Daiwa Office Investment Corporation

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Notice Concerning Approval of Right Conversion Plan for "Shibuya 2-chome West District Type 1 Urban Redevelopment Project" and Decision on Participation in Project (Daiwa Shibuya Miyamasuzaka)

As announced in "Notice Concerning Decision on City Planning for "(Tentative Name) Shibuya 2-chome West District Type 1 Urban Redevelopment Project" (Daiwa Shibuya Miyamasuzaka)"" dated March 24, 2022, Daiwa Shibuya Miyamasuzaka (the "Property") owned by Daiwa Office Investment Corporation (the "Investment Corporation") is located within the implementation area of the Shibuya 2-chome West District Type 1 Urban Redevelopment Project (the "Project"), which is being implemented by the Shibuya 2-chome West District Urban Redevelopment Association.

The right conversion plan for the Project has been approved by the Governor of Tokyo, and in conjunction with this, the Investment Corporation hereby announces that it has decided to participate in the Project and acquire right floor space via right conversion of the Property. "Right floor space" refers to the right to floor space in a redeveloped building that is acquired through right conversion under the Urban Redevelopment Act in lieu of the right previously associated with the land and buildings.

1. Details of the Project

The Shibuya REGENERATION Project (the "Overall Project") is an integrated urban regeneration initiative consisting of two projects: an urban redevelopment project (A Block and B Block), which is the Project, and a voluntary joint reconstruction project (C Block), for which Tokyo Tatemono Co., Ltd. and others are the project operators. It aims to contribute to the area through integrated urban development of the A, B, and C Blocks. The total site area of the Overall Project is about 18,700 m^2 and the total floor area is about 305,800 m^2, making it the largest redevelopment project in the Shibuya area in terms of both site area and total floor area.

The Overall Project aims to be a brand-new approach to urban development that will sustain continued growth in the area. Its goal is to contribute to urban regeneration by enhancing Shibuya's wide-area traffic function, developing a pedestrian network that facilitates the flow of people from the station into the area, introducing urban functions serving to enhance international competitiveness, and implementing initiatives to enhance disaster capabilities and reduce the area's environmental burden.

For details, please refer to "Notice of Right Conversion Approval for "Shibuya 2-chome West District Type 1 Urban Redevelopment Project"" announced by the Shibuya 2-chome West District Urban Redevelopment Association, Tokyo Tatemono Co., Ltd., and the Urban Renaissance Agency on November 24, 2026.

2. Overview of Project Plan

	Overview of the Plan			
Location	Within 2-13, 2-14, and 2-16, Shibuya, Shibuya-ku, Tokyo			
Zoning districts	Commercial district, fire prevention district, parking lot development district, Shibuya Station East Exit district plan			
Area of project district	Approx. 2.3 ha			
Facility overview		Total (A and B Blocks)	A Block	B Block
	Site area	Approx. 14,440 m^2	Approx. 1,670 m^2	Approx. 12,770 m^2
	Total floor area	Approx. 239,200 m^2	Approx. 4,200 m^2	Approx. 235,000 m^2
	No. of floors Height	-	5 floors above ground and 1 below Approx. 46 m	38 floors above ground and 3 below Approx. 192 m
	Usage	-	Retail stores, etc.	Offices, retail stores, hotel, human resource development hub, bus terminal, etc.

3. Schedule of the Project

Approval of right conversion plan	November 24, 2026
Right conversion date (planned)	December 1, 2026
Start of main construction (planned)	2029
Completion (planned)	2035

(Note) This is the plan at the present time. It is subject to change in the future based on the Project's progress status and other factors.

4. Reasons for Participating in the Project

The Investment Corporation has continued to pursue property replacement for the purpose of improving the quality of its portfolio. In its previously announced replacement strategy, it indicated that one of the criteria for selecting an asset located in an urban redevelopment project area is whether the asset's value will increase through the redevelopment.

In the case of the Property, which is located inside the implementation area of the Project (A Block), the Investment Corporation deemed that aiming to enhance asset value over the medium to long term by participating in the Project would contribute more to enhancing unitholder value than realizing gain on sale by selling it at the present time, and it therefore decided to participate in the Project. As a result, it plans to acquire a portion of the office space in a new large-scale, high-performance building to be constructed in the B Block (exclusive area: 5,622.36 m^2 (planned)) via right conversion of the Property. Since the property is located in Shibuya, one of Tokyo's leading business districts, and possesses strong location competitiveness and future potential, the Investment Corporation believes that it will help ensure stable revenue and improve portfolio value over the medium to long term.

Furthermore, it will apply the insights regarding urban redevelopment projects obtained through its involvement in the Project as a right holder and the relationships with stakeholders developed through the Project when considering operation and value enhancement of other assets it owns.

During the Project development period, the Investment Corporation also plans to receive compensation from the redevelopment association under the Urban Redevelopment Act. The costs associated with operating the Property are expected to be limited during the development period. The Investment Corporation therefore believes that it will be able to maintain a profitability level similar to the Property's latest revenue.

Based on the above, the Investment Corporation deemed that participating in the Project would enable it to balance creating future value with ensuring stable profits during the development period, leading to enhanced unitholder value over the medium to long term, and thus decided to participate in the Project.

5. Future Prospects

As the impact on the management status for the fiscal period ending November 2026 (42nd fiscal period) and fiscal period ending May 2027 (43rd fiscal period) will be minimal, there are no changes to the management status forecast.

6. Summary of Investigation Report

Investigator	Japan Real Estate Institute
Investigation Date	May 1, 2026
Investigation Value (Note 1)	21,800 million yen

Items	(million yen)	Outline, etc.
Income Approach Value	21,800	
Direct Capitalization Value	22,100	
(1) Operating Revenue	(Not disclosed) (Note 3)	
Potential Annual Rent Revenue	-	
Amount of Loss Due To Vacancy	-	
(2) Operating Expenses	(Not disclosed) (Note 3)	
Maintenance and Operation Cost	-	
PM Fee		
Water & Utility Charges	-	
Repair	-	
Leasing Fee	-	
Tax	-	
Non-life Insurance	-	
Other	-	
(3) Net Operating Revenue	571	
(4) Profit from Deposits/Guarantees	0	
(5) Capital Expenditures	18	
(6) Net Revenue ((3)+(4)-(5))	552	
(7) Capitalization Rate	2.5%	
Discounted Cash Flow Value	21,400	
Discount Rate	2.2%	
Terminal Capitalization Rate	2.6%	
Integrated Value by Using Cost Method	21,600	
Ratio of Land	60.2%	
Ratio of Building	39.8%	

Other Things Investigator Noted Upon Investigation	–

(Note 1) The investigation value is the estimated value as of the investigation date if the building were completed and ready to lease. It does not guarantee the future appraisal value. For the securities report and other documents for the fiscal period ended May 2026, the Investment Corporation obtained an appraisal report with a valuation date of May 31, 2026, and disclosed the appraisal value as of that date. However, that appraisal report did not incorporate the Project, and the Investment Corporation has therefore indicated the investigation value above to reflect it.

(Note 2) The above revenue and expense are based on the investigation report and are not the figures forecast by the Investment Corporation or the Asset Manager.

(Note 3) The information is not disclosed as no consent for disclosure has been obtained from the Shibuya 2-chome West District Urban Redevelopment Association.

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