand for back-offices from companies that have bases in large buildings in both areas can be expected.

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

(2) Building Facilities:

The Property has eight floors above ground with a gross floor area of 2,897.64 m² and a leasable area of approximately 100 tsubos per floor is secured. It has 2,550 mm of typical floor ceiling height, 50 mm of OA floor and facilities including individual air conditioners. It has rectangle-shaped (roughly regular-shaped) rental spaces with a side core design, thus offering excellent layout flexibility and usability.

Although 26 years have passed since its completion, appropriate maintenance and management are conducted and it is believed that the Property is able to maintain competitiveness from here on out, without lagging behind in comparison to competing properties in the surrounding area through systematic facility renewal and such even after the acquisition.

Given the functionality and favorable location of the Property, it should perform competitively and contribute regularly to the profitability of the Investment Corporation's portfolio.

3. Details of the Asset to be Acquired

Asset Name	Kita-Shinagawa Gotenyama Building
Type of Specified Asset	Trust beneficial interest in real estate
Trustee (scheduled)	Mizuho Trust & Banking Co., Ltd.
Trust Period (scheduled)	From September 13, 2018 to September 30, 2028
Location (Address)	3-194-11 Kita-Shinagawa, Shinagawa-ku, Tokyo and other 1 lot
Use (Real Property Registry)	Office, parking space
Ownership Form	i) Land: Right of site ii) Building: Ownership
Site Area (Real Property Registry)	602.41 m ²
Total Floor Area (Real Property Registry)	2,879.64 m ²
Structure (Real Property Registry)	Steel framed reinforced concrete structure with flat roof, 8 stories above ground
Construction Date (Real Property Registry)	July 20, 1992
Building Engineer	Sanwa Tatemono First-Class Architect Office
Constructor	Sanwa Tatemono Co., Ltd.
Structural-design Engineer	Sanwa Tatemono First-Class Architect Office
Floor Height/Ceiling Height	3,500 mm (for standard floor)/2,550 mm (for standard floor)
Air-conditioning System/OA Laying	Each floor individual treatment air-conditioning OA-capable floor
Building Inspection Agency	Shinagawa Ward Government Office
Engineering Due Diligence Company	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Soil Contamination Risk Survey Company	Earth-Appraisal Co., Ltd.
Probable Maximum Loss Level (Assessor)	7.07% (Sompo Risk Management & Health Care Inc.)
Acquisition Price	2,500 million yen (Excluding acquisition costs, consumption tax, etc.)
Appraisal Value (Appraisal Date)	2,620 million yen (as of June 1, 2018)
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Collateral	None
Summary of Tenants	
Total Number of	4 (As of the scheduled acquisition date)

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Tenants			
Rent Revenue	10 million yen per month (April 2018)		
Security Deposit and Guaranty	35 million yen (April 30, 2018)		
Total Leased Floor Space	2,067.57 m ² (estimation for the scheduled delivery date) (Note 1)		
Total Leasable Floor Space	2,396.96 m ² (Note 1)		
Trend in occupancy rates (Note 1)	Mar. 31, 2016	Mar.31, 2017	Acquisition date (scheduled)
	100.0%	100.0%	86.2%
NOI yield at acquisition (Note 2)	4.1%	Midterm NOI yield (Note 3)	4.1%
Appraisal NOI (NOI yield) (Note 4)	4.5%	Depreciation (Note 5)	0.5%
Other Relevant Information	<ol style="list-style-type: none"> The roads adjoining the south and west side of the land of the Property are roads prescribed in the Article 42, Paragraph 2 of the Building Standards Act, and the area used as the road on the land of the Property is approximately 5.68 m². Confirmation of the boundaries with the roads adjoining the south and west side of the land of the Property and the adjacent lot (lot number: 194-9 & 194-13) has not been completed. As for the use of the rental room on the first floor of the building, the compartment for which inspection certificate was issued as an office upon construction is currently occupied by a retail store. However, as a result of the investigation to determine the compliance with the Building Standards Act conducted by ERI Solution Co., Ltd., a report stating that compliance has been confirmed was submitted. Engineering due diligence revealed certain matters concerning the object installed at the outdoor stairs, etc. to be remedied. They are to be taken care of by the seller on its account by the scheduled delivery date. In the agreement concluded with the Shinagawa ward, it is stipulated that part of the land (area: 38.43 m²) will be secured as a common use space of vacant lot in the form of a sidewalk. 		

(Note 1) The figures are based on the data obtained from the seller for the total leased floor space, total leasable floor space and trend in occupancy rates of the end tenants.

(Note 2) NOI yield at acquisition is calculated based on leasing agreement for the property by dividing the annual income with the assumption of the occupancy rate being 96.0% in consideration of the taxes and other costs that may be incurred by acquisition price. The figures are rounded to the first decimal place. The figure is not the forecast for the current fiscal period or the next fiscal period onward.

(Note 3) Mid-term NOI yield is calculated based on the assumption that after the property acquisition, the Investment Corporation will receive rents on an ongoing basis for the mid-term (with the assumption of the occupancy rate being 96.0%). The estimated figures where the rental business expenses are deducted from the rental revenue are divided by the acquisition price. The figures are rounded to the first decimal place. The figure is not the forecast for the current fiscal period or the next fiscal period onward.

(Note 4) The figure for appraised NOI yield is calculated based on net operating income divided by acquisition price and used for the calculation of the income approach value as per the direct reduction process as stipulated by the real property appraisal report. The figure is rounded to the first decimal place.

(Note 5) The figure for depreciation is the total amount of the six-month depreciation conversion price expected to accrue in the financial period of acquisition and the appropriated expected depreciation charge for the next financial period (six-month period), which are divided by the acquisition price. The figure is rounded to the first decimal place and is not a forecast for the current fiscal period or the next fiscal period onward.

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4. Details of the Seller

(1)	Asset Name	Danke Holdings Co., Ltd.
(2)	Location	1-6-4 Kanda-Sakumacho, Chiyoda-ku, Tokyo
(3)	Title/Name of Representative	President and CEO, Junji Taniguchi
(4)	Nature of Business	<ol style="list-style-type: none"> 1. Management of restaurants and restaurant chains 2. Sales of various foods and beverages 3. Sales of cigarettes, alcoholic beverages and daily goods 4. Provision of technical assistance and management guidance to franchised restaurants 5. Sales of kitchen equipment and cooking utensils 6. Sales of products and provision of various information using the internet 7. Construction work, planning, investigation, design, management, construction and consulting 8. Purchase and sale, leasing, management, brokerage and agency business of domestic and overseas real estate 9. All operations incidental to the preceding article
(5)	Stated Capital	45 million yen
(6)	Date of Incorporation	November 28, 2016
(7)	Net Assets	The seller has not agreed to disclose net assets
(8)	Total Assets	The seller has not agreed to disclose total assets
(9)	Relationship with the Investment Corporation/Asset Manager	
	Capital Relationship	There is no capital relationship to be stated between the Investment Corporation/Asset Manager and the seller. Furthermore, there is no capital relationship to be stated between the affiliated parties and the affiliated companies of the seller and those of the Investment Corporation/Asset Manager.
	Personnel Relationship	There is no personnel relationship to be stated between the Investment Corporation/Asset Manager and the seller. Furthermore, there is no personnel relationship to be stated between the affiliated parties and the affiliated companies of the seller and those of the Investment Corporation/Asset Manager.
	Business Relationship	There is no business relationship to be stated between the Investment Corporation/Asset Manager and the seller. Furthermore, there is no business relationship to be stated between the affiliated parties and the affiliated companies of the seller and those of the Investment Corporation/Asset Manager.
	Status of Classification as Related Party	The seller is not a related party of the Investment Corporation or the Asset Manager. Furthermore, the affiliated parties and affiliated companies of the seller are not related parties of the Investment Corporation or the Asset Manager.

5. Status of Owners etc. of Properties

The acquisition of the trust beneficial interest does not pertain to acquisition from any persons having a special interest in the Investment Corporation or the Asset Manager.

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6. Status of Intermediary

(1) Summary of Intermediary

Asset Name	Mizuho Trust & Banking Co., Ltd.
Location	1-2-1 Yaesu, Chuo-ku, Tokyo
Title/Name of Representative	President and CEO, Tetsuo Iimori
Nature of Business	<ol style="list-style-type: none"> 1. Trust business 2. Acceptance of deposits and installment savings, extending loans, discounting bills and notes and exchange transactions 3. Guarantee of obligations, acceptance of bills and notes and any other business incidental to the banking business mentioned in the preceding item 4. Underwriting, handling of offering for subscription and for sale, purchasing and selling in respect of national government bonds, local government bonds and government-guaranteed bonds and any other securities 5. Any business in which banks and/or trust companies are permitted to engage under the Secured Bonds Trust Law and other laws 6. Any other business incidental or relating to the businesses mentioned in any of the foregoing items
Stated Capital	247.3 billion yen
Date of Incorporation	May 9, 1925
Relationship with the Investment Corporation/Asset Manager	
Capital Relationship	There is no capital relationship to be stated between the Investment Corporation/Asset Manager and the intermediary. Furthermore, there is no capital relationship to be stated between the affiliated parties and the affiliated companies of the intermediary and those of the Investment Corporation/Asset Manager.
Personnel Relationship	There is no personnel relationship to be stated between the Investment Corporation/Asset Manager and the intermediary. Furthermore, there is no personnel relationship to be stated between the affiliated parties and the affiliated companies of the intermediary and those of the Investment Corporation/Asset Manager.
Business Relationship	The intermediary is the Investment Corporation's lender. Furthermore, there is no business relationship to be stated between the affiliated parties and affiliated companies of the intermediary and those of the Investment Corporation/Asset Manager.
Status of Classification as Related Party	The intermediary is not a related party of the Investment Corporation or the Asset Manager. Furthermore, the affiliated parties and affiliated companies of the intermediary are not related parties of the Investment Corporation or the Asset Manager.

(2) Fees for the Intermediary

Fees for the acquisition of the Property are not disclosed as consent has not been obtained from the intermediary.

7. Acquisition Schedule

Date of Determination of the Acquisition	June 18, 2018
Date of Execution of Purchase Agreement	June 18, 2018
Scheduled Payment Date	September 13, 2018
Scheduled Delivery Date	September 13, 2018

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8. Impact on the Investment Corporation's Financial Standing if Forward Commitment is Not Executed

The sale and purchase agreement with the seller (the "Agreement") falls under the Investment Corporation's forward commitment* legislated by The Financial Services Agency's "Comprehensive Guidelines for Supervision of Financial Instruments Business Operations, etc." If there is a violation to any of the provisions of the Agreement by either the Investment Corporation or the seller, the other party can cancel the Agreement and demand for a penalty charge equivalent to 10% of the purchasing price of the Property.

* Forward commitment is defined as "a sale and purchase agreement binding forward and future transactions, with respect to which the settlement and delivery take place one or more months after the signing date of agreement; or other similar agreements."

9. Future Prospect

The date of delivery of the Property is scheduled to be September 13, 2018. There is thus no impact of the acquisition of the Property on the forecast of management status for the fiscal period ended May 2018 (25th Fiscal Period). The impact of the acquisition of the Property on the forecast of management status for the fiscal period ending November 2018 (26th Fiscal Period) is scheduled to be disclosed at the time of announcement of the final results for the fiscal period ended May 2018 (25th Fiscal Period). The impact is expected to be minimal.

10. Summary of Appraisal Report

Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal Date	June 1, 2018
Appraisal Value	2,620 million yen

Items	(million yen) (Note 1)	Outline, etc.
Income Approach Value	2,620	Based on DCF method with reference/verification to direct capitalization value.
Direct Capitalization Value	2,700	
(1) Operating Revenue	146	
Potential Annual Rent Revenue	152	Mid- to long-term competitiveness is accounted for the standardized rent.
Amount of Loss due to Vacancy	5	Stable occupancy ratio is estimated for the medium to long term
(2) Operating Expenses	33	
Maintenance and Operation Cost	9	Maintenance and operating cost is based on of peer properties and PM fee is based on the fee levels of peer properties
PM Fee	(Note 2)	
Water & Utility Charges	8	Based on actual historical data.
Repair	2	Based on annualized repair expense on ER judged appropriate
Leasing Fee	1	Based on the standard fee levels of peer properties
Tax	10	Based on actual historical data.
Non-life Insurance	0	Based on insurance fee of peer properties
Other	0	Based on fees including renewal contracts
(3) Net Operating Revenue	112	
(4) Profit from deposits/guarantees	1	Return yield is assumed at 1.0%.
(5) Capital Expenditures	5	Based on annualized repair expense on ER judged appropriate, and considering CM fee
(6) Net Revenue ((3)+(4)-(5))	107	

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(7) Capitalization Rate	4.0%	Peer property comparison as well as investor sounding has been referenced.
Discounted Cash Flow Value	2,590	
Discount Rate	3.8%	Based on historical discount rates of peer properties as well as comparison with cap rate related to other financial instruments
Terminal Capitalization Rate	4.2%	Consideration of marketability of the Property at the end of the period that the DCF valuation assumed
Integrated Value by Using Cost Method	2,420	
Ratio of Land	90.2%	
Ratio of Building	9.8%	
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.

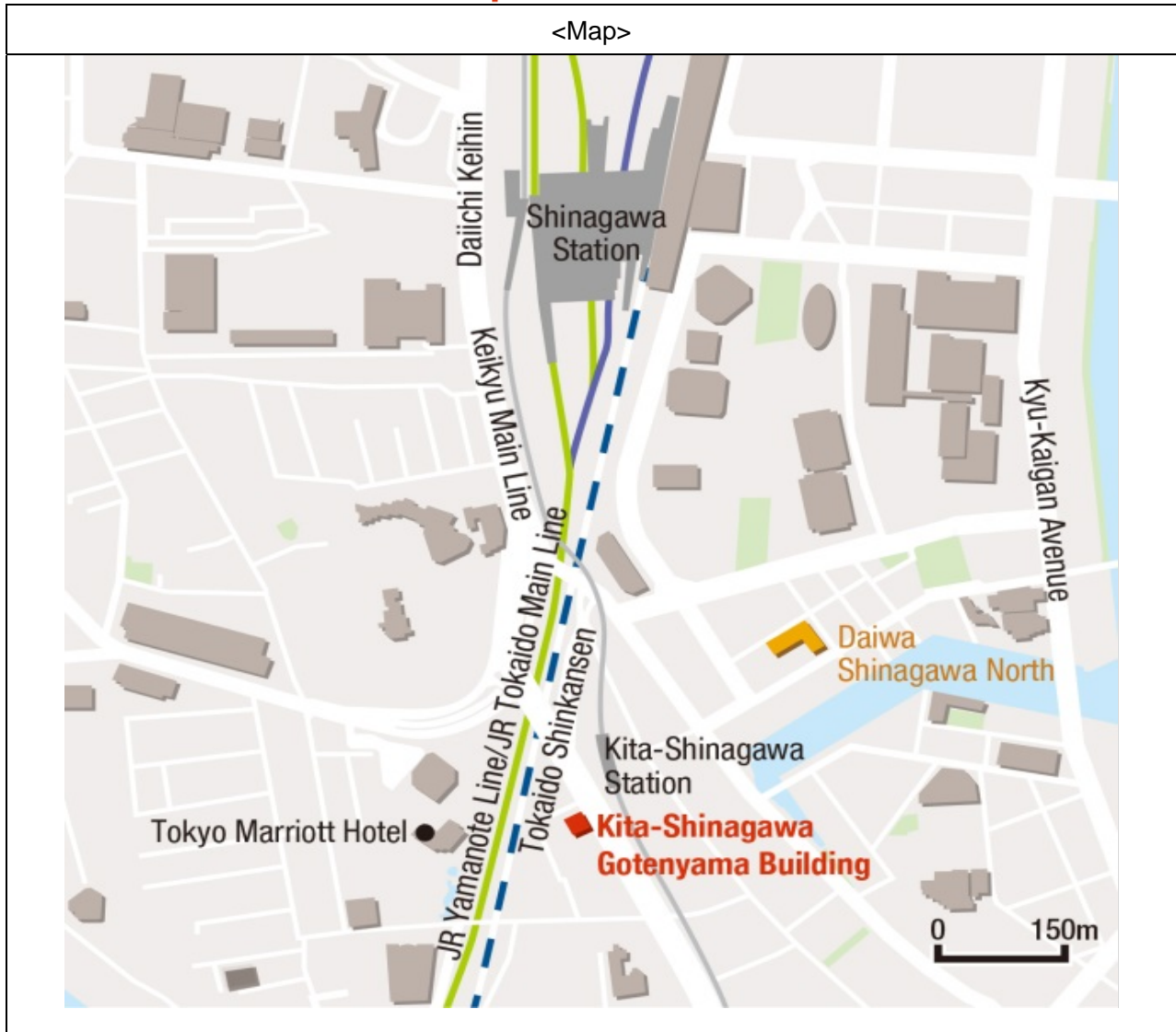
(Note 2) With no prospective PM's permission given for a specific disclosure of the PM fees, there is no disclosure of the breakdown of the fees. Disclosure of the PM fee figure in a specific manner may cause an adverse effect on the other business operations of the prospective PM, leading to bring about negative impact on the planned efficient operation that the Investment Corporation is to contract with the PM. This may in return further cause adverse effect on unitholders' interest. Therefore, the figure presented at this column is summed up with maintenance and operation cost.

-End-

<External View>



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[Reference Material 2] Portfolio Overview after Acquisition of the Property

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	3.2%
	Daiwa Ginza Annex	Oct 21, 2005	3,050.0	0.7%
	Daiwa Shibaura	Oct 21, 2005	8,265.0	1.9%
	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 Shimbashi 510	Oct 21, 2005	2,080.0	0.5%
	Daiwa Tsukijiekimae	Jan 27, 2006	1,560.0	0.4%
	Daiwa Tsukiji	Jan 27, 2006	1,240.0	0.3%
	Daiwa Tsukishima	Mar 24, 2006	7,840.0	1.8%
	Daiwa Nihombashi Horidomecho	May 1, 2006	2,520.0	0.6%
	Daiwa Azabudai	May 1, 2006	1,600.0	0.4%
	Daiwa Kyobashi	Jul 31, 2006	3,460.0	0.8%
	Daiwa Kojimachi 4 Chome	Oct 6, 2006 Mar 29/ May 29, 2013	2,910.0	0.7%
	Daiwa Onarimon	Dec 1, 2006	13,860.0	3.1%
	Shinjuku Maynds Tower	Jul 13/ Nov 26, 2007	66,900.0	15.1%
	SHIBUYA EDGE	Jul 13, 2007	5,900.0	1.3%
	Daiwa Kodenmacho	Aug 31, 2007	2,460.0	0.6%
	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	1.3%
	Daiwa Jimbocho 3 Chome	Mar 29, 2011	3,550.0	0.8%
	E SPACE TOWER	Jul 8, 2011	24,000.0	5.4%
	Daiwa Nihonbashi Hongokucho	May 11, 2012	1,721.0	0.4%
	shinyon curumu	Dec 3, 2012/ Apr 12, 2013	9,650.0	2.2%
	Daiwa Akasaka	Aug 9, 2013	9,200.0	2.1%
	Daiwa Shibuya Miyamasuzaka	Sep 27, 2013	7,000.0	1.6%
	Azabu Green Terrace	July 4, 2014	14,000.0	3.2%
	Daiwa Ebisu 4-chome	December 1, 2014	4,135.2	0.9%
LAQAS Higashi Shinjuku	December 3, 2014	8,450.0	1.9%	
Daiwa Aoyama	March 2, 2015	9,800.0	2.2%	
Shinsen Place	March 2, 2015	4,800.0	1.1%	
Grass City Shibuya	May 1, 2015	16,000.0	3.6%	
Daiwa River Gate	Jun 2, 2015	28,000.0	6.3%	

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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	September 11, 2015	2,871.0	0.6%
	Daiwa Hatchobori ekimae West	September 11, 2015	1,647.0	0.4%
	Nikko Building	Mar 29, 2016	13,710.0	3.1%
	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	0.4%
	Nippon Manpower Building	Jan 12, 2018	4,200.0	0.9%
	Prime Kanda Building	Jun 7, 2018	1,800.0	0.4%
Total Number of Properties located in Five Central Wards of Tokyo: 47			354,722.2	79.9%
Greater Tokyo (Note 2)	Daiwa Higashi-Ikebukuro	Oct 21, 2005	2,958.0	0.7%
	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	0.5%
	Integral Tower	May 29, 2014	15,220.0	3.4%
	Daiwa Meguro Square	May 1, 2015	5,600.0	1.3%
	Daiwa Ogikubo	Jul 21, 2016	3,800.0	0.9%
	CONCUREDD Yokohama	Jan 11, 2018	38,100.0	8.6%
	Kita-Shinagawa Gotenyama Building	Sep 13, 2018 (Scheduled)	2,500.0	0.6%
Total Number of Properties located in Greater Tokyo: 9			79,538.0	17.9%
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: 57			443,741.7	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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