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June 28, 2024

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## **Notice Concerning Completion of Kandasudacho 2-Chome Development Project and Acquisition of Asset (Daiwa Akihabara)**

Daiwa Office Investment Corporation (the “Investment Corporation”) today announced that, concerning the Kandasudacho 2-Chome Development Project as mentioned in the news releases “Notice Concerning Asset Replacement and Conclusion of Agreements Concerning Development Project with World Holdings Group (Kandasudacho 2-Chome Development Project)” dated October 20, 2021 (the “News Release dated October 20, 2021”), and “Notice Concerning Partial Amendments to the Disclosed Matter of Kandasudacho 2-Chome Development Project” dated June 21, 2022 (the “News Release dated June 21, 2022”), it has completed the development (the “Project”) and the acquisition of the building constructed under the Project (the “Building”) as of today, and the acquisition price of Daiwa Akihabara (the “Property”) (Note) has been finalized. In addition, we also announced the overview of the Property after completion and the overview of the appraisal report. Please note that major changes from the “News Release dated June 21, 2022” are underlined.

Note With the completion of acquisition of the Building, the name of the Property was changed to Daiwa Akihabara.

### **1. Summary of the Acquisition**

#### (1) Overview of the Project

Asset Name	<u>Daiwa Akihabara</u>
Location	<u>19-8, and other parcels of land, Kanda Suda-cho 2-chome, Chiyoda-ku, Tokyo</u>
Acquisition Price	<u>15,503</u> million yen (excluding acquisition expenses and consumption tax, etc.) (Note 1)
Acquisition Date	<u>June 28, 2024</u> (Note 2)
Constructor	Taisei Corporation
Appraisal Value	<u>20,100</u> million yen (Note 3)

Note 1 The amount represents the sales price of the land acquired on December 16, 2021 (the “Land”), of 10,600 million yen stated in the sales agreement, plus the finalized construction cost of 4,903 million yen. Accordingly, the acquisition price differs from the amount of expenses required for the acquisition of the Building.

Note 2 The Investment Corporation will own both the Land and the Building and the date of acquisition of the Building is indicated.

Note 3 The appraisal value represents the combined value of the Land and the Building with June 28, 2024, as appraisal date. The same applies hereinafter.

#### (2) Funding for Acquisition

Payment of the Building will be made with cash on hand and borrowings.

## 2. Overview of the Project

This is the second development project for the Investment Corporation with the aim of rejuvenating the portfolio and improving medium- to long-term profitability by acquiring development sites in central Tokyo and developing new office buildings in an environment where acquisition competition in the real estate transaction market remains fierce. In addition to building an in-house real estate development team with expertise at the Asset Manager, we were able to reduce risks related to development such as excessive development costs, schedule delays, and the quality of the property developed by outsourcing project management to THE SANKEI BUILDING CO., LTD. and completion risks by outsourcing design and construction to Taisei Corporation, a super general contractor with an extensive track record and experience in a wide range of fields, thereby successfully completing its acquisition today as scheduled.

### (1) Location

The property is located 4 minutes on foot from Kanda Station on the JR Yamanote Line and Tokyo Metro Ginza Line, 5 minutes on foot from Akihabara Station on the JR Yamanote Line and Tokyo Metro Hibiya Line, and 4 minutes on foot from Iwamoto-cho Station on the Toei Subway Shinjuku Line. It takes 2 minutes from Kanda Station to Tokyo Station. Thereby, it offers good access to the city center.

The Kanda area, where the property is located, is close to Marunouchi, Otemachi, etc., which are large business clusters, has a high level of traffic convenience, and maintains relatively cheap rent levels. As a result, tenant demand is expected from small and medium-sized manufacturers, wholesalers, and other industries.

### (2) Building Facilities

The Property secures a leasable area of 12 stories, a total floor area of 11,957.86 square meters, and about 242 tsubos per floor. The shape of the rentable room is designed to allow rental by division and to increase the flexibility and efficiency of the layout.

In addition, as a development project, the Property has been evaluated from the design stage in order to reduce the environmental impact of the portfolio in accordance with the Investment Corporation's ESG policy and received the Investment Corporation's first ZEB Oriented certification (Note). The Investment Corporation will continue to promote environmental and energy-saving measures for its owned properties and initiatives that take into consideration various social demands.

Note For further details of ZEB Oriented certification, please refer to <https://www.env.go.jp/earth/zeb/detail/01.html>. (in Japanese only)

**3. Details of the Property and Lease**

Property Name	<u>Daiwa Akihabara</u>		
Type of Specified Assets	Trust beneficial interest in domestic real estate		
Trustee	Mizuho Trust Banking Co., Limited		
Trust Period	From December 16, 2021 to December 15, 2031		
Location (Address)	<u>19-8, and 16 other parcels of land, Kanda Suda-cho 2-chome, Chiyoda-ku, Tokyo</u>		
Use (Real Property Registry)	Office		
Ownership Form	(1) Land: Ownership (2) Building: Ownership		
Site Area (Real Property Registry)	1,346.71 m <sup>2</sup>		
Total Floor Area (Real Property Registry)	<u>11,957.86</u> m <sup>2</sup>		
Structure (Real Property Registry)	<u>Reinforced concrete/steel-framed reinforced concrete/steel framed structure flat roof, 12 stories above ground with 1 basement floor</u>		
Construction Date (Real Property Registry)	<u>June 12, 2024</u>		
Building Engineer	Taisei Corporation		
Constructor	Taisei Corporation		
Structural Design Engineer	Taisei Corporation		
Floor Height/Ceiling Height	<u>3,700 mm (for standard floor) / 2,700 mm (for standard floor)</u>		
Air-conditioning System/ OA Laying	<u>Each floor individual treatment air-conditioning/OA-capable floor</u>		
Building Inspection Agency	<u>JAPAN ERI CO., LTD.</u>		
Engineering Due Diligence Company	<u>Tokyo Bldg-Tech Center Co., Ltd.</u>		
Soil Contamination Risk Survey Company	<u>Earth-Appraisal Co., Ltd.</u>		
Probable Maximum Loss Level (Assessor)	<u>3.9% (Sompo Risk Management Inc.)</u>		
Acquisition Price	15,503 million yen (excluding acquisition expenses and consumption tax, etc.)		
Appraisal Value (Appraisal Date)	<u>20,100</u> million yen (as of June 28, 2024)		
Appraiser	JLL Morii Valuation & Advisory K.K.		
Collateral	None		
Summary of Tenants			
Total Number of Tenants	<u>0</u> (at the time of acquisition) (Note 1)		
Total Leasable Floor Space	<u>9,385.73</u> m <sup>2</sup>		
NOI Yield at Acquisition (Note 2)	<u>4.5%</u>	Midterm NOI yield (Note 3)	<u>4.5%</u>
Appraisal NOI (NOI yield) (Note 4)	<u>4.4%</u>	Depreciation (Note 5)	<u>1.0%</u>
Other Matters of Special Note	Not Applicable		

- Note 1 The acquisition date is June 28, 2024. The Property is a newly built property and the leasing agreement with tenants starts on July 1, 2024, or later.
- Note 2 NOI Yield at Acquisition is calculated based on the leasing agreement for the Property already concluded at the time of the acquisition date by dividing the assumed annual income with the assumption of the occupancy rate being 96.0% by acquisition price in consideration of 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 3 Midterm NOI yield is calculated based on the assumption that after the property acquisition, the Investment Corporation will receive rent under normal occupancy rate 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 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 The figure for Appraisal NOI 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 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 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.

#### **4. Acquisition Price (Construction Costs) and Leasing Status of the Building**

As a result of implementing additional work to change specifications for the purpose of increasing the leasable floor area and contracted unit rent, the final acquisition price of the Building came to 15,503 million yen. This is 81 million yen (0.5%) higher than the expected acquisition price (15,422 million yen) stated in the News Release dated June 21, 2022, and it was due to the implementation of the aforementioned additional construction work as an effort to maintain and improve profitability.

Furthermore, although the leasing agreement with tenants of the Property will start on July 1, 2024, or later, as of today, the occupancy rate of the tenants that have already signed the contracts is expected to be 91.9% as of the end of August. For the remaining one floor, an application is already received, and the occupancy rate is expected to reach 100% at an early stage.

NOI yield based on the expected acquisition price was announced to be 4.0% in the News Release dated October 20, 2021. However, since contracted unit rent surpassed the initial expectation, NOI yield upon acquisition will increase to 4.5%.

#### **5. Future Prospect**

In the forecasts of operating results and distribution for the fiscal period ending May 2024 (the 37th fiscal period) and the fiscal period ending November 2024 (the 38th fiscal period) announced in “REIT Financial Report for the 36th Fiscal Period” dated January 22, 2024, it is assumed that the Building will be acquired on June 2024, and there is no change in the forecast.

**6. Summary of Appraisal Report**

Appraiser	JLL Morii Valuation & Advisory K.K.	
Appraisal Date	June 28, 2024	
Appraisal Value	20,100 million yen	
Items	(million yen) (Note 1)	Outline, etc.
Income Approach Value	20,100	Based on the discounted cash flow value, comparatively considering direct capitalization value.
Direct Capitalization Value	21,000	
(1) Operating Revenue	829	
Potential Annual Rent Revenue	866	Assessed rent, which is stable over the medium to long term, etc.
Amount of Loss Due to Vacancy	36	Assessed by taking into account the standard vacancy rate and specific factors of the subject property.
(2) Operating Expenses	140	
Maintenance and Operation Cost	29	Based on the level of peer properties, etc., the estimate was determined to be appropriate and recorded.
PM Fee	(Note 2)	
Water & Utility Charges	34	Estimated with reference to the levels of those for peer properties.
Repair	0	The ER estimate was determined to be appropriate and 30% of the levelled amount was recorded.
Leasing Fee	6	Amount equivalent to new monthly rent of 1.0 month.
Tax	62	For land, assessed based on actual historical amount by taking into account the variation rate. For building, assessed by taking into account the depreciation over time.
Non-life Insurance	2	Estimated with reference to the levels of those for peer properties.
Others	5	Based on fees including renewal contracts.
(3) Net Operating Revenue	688	
(4) Profit from Deposits/Guarantees	4	Return yield is assumed at 1.0%.
(5) Capital Expenditures	0	The ER estimate was determined to be appropriate and 70% of the levelled amount was recorded.
(6) Net Revenue ((3)+(4)-(5))	692	
(7) Capitalization Rate	3.3%	
Discounted Cash Flow Value	19,700	
Discount Rate	3.1%	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	3.5%	Assessed considering future uncertainties, deterioration of buildings and divestment risks, based on capitalization rate.
Integrated Value by Using Cost Method	18,300	
Ratio of Land	78.1%	
Ratio of Building	21.9%	
Other Things Appraiser Noted Upon Appraisal	—	

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 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. Therefore, the figure presented in this column is calculated together with maintenance and operation costs.

(Reference press release)

- As of October 20, 2021 “Notice Concerning Asset Replacement and Conclusion of Agreements Concerning Development Project with World Holdings Group (Kandasudacho 2-Chome Development Project)”
  
- As of June 21, 2022 “Notice Concerning Partial Amendments to the Disclosed Matter of Kandasudacho 2-Chome Development Project”

- End -

**[Reference Material 1] Photographs/Map**

<Photographs>

**【External View】**



**【Common Area】**



**【Private Area】**



**【Men's Restroom】**

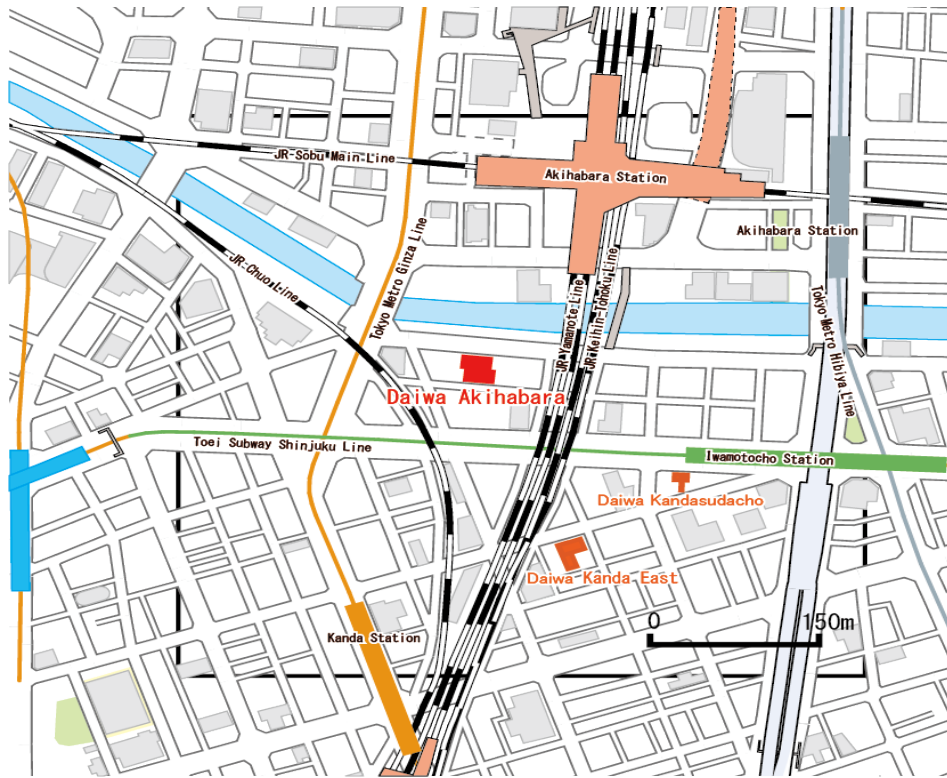


**【Women's Restroom】**





<Map>





**[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	3.0%
	Daiwa Ginza Annex	Oct 21, 2005	3,050.0	0.6%
	Daiwa Shibaura	Oct 21, 2005	8,265.0	1.7%
	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	0.5%
	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	14.1%
	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	0.7%
	E SPACE TOWER	Jul 8, 2011	24,000.0	5.1%
	Daiwa Nihonbashi Hongokucho	May 11, 2012	1,721.0	0.4%
	shinyon curumu	Dec 3, 2012/ Apr 12, 2013	9,650.0	2.0%
	Daiwa Akasaka	Aug 9, 2013	9,200.0	1.9%
	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%
	Shinsen Place	Mar 2, 2015	4,800.0	1.0%
	Daiwa Shibuya Square	May 1, 2015	16,000.0	3.4%
	Daiwa River Gate	Jun 2, 2015	28,000.0	5.9%
Daiwa Hatchobori ekimae	Sep 11, 2015	2,871.0	0.6%	
Daiwa Hatchobori ekimae West	Sep 11, 2015	1,647.0	0.3%	
Daiwa Nishi-Shinjuku	Mar 29, 2016	13,710.0	2.9%	
Kirin Nihonbashi Building	May 26, 2016	8,180.0	1.7%	
Daiwa Higashi-Nihonbashi	Jun 1, 2016	6,370.0	1.3%	

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	3.3%
	Daiwa Sasazuka	Dec 27, 2018	3,000.0	0.6%
	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	0.7%
	Daiwa Nihonbashi Bakurocho	Nov 13, 2020	5,733.0	1.2%
	Daiwa Kandabashi	Sep 29, 2021	1,970.0	0.4%
	Daiwa Akihabara	Jun 28, 2024	15,503.0	3.3%
	S-GATE FIT Nihonbashi Bakurocho	Mar 29, 2024	6,300.0	1.3%
Total Number of Properties located in Five Central Wards of Tokyo: 49			383,669.7	81.0%
Greater Tokyo (Note 2)	Daiwa Higashi-Ikebukuro	Oct 21, 2005	2,958.0	0.6%
	Daiwa Shinagawa North	Jul 13, 2007	7,710.0	1.6%
	Daiwa Kamiooka	Mar 1, 2013	2,000.0	0.4%
	Daiwa Ogikubo Tower	May 29, 2014	15,220.0	3.2%
	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	8.0%
	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	17.0%
Major Regional	Daiwa Kitahama	Aug 1, 2014	9,481.5	2.0%
Total Number of Properties located in Major Regional Cities: 1			9,481.5	2.0%
Total Number of Properties: 59			473,789.2	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 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.

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