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March 29, 2024

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Notice Concerning Completion of Acquisition of Asset **(S-GATE FIT Nihonbashi Bakurocho)**

Daiwa Office Investment Corporation (the “Investment Corporation”) hereby today announced that it has completed the acquisition of the following trust beneficial interest in domestic real estate as announced in “Notice Concerning Acquisition of Asset (S-GATE FIT Nihonbashi Bakurocho)” (the “Acquisition Press Release”) dated March 22, 2023. In addition, Investment Corporation again announces the overview of the property, as details which were undecided at the time of the announcement have been finalized. Changes from the Acquisition Press Release are underlined.

1. Summary of the Asset to Be Acquired

Asset Name	S-GATE FIT Nihonbashi Bakurocho (the “Property”)
Type of Asset	Trust beneficial interest in domestic real estate (Note)
Location	1-11-10 Nihonbashi-bakurocho, Chuo-ku, Tokyo
Acquisition Price	6,300 million yen (excluding acquisition costs, consumption tax, etc.)
Date of Conclusion of Purchase Agreement	March 22, 2023
Delivery Date	March 29, 2024
Funding for Acquisition	Loans announced in the press release dated March 26, 2024

(Note) Trust beneficial interest with trust assets primarily of compartmentalized ownership for a portion of the first floor and all of the second through eleventh floors of the Property. For details, please see “2. Details of the Asset to Be Acquired and Lease.”

2. Details of the Asset to Be Acquired and Lease

Asset Name	S-GATE FIT Nihonbashi Bakurocho		
Type of Specified Asset	Trust beneficial interest in domestic real estate		
Trustee	<u>Mitsubishi UFJ Trust and Banking Corporation</u>		
Trust Period	<u>From March 29, 2024 to March 31, 2034</u>		
Location	1-11-10 Nihonbashi-bakurocho, Chuo-ku, Tokyo		
Use (Real Property Registry)	Office / <u>Parking lot</u> / <u>Shop</u>		
Ownership Form	(1) Land: Site rights (2) Building: Compartmentalized ownership		
Area	Land	Total Site Area (Real Property Registry)	609.50 m ²
		Share of Site Rights to Be Acquired by the Investment Corporation	339,374/350,273 (Approx. 96.9%)
	Building	Total Building Floor Area (<u>Real Property Registry</u>)	<u>4,737.79 m²</u>
		Share of Floor Area of the Exclusive Area to Be Acquired by the Investment Corporation	339,374/350,273 (Approx. 96.9%)
Structure (Real Property Registry)	<u>Steel-framed structure / Reinforced concrete with flat roof, 11 stories above ground, 1 story below ground</u>		
Construction Date (Real Property Registry)	<u>April 20, 2023</u>		
Building Engineer	Taisei Corporation		
Constructor	Taisei Corporation		
Structural Design Engineer	Taisei Corporation		
Floor Height/Ceiling Height	4,000 mm (standard floor) / 2,700 mm (standard floor)		
Air-conditioning System/OA Laying	Each floor individual treatment air-conditioning / OA-capable floor		
Building Inspection Agency	Bureau Veritas Japan Co., Ltd.		

Engineering Due Diligence Company	DAIWA REAL ESTATE APPRAISAL CO.,LTD.		
Soil Contamination Risk Survey Company	Earth-Appraisal Co., Ltd.		
Probable Maximum Loss Level (Assessor)	5.9% (Sompo Risk Management Inc.)		
Acquisition Price	6,300 million yen (excluding acquisition costs, consumption tax, etc.)		
Appraisal Value (Appraisal Date)	6,860 million yen (as of November 30, 2023)		
Appraiser	Japan Real Estate Institute		
Collateral	None		
Summary of Tenants			
Total Number of Tenants	5 (As of the acquisition date) (Note 1)		
Rent Revenue	15 million yen per month (February 2024)		
Security Deposit and Guaranty	254 million yen (February 29, 2024)		
Total Leased Floor Space	3,383.56 m ² (Note 2)		
Total Leasable Floor Space	3,757.73 m ² (Note 2)		
Trend in Occupancy Rates	Acquisition date (Note 1,2) : 90.0%		
NOI Yield at Acquisition (Note 3)	3.8%	Midterm NOI yield (Note 4)	3.8%
Appraisal NOI (NOI yield) (Note 5)	3.8%	Depreciation (Note 6)	0.7%
Other Matters of Special Note	<ul style="list-style-type: none"> Each compartmentalized co-owner has concluded an agreement granting preferential negotiation rights to other compartmentalized co-owners in the event that all or part of their compartmentalized ownership is transferred to a third party. According to the investigation report prepared by Earth-Appraisal Co., Ltd. regarding the Property's land, the soil elution volume standard and groundwater standard for arsenic and its compounds were found to be non-compliant in the soil below the surface soil layer. However, the risk of human health hazard due to this soil and groundwater contamination is low for the planned use of the building. 		

(Note 1) The acquisition date is as of March 29, 2024. The same applies below.

(Note 2) The figures are based on the data obtained from the sellers for the total leased floor space, total leasable floor space and trend in occupancy rates of the end tenants.

(Note 3) NOI yield at Acquisition is calculated based on the leasing agreement for the Property on the acquisition date by dividing the annual income with the assumption of the occupancy rate being 96.0% by acquisition price in consideration of the taxes and other costs that may be incurred. The figure is 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) Midterm NOI yield is calculated based on the assumption that after the property acquisition, the Investment Corporation will receive rent on an ongoing basis for the medium 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 5) The figure for appraisal NOI yield is calculated based on net operating income used for the calculation of the income approach value as per the direct reduction process as stipulated by the real property appraisal report and divided by acquisition price. The figure is rounded to the first decimal place.

(Note 6) 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 appropriate 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.

3. About Leasing

We and the sellers have been focusing on leasing prior to acquisition of the asset, and the occupancy rate of the Property is 90.0% as of the acquisition date. Contract procedures are also progressing for the remaining floors, and the occupancy rate is expected to be 100.0% as of the end of April 2024.

In the Acquisition Press Release, we announced a projected NOI yield of 3.5% at the time of acquisition and midterm. However, due to achieving leasing agreements at rent unit prices higher than initially anticipated, the projected NOI yield is expected to be 3.8%.

4. Others

For details, please refer to [“Notice Concerning Acquisition of Asset \(S-GATE FIT Nihonbashi Bakurocho\)”](#) dated March 22, 2023.

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[Reference Material]
Summary of Appraisal Report

Appraiser	Japan Real Estate Institute
Appraisal Date	November 30, 2023
Appraisal Value	6,860 million yen

Items	(million yen) (Note 1)	Outline, etc.
Income Approach Value	6,860	Estimated by equating the income values from the direct capitalization method and the DCF method.
Direct Capitalization Value	6,920	
	284	
Potential Annual Rent Revenue	298	Recorded based on an assessment of stable mid- to long-term rent income, etc.
Amount of Loss Due to Vacancy	13	Recorded based on an assessment of stable mid- to long-term occupancy rate levels, etc.
	48	
Maintenance and Operation Cost		Maintenance and operation costs are recorded with reference to similar properties, and PM fees are recorded with reference to the planned PM agreement, taking into the average annual repair cost, account the individual characteristics of similar properties and the subject property.
PM Fee	16 (Note 2)	
Water & Utility Charges	-	Not recorded as it is expected to be offset by water and utility revenues.
Repair	1	Recorded as the average annual repair cost, etc. as per the ER estimate.
Leasing Fee	2	Recorded as the annual average amount appraised based on the lessee's expected turnover period.
Tax	27	Recorded in consideration of tax-related materials.
Non-life Insurance	0	Recorded in consideration of insurance premium rates and other factors for similar buildings.
Other	-	
(3) Net Operating Revenue	236	
(4) Profit from Deposits/Guarantees	2	Return yield is assumed at 1.0%.
(5) Capital Expenditures	3	Based on the standard of similar properties, the property age, and the ER's average annual amount of repair and renewal costs.
(6) Net Revenue ((3)+(4)-(5))	235	
(7) Capitalization Rate	3.4%	Based on adding or subtracting the spread resulting from the subject property's location, building conditions, and other conditions to or from the standard yields for each area set by the appraiser, and taking into account future uncertainties and transaction yields for similar properties, etc.
Discounted Cash Flow Value	6,790	
Discount Rate	3.1%	Comprehensively based on the individual qualities, etc. of the subject property with reference to investment yields of similar properties, etc.
Terminal Capitalization Rate	3.5%	Comprehensively based on investment yield future trends, etc. with reference to transaction yields of similar properties, etc.
Integrated Value by Using Cost Method	6,500	
Ratio of Land	73.5%	
Ratio of Building	26.5%	

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 forecast 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 of the Property in a specific manner may cause an adverse effect on other business operations of the prospective PM, leading to a negative impact on the planned efficient operation that the Investment Corporation is to contract with the PM based on the maintenance policy of the investment-target property of the Investment Corporation. This may in return further adversely affect unitholders' interest. Therefore, the figure presented in this column is calculated together with maintenance and operation cost.

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