

Attention

This is an unofficial translation of the press release announced 22 February 2021 by Daiwa Securities Group Inc. The original press release is in Japanese.

22 February 2021

Press Release

Daiwa Securities Group Inc.

Notice Concerning Conversion of Daiwa Office Investment Corporation into Consolidated Subsidiary

Daiwa Securities Group Inc. (“DSGI”) announces that, given the determination of Daiwa Office Investment Corporation (“DOI”), an affiliated company of DSGI, to acquire own investment units as announced in its press release dated today (the “Acquisition of Own Investment Units”), it has decided to make DOI its consolidated subsidiary through the results of the Acquisition of Own Investment Units or through a purchase of investment units by way of a market procurement by DSGI at the Tokyo Stock Exchange (“Acquisition of Investment Units”) as described below.

1. Reason for Conversion into Consolidated Subsidiary

DOI, an affiliated company of DSGI, has announced the press release “Notice Concerning Determination of Matters Regarding Acquisition of Own Investment Units (Acquisition of Own Investment Units Based on Article 80-5 of the Act on Investment Trusts and Investment Corporations) and Expected Conversion into Consolidated Subsidiary by Daiwa Securities Group Inc.” (hereinafter the “Related Press Release”) dated February 22, 2021.

DSGI and its subsidiary Daiwa Investment Management Inc. (hereinafter “DIM”) own 39.89% of the investment units of DOI as of the date of this document and, as a result of the Acquisition of Own Investment Units by DOI, the ratio of voting rights of DSGI and DIM combined is expected to surpass 40%, even as the number of investment units owned by DSGI and DIM will remain the same.

The Acquisition of Own Investment Units by DOI is scheduled to be implemented between February 24 and May 14 of 2021 through a market procurement on the Tokyo Stock Exchange. If the total ratio of voting rights of DSGI and DIM exceeds 40% as a result of the Acquisition of Own Investment Units, DSGI will treat DOI as a consolidated subsidiary in its consolidated financial statements taking into account the so-called effective control standards in accounting standards.

Furthermore, depending on the status of the Acquisition of Own Investment Units by DOI, DSGI may implement an Acquisition of Investment Units by the end of March 2021.

In 2009, the Daiwa Securities Group made Daiwa Real Estate Asset Management Co., Ltd. (hereinafter the “Asset Management Company”) its consolidated subsidiary and entered into the real estate asset management business. The asset size of DOI, which entrusts the management of its assets to the Asset Management Company, increased from 265 billion yen at the point of entering the business to 461.4 billion yen by the end of January 2021. In addition to this steady growth, the total size of assets under management in the Daiwa Securities Group’s real estate asset management business has expanded to over 1 trillion yen.

By converting DOI into a consolidated subsidiary, leasing revenue and such generated from real estate owned by DOI will be directly reflected in the consolidated performance of the Daiwa Securities Group. As such, the so-called “same boat” principle intends to match the interests of the unitholders of the Daiwa Securities Group, and DOI can be further enhanced. The Daiwa Securities Group is committed to supporting further growth aimed at the continuous enhancement of DOI’s unitholder value.

Please also refer to the Related Press Release separately announced by DOI today with regard the Acquisition of Own Investment Units by DOI.

2. Overview of DOI

(1) Name	Daiwa Office Investment Corporation																				
(2) Address	2-1, Ginza 6-chome, Chuo-ku, Tokyo																				
(3) Representative	Seiya Miyamoto, Executive Director																				
(4) Asset management company	Daiwa Real Estate Asset Management Co., Ltd.																				
(5) Description of business	Investment in and management of specified assets																				
(6) Amount of capital	JPY 247,876 million (as of Nov. 30, 2020)																				
(7) Date of incorporation	July 11 2005																				
(8) Principal Unitholders and their investment-holding ratios (as of Nov. 30, 2020)	<table> <tr> <td>Daiwa Investment Management Inc.</td><td>26.21%</td></tr> <tr> <td>Daiwa Securities Group Inc.</td><td>13.69%</td></tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (trust account)</td><td>11.34%</td></tr> <tr> <td>Custody Bank of Japan, Ltd. (trust account)</td><td>8.24%</td></tr> <tr> <td>STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND</td><td>5.36%</td></tr> <tr> <td>The Nomura Trust and Banking Co., Ltd. (trust account)</td><td>2.93%</td></tr> <tr> <td>Custody Bank of Japan, Ltd. (securities investment trust account)</td><td>2.22%</td></tr> <tr> <td>BNYM AS AGT/CLTS 10 PERCENT</td><td>1.67%</td></tr> <tr> <td>Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</td><td>1.27%</td></tr> <tr> <td>Mizuho Securities Co., Ltd.</td><td>1.07%</td></tr> </table>	Daiwa Investment Management Inc.	26.21%	Daiwa Securities Group Inc.	13.69%	The Master Trust Bank of Japan, Ltd. (trust account)	11.34%	Custody Bank of Japan, Ltd. (trust account)	8.24%	STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND	5.36%	The Nomura Trust and Banking Co., Ltd. (trust account)	2.93%	Custody Bank of Japan, Ltd. (securities investment trust account)	2.22%	BNYM AS AGT/CLTS 10 PERCENT	1.67%	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1.27%	Mizuho Securities Co., Ltd.	1.07%
Daiwa Investment Management Inc.	26.21%																				
Daiwa Securities Group Inc.	13.69%																				
The Master Trust Bank of Japan, Ltd. (trust account)	11.34%																				
Custody Bank of Japan, Ltd. (trust account)	8.24%																				
STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND	5.36%																				
The Nomura Trust and Banking Co., Ltd. (trust account)	2.93%																				
Custody Bank of Japan, Ltd. (securities investment trust account)	2.22%																				
BNYM AS AGT/CLTS 10 PERCENT	1.67%																				
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1.27%																				
Mizuho Securities Co., Ltd.	1.07%																				
(9) Relationship of DSGI to DOI and the Asset Management Company	<table> <tr> <td>Capital relationship (as of February 22, 2021)</td><td> <p>DSGI owns 67,321 investment units of DOI and DIM, a subsidiary of DSGI, owns 128,905 of DOI.</p> <p>DSGI owns 100% of total outstanding shares of the Asset Management Company and falls under the category of interested person, etc. as stipulated in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended; the "Investment Trust Act").</p> </td></tr> <tr> <td>Personnel relationship</td><td> <p>There is no personnel relationship between DSGI and DOI. However, at present, there are 30 executives and employees including two directors seconded to the Asset Management Company from DSGI, while one director (part-time) and two auditors (part-time) concurrently hold positions in DSGI.</p> </td></tr> <tr> <td>Business relationship</td><td> <p>DSGI is the parent company of the Asset Management Company, owning 100% of its shares, and falls under the category of specified associated corporation of DOI.</p> <p>DSGI has concluded a sponsor support agreement with the Asset Management Company as of June 17, 2009. With the aim of promoting the sustainable and stable growth of the real estate investment trust, etc. entrusting management to the Asset Management Company, DSGI provides to the Asset Management Company with information on properties, etc. and other information related to the operations of the Asset Management Company which DSGI deems useful for the Asset Management Company or real estate investment trust, etc., and provides assistance for the Asset Management Company's staffing, formation of bridge funds, underwriting of short-term investment corporation bonds, etc.</p> </td></tr> <tr> <td>Status as a related party</td><td> <p>DSGI is an other affiliated company of DOI and falls under the category of a related party. DSGI is the parent company of the</p> </td></tr> </table>	Capital relationship (as of February 22, 2021)	<p>DSGI owns 67,321 investment units of DOI and DIM, a subsidiary of DSGI, owns 128,905 of DOI.</p> <p>DSGI owns 100% of total outstanding shares of the Asset Management Company and falls under the category of interested person, etc. as stipulated in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended; the "Investment Trust Act").</p>	Personnel relationship	<p>There is no personnel relationship between DSGI and DOI. However, at present, there are 30 executives and employees including two directors seconded to the Asset Management Company from DSGI, while one director (part-time) and two auditors (part-time) concurrently hold positions in DSGI.</p>	Business relationship	<p>DSGI is the parent company of the Asset Management Company, owning 100% of its shares, and falls under the category of specified associated corporation of DOI.</p> <p>DSGI has concluded a sponsor support agreement with the Asset Management Company as of June 17, 2009. With the aim of promoting the sustainable and stable growth of the real estate investment trust, etc. entrusting management to the Asset Management Company, DSGI provides to the Asset Management Company with information on properties, etc. and other information related to the operations of the Asset Management Company which DSGI deems useful for the Asset Management Company or real estate investment trust, etc., and provides assistance for the Asset Management Company's staffing, formation of bridge funds, underwriting of short-term investment corporation bonds, etc.</p>	Status as a related party	<p>DSGI is an other affiliated company of DOI and falls under the category of a related party. DSGI is the parent company of the</p>												
Capital relationship (as of February 22, 2021)	<p>DSGI owns 67,321 investment units of DOI and DIM, a subsidiary of DSGI, owns 128,905 of DOI.</p> <p>DSGI owns 100% of total outstanding shares of the Asset Management Company and falls under the category of interested person, etc. as stipulated in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended; the "Investment Trust Act").</p>																				
Personnel relationship	<p>There is no personnel relationship between DSGI and DOI. However, at present, there are 30 executives and employees including two directors seconded to the Asset Management Company from DSGI, while one director (part-time) and two auditors (part-time) concurrently hold positions in DSGI.</p>																				
Business relationship	<p>DSGI is the parent company of the Asset Management Company, owning 100% of its shares, and falls under the category of specified associated corporation of DOI.</p> <p>DSGI has concluded a sponsor support agreement with the Asset Management Company as of June 17, 2009. With the aim of promoting the sustainable and stable growth of the real estate investment trust, etc. entrusting management to the Asset Management Company, DSGI provides to the Asset Management Company with information on properties, etc. and other information related to the operations of the Asset Management Company which DSGI deems useful for the Asset Management Company or real estate investment trust, etc., and provides assistance for the Asset Management Company's staffing, formation of bridge funds, underwriting of short-term investment corporation bonds, etc.</p>																				
Status as a related party	<p>DSGI is an other affiliated company of DOI and falls under the category of a related party. DSGI is the parent company of the</p>																				

		Asset Management Company and falls under the category of a related party. Also, DSGI falls under the category of an interested person, etc. of the Asset Management Company as stipulated by the Investment Trust Act.	
(10) Operating results and financial status in the latest three accounting periods			
Settlement period	Period ended Nov. 2019	Period ended May 2020	Period ended Nov. 2020
Net assets	JPY 254,892 million	JPY 255,127 million	JPY 255,511 million
Total assets	JPY 486,030 million	JPY 487,212 million	JPY 488,570 million
Net assets per unit	JPY 518,203	JPY 518,681	JPY 519,462
Operating revenue	JPY 14,094 million	JPY 14,272 million	JPY 14,849 million
Operating income	JPY 7,114 million	JPY 7,312 million	JPY 7,715 million
Ordinary income	JPY 6,463 million	JPY 6,688 million	JPY 7,125 million
Net income	JPY 6,462 million	JPY 6,687 million	JPY 7,124 million
Net income per unit	JPY 13,139	JPY 13,595	JPY 14,484
Distribution per unit	JPY 13,139	JPY 13,595	JPY 13,817

3. Status of Owned Investment Units after the Acquisition of Own Investment Units by DOI
(Before the Acquisition of Own Investment Units)

	DSGI	DIM	Total
(1) Investment units owned	67,321 units	128,905 units	196,226 units
(2) Voting rights ratio	13.69%	26.21%	39.89%

*The above number of investment units owned and voting rights ratio are as of February 22, 2021.

(After the Acquisition of Own Investment Units (Scheduled))

	DSGI	DIM	Total
(1) Investment units owned	67,321 units	128,905 units	196,226 units
(2) Voting rights ratio	13.91%	26.64%	40.55%

*The Acquisition of Own Investment Units by DOI will be implemented through a market purchase at the Tokyo Stock Exchange with a ceiling of 8,000 units. The voting rights ratio indicated presumes that an acquisition of 8,000 own investment units is made.

*Part or all of the acquisition of 8,000 units, which is the ceiling of investment units for acquisition, may not be implemented depending on DOI's investment unit price level, liquidity of investment units, market trends, etc.

*Depending on the situation of the Acquisition of Own Investment Units by DOI, DSGI may implement an Acquisition of Investment Units (maximum of 600 units). Therefore, the number of investment units owned may differ from the above.

4. Schedule

(1) Date of resolution by DOI's board of directors	February 22, 2021
(2) Acquisition period for the Acquisition of Own Investment Units	February 24, 2021 to May 14, 2021
(3) Subsidiary transfer date	March 2021 (scheduled)

5. Future Outlook

If the Acquisition of Own Investment Units by DOI is implemented, the voting rights ratio of DSGI and DIM is expected to be 40% or more. Moreover, depending on the situation of the Acquisition of Own Investment Units, DSGI may implement an Acquisition of Investment Units and, starting at the end of March 2021, DSGI is scheduled to treat DOI as its consolidated subsidiary in its consolidated financial statements.

If DOI is converted into a consolidated subsidiary, the assets and liabilities of DOI will be treated in accounting on market valuation based on the Accounting Standards for Consolidated Financial Statements, and after being converted into a consolidated subsidiary, DOI's performance is expected to be reflected in the consolidated performance of DSGI. The impact that this will have on the consolidated performance of DSGI for the current period is presently being reviewed.

Furthermore, with regard to the so-called conduit requirements (Article 67-15 of the Act on Special Measures Concerning Taxation) of DOI, the total ownership ratio of investment units of DSGI and DIM (and those who have special relationships defined in Paragraph 5, Article 39-32-3 of the Enforcement Order for the Act on Special Measures Concerning Taxation) is not expected to exceed 50% and so the Acquisition of Own Investment Units by DOI (or Acquisition of Investment Units by DSGI) is not expected to conflict with conduit requirements.