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For Immediate Release

Investment Corporation:

Daiwa House Residential Investment Corporation  
7th Floor, Nissei Nagatacho Building,  
2-4-8, Nagatacho, Chiyoda-ku, Tokyo  
Jiro Kawanishi, Executive Director  
(Code Number: 8984)

Asset Manager:

Daiwa House Asset Management Co., Ltd.  
Koichi Tsuchida  
President and CEO

Inquiries:

Masahiko Arima  
Managing Director and General Manager, Administration and Accounting Department  
TEL: +81-3-3595-1265

Investment Corporation:

Daiwa House REIT Investment Corporation  
2-3-6, Nihonbashi Kayabacho, Chuo-ku, Tokyo  
Masazumi Kakei, Executive Director  
(Code Number: 3263)

Asset Manager:

Daiwa House REIT Management Co., Ltd.  
Hirotaka Najima  
Representative Director, President and CEO

Inquiries:

Haruto Tsukamoto  
Director, Executive Manager of the Finance Department (CFO)  
TEL: +81-3-5651-2895 (Main)

Notice Concerning Execution and Cancellation of “Basic Agreements on Pipeline Support, etc.”

Daiwa House Residential Investment Corporation (“DHI”) and Daiwa House REIT Investment Corporation (“DHR”; collectively with DHI, the “Investment Corporations”) will implement an absorption-type merger with DHI as the surviving corporation and DHR as the absorbed corporation (the “Merger”) with the effective date being September 1, 2016 as the Investment Corporations announced in “Notice Concerning Execution of Merger Agreement Between Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation” dated April 15, 2016.

As described in the abovementioned notice, DHI concluded a new basic agreement on pipeline support, etc. between DHI, Daiwa House Asset Management Co., Ltd. (“DHAM”), the asset manager of DHI, and Daiwa House Industry Co., Ltd. on April 15, 2016. In addition to this basic agreement, DHI announces that it has decided today to execute basic agreements on pipeline support, etc. (collectively with the new basic agreement on pipeline support, etc., the “New Basic Agreements”) on September 1 between DHI, DHAM, and each of Cosmos Initia Co., Ltd., Daiwa Lease Co., Ltd., Daiwa Information Service Co., Ltd., Daiwa Royal Co., Ltd., Fujita Corporation and Daiwa Logistics Co., Ltd., which belong to the Daiwa House Group (consisting of Daiwa House Industry Co., Ltd. and its 142 consolidated subsidiaries, 2 unconsolidated

subsidiaries, 25 equity-method affiliates and 2 non-equity-method affiliates, as of March 31, 2016; the same hereinafter), that will take effect as of the effective date of the Merger subject to the Merger taking effect.

In line with the effect of the New Basic Agreements, the existing basic agreements on pipeline support, etc. executed between DHI, DHAM and each Daiwa House Group company (collectively, the “DHI Existing Basic Agreements”) will cease to be effective.

Furthermore, DHR plans to cancel the existing memorandums on pipeline support, etc. (collectively, the “DHR Existing Memorandums”) executed between DHR, Daiwa House REIT Management Co., Ltd. (“DHRM”), the asset manager of DHR, and each Daiwa House Group company in line with the effect of the New Basic Agreements.

DHI announces that it has also decided cancellation of the basic agreement on pipeline support, etc. executed between DHI, DHAM and Morimoto Co., Ltd. and the basic agreement on the provision of brokerage information regarding real estate, etc. executed between DHI, DHAM and Sumitomo Mitsui Trust Bank, Limited, that will take effect as of the effective date of the Merger subject to the Merger taking effect.

# 1. Counterparties of the DHI Existing Basic Agreements, the DHR Existing Memorandums and the New Basic Agreements

【Before the Merger】		⇒	【After the Merger】
Counterparties of the DHI Existing Basic Agreements	Counterparties of the DHR Existing Memorandums		Counterparties of the New Basic Agreements
Daiwa House Industry Co., Ltd.	Daiwa House Industry Co., Ltd.		Daiwa House Industry Co., Ltd. (Executed on April 15, 2016)
Cosmos Initia Co., Ltd.	Daiwa Lease Co., Ltd.		Cosmos Initia Co., Ltd.
Fujita Corporation	Daiwa Information Service Co., Ltd.		Daiwa Lease Co., Ltd.
	Daiwa Royal Co., Ltd.		Daiwa Information Service Co., Ltd.
	Fujita Corporation		Daiwa Royal Co., Ltd.
	Daiwa Logistics Co., Ltd.		Fujita Corporation
			Daiwa Logistics Co., Ltd.

## 2. Overview of the New Basic Agreements

The overview of the New Basic Agreements is as follows. For the overview of the New Basic Agreement between DHI, DHAM and Daiwa House Industry Co., Ltd., please refer to “Notice Concerning Execution of Merger Agreement Between Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation” dated April 15, 2016.

(1) Details of the New Basic Agreements with Daiwa Lease Co., Ltd., Daiwa Information Service Co., Ltd., Daiwa Royal Co., Ltd. and Daiwa Logistics Co., Ltd.

a. Preferential provision of property information and granting of preferential negotiation rights for purchase and sale	<ul style="list-style-type: none"> <li>• In the event that the support company intends to dispose properties (including beneficiary interests in trust assets comprised of the properties; the “Investment Target Real Estate”) in (1) in this section) that satisfy DHI’s investment criteria and standards among properties in Japan which are held, or to be held upon future development by the supporting company or a company under its substantive control (collectively, the “Supporting Company, etc.” in (1) in this section), the supporting company shall have the Supporting Company, etc. preferentially provide information concerning the Investment Target Real Estate ahead of third parties and grant a right to preferentially negotiate for purchase and sale (the “Preferential Negotiation Right” in (1) in this section), to DHI and DHAM.</li> </ul> <p>&lt; Outline of the Preferential Negotiation Right &gt;</p> <ul style="list-style-type: none"> <li>• DHI and DHAM may consider preferential acquisition during a designated period.</li> <li>• Until the end of such designated period, the supporting company shall have the Supporting Company, etc. not provide third parties with information on properties subject to the Preferential Negotiation Rights.</li> </ul>
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	<ul style="list-style-type: none"> <li>As a result of information provision, if the purchase conditions proposed by a third party who has received the information or the disposal conditions proposed to a third party by the grantor of the Preferential Negotiation Right are equivalent to or less favorable than the conditions proposed by DHI and DHAM, the supporting company shall have the Supporting Company, etc. reconfirm with DHI and DHAM their intention to acquire such property and, upon DHI's and DHAM's request, will renegotiate.</li> </ul> <p>&lt; Exemption &gt; In any of the following cases, the Preferential Negotiation Rights shall not be granted:</p> <ul style="list-style-type: none"> <li>If the Supporting Company, etc. have agreed in advance to transfer the Investment Target Real Estate developed and acquired based on a joint business with a third party or to grant a preferential negotiation right to a third party.</li> <li>If the Supporting Company, etc. have agreed in advance with another co-owner or contributor of the Investment Target Real Estate to transfer co-ownership interests and contributor's interests under certain conditions or to grant a preferential negotiation right to another co-owner or contributor.</li> <li>If disposal of the Investment Target Real Estate is made pursuant to a request by administrative bodies.</li> <li>If the Supporting Company, etc. are required to grant a preferential negotiation right to a third party based on an agreement with a third party which has been entered into prior to execution of the New Basic Agreements.</li> </ul>
b. Provision of information concerning properties to be disposed	In the event that DHI and DHAM notify the supporting company of a plan to dispose of DHI's assets, the supporting company shall have the Supporting Company, etc. preferentially provide DHI and DHAM with information of parties who wish to purchase or parties reasonably deemed willing to purchase the properties to be disposed of prior to providing the information to third parties.
c. Provision of leasing support business	In DHI's interest, the supporting company shall attempt to keep an up-to-date understanding of leasing demand trends, have the Supporting Company, etc. provide leasing support, such as formulation of an effective leasing strategy concerning the Investment Target Real Estate DHI intends to acquire and properties owned by DHI and make maximum efforts to enable DHI to secure tenants quickly. The supporting company, DHI and DHAM confirm that the leasing support business does not include brokerage of real estate leasing and that the business does not constitute real estate business.
d. Other support	Upon DHI's and DHAM's request, the supporting company shall have the Supporting Company, etc., to the extent it does not violate applicable laws and regulations, provide DHAM with advice and assistance concerning the acquisition and management of real estate, provide materials and information necessary to make investment judgements and provide any other necessary support.
e. Effective period	The effective period of the pipeline supporting agreement shall be ten years from the execution date of the agreement. Unless a request is made by either party of the agreement in writing to all other parties prior to six months before the expiration, it shall be extended for five years from the day after the expiration date, and the same shall apply subsequently.

(2) Details of the New Basic Agreements with Cosmos Initia Co., Ltd. and Fujita Corporation

a. Preferential provision of property information and granting of preferential negotiation rights for purchase and sale	<ul style="list-style-type: none"> <li>In the event that the support company intends to dispose properties (including beneficiary interests in trust assets comprised of the properties; the "Investment Target Real Estate") in (2) in this section) that satisfy DHI's investment criteria and standards among properties in Japan which are held, or to be held upon future development by the supporting company or a company under its substantive control (collectively, the "Supporting Company, etc." in (2) in this section), the supporting company shall have the Supporting Company, etc. preferentially provide information concerning the Investment Target Real Estate ahead of third parties and grant a right to preferentially negotiate for purchase and sale (the "Preferential Negotiation Right" in (2) in this section), to DHI and DHAM.</li> </ul> <p>&lt; Outline of the Preferential Negotiation Right &gt;</p> <ul style="list-style-type: none"> <li>DHI and DHAM may consider preferential acquisition during a designated period.</li> <li>Until the end of such designated period, the supporting company shall have the Supporting Company, etc. not provide third parties with information on properties subject to the Preferential Negotiation Rights.</li> </ul> <p>&lt; Exemption &gt; In any of the following cases, the Preferential Negotiation Rights shall not be granted:</p> <ul style="list-style-type: none"> <li>If the Supporting Company, etc. have agreed in advance to transfer the Investment Target Real Estate developed and acquired based on a joint business with a third party or to grant a</li> </ul>
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	<p>preferential negotiation right to a third party.</p> <ul style="list-style-type: none"> <li>• If the Supporting Company, etc. have agreed in advance with another co-owner of contributor of the Investment Target Real Estate to transfer co-ownership interests and contributor's interests under certain conditions or to grant a preferential negotiation right to another co-owner or contributor.</li> <li>• If disposal of the Investment Target Real Estate is made pursuant to a request by administrative bodies.</li> <li>• If the Supporting Company, etc. are required to grant a preferential negotiation right to a third party based on an agreement with a third party which has been entered into prior to execution of the New Basic Agreements.</li> </ul>
b. Provision of information concerning properties to be disposed	In the event that DHI and DHAM notify the supporting company of a plan to dispose of DHI's assets, the supporting company shall have the Supporting Company, etc. preferentially provide DHI and DHAM with information of parties who wish to purchase or parties reasonably deemed willing to purchase the properties to be disposed of prior to providing the information to third parties.
c. Other support	Upon DHI's and DHAM's request, the supporting company shall have the Supporting Company, etc., to the extent it does not violate applicable laws and regulations, provide DHAM with advice and assistance concerning the acquisition and management of real estate, provide materials and information necessary to make investment judgements and provide any other necessary support.
d. Effective period	The effective period of the pipeline supporting agreement shall be ten years from the execution date of the agreement. Unless a request is made by either party of the agreement in writing to all other parties prior to six months before the expiration, it shall be extended for five years from the day after the expiration date, and the same shall apply subsequently.

### (3) Conclusion Date of Agreement

September 1, 2016

### 3. Overview of the New Basic Agreements

Name	Cosmos Initia Co., Ltd.	Daiwa Lease Co., Ltd.	Daiwa Information Service Co., Ltd.
Location	Shin Tamachi Building, 5-34-6 Shiba, Minato-ku, Tokyo	Pippu Building, 2-1-36 Noninbashi, Chuo-ku, Osaka-shi, Osaka	Daiwa House Kudan Building, 2-18-2 Iidabashi, Chiyoda-ku, Tokyo
Representative	Yoshiyuki Takagi, President	Shunsaku Morita, President	Katsuyuki Fujita, President
Business activities	Real estate sales, real estate leasing, real estate transaction	Prefabricated industrial buildings business, retail facility leasing business, environmental greening business, leasing solution business	Real estate management
Capital (Note)	5,000 million yen	21,768 million yen	200 million yen
Foundation date	June 20, 1969	July 29, 1947	January 8, 1986
Net assets (Note)	19,470 million yen	128,611 million yen	17,715 million yen
Total assets (Note)	102,293 million yen	402,652 million yen	118,418 million yen
Relationship between the companies and the Investment Corporations/ the asset managers			
Capital relationship	There is no capital relationship to describe between DHI, DHR, DHAM and DHRM and the companies concerned. Furthermore, the companies concerned are the subsidiaries of Daiwa House Industry Co., Ltd., the parent company of DHAM and DHRM.		
Personnel relationship	There is no personnel relationship to describe between DHI, DHR, DHAM and DHRM and the companies concerned.		
Business relationship	There is no business relationship to describe between DHI, DHR, DHAM and DHRM and the company concerned.	DHI entrusts property management services and services as master lease company to the company concerned. There is no business relationship to describe between DHR, DHAM and DHRM and the company concerned.	DHR entrusts property management services and services as master lease company to the company concerned. There is no business relationship to describe between DHI, DHAM and DHRM and the company concerned.
Status of classification as related party	The companies concerned fall under being a related party of DHI, DHR, DHAM and DHRM.		

Name	Daiwa Royal Co., Ltd.	Fujita Corporation	Daiwa Logistics Co., Ltd.
Location	2-18-2 Iidabashi, Chiyoda-ku, Tokyo	4-25-2 Sendagaya, Shibuya-ku, Tokyo	1-5-16 Awaza, Nishi-ku, Osaka-shi, Osaka
Representative	Ken Harada, President	Yoji Okumura, President & CEO	Isamu Ogata, President
Business activities	Operation/management/consulting of real estate, management of restaurants and hotels	Contracting, planning, designing, supervision and consulting construction, selling, leasing and brokering real estate	Transportation, warehousing
Capital (Note)	500 million yen	14,002 million yen	3,764 million yen
Foundation date	April 23, 1991	October 1, 2002	August 29, 1959
Net assets (Note)	23,684 million yen	55,539 million yen	20,776 million yen
Total assets (Note)	139,834 million yen	261,319 million yen	46,033 million yen
Relationship between the companies and the Investment Corporations/ the asset managers			
Capital relationship	There is no capital relationship to describe between DHI, DHR, DHAM and DHRM and the companies concerned. Furthermore, the companies concerned are the subsidiaries of Daiwa House Industry Co., Ltd., the parent company of DHAM and DHRM.		
Personnel relationship	There is no personnel relationship to describe between DHI, DHR, DHAM and DHRM and the companies concerned.		
Business relationship	There is no business relationship to describe between DHI, DHR, DHAM and DHRM and the companies concerned.		The company is the lessee of a property owned by DHR. There is no business relationship to describe between DHI, DHAM and DHRM and the company concerned.
Status of classification as related party	The companies concerned fall under being a related party of DHI, DHR, DHAM and DHRM.		

(Note) As of March 31, 2016.

#### 4. Outlook

The conclusion of the New Basic Agreements will have no impact on the forecasts of results of DHI for the fiscal period ending August 2016 (from March 1, 2016 to August 31, 2016) and of DHR for the fiscal period ending August 2016 (from March 1, 2016 to August 31, 2016), as well as on the forecasts of results for after the Merger for the fiscal periods ending February 2017 (from September 1, 2016 to February 28, 2017) and ending August 2017 (from March 1, 2017 to August 31, 2017).

\* This press release is to be distributed to: the Kabuto Club (the press club of the Tokyo Stock Exchange); the Ministry of Land, Infrastructure, Transport, and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport, and Tourism Press Club for Construction Publications.

\* Web addresses of the Investment Corporations:

Daiwa House Residential Investment Corporation: <http://daiwahouse-resi-reit.co.jp/en/>

Daiwa House REIT Investment Corporation: <http://www.daiwahouse-reit.jp/english/>