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Notice Concerning Appeal Court Judgement of Lawsuit over Confirmation of Rent Reduction

Daiwa House REIT Investment Corporation (“DHR”) has been subject to the lawsuit over confirmation of rent reduction filed against Mitsubishi UFJ Trust and Banking Corporation, the trustee of DHR’s investment property D Project Shin-Misato (the “Property”), by Asahi Security Co., Ltd., the tenant of the Property. DHR hereby announces that the Tokyo High Court rendered a judgement (the “Judgement”) today on DHR’s appeal to the Tokyo High Court.

1. Background of the lawsuit and the Judgement

Asahi Securities Co., Ltd., the tenant of the Property, filed a claim in the Tokyo District Court on June 27, 2014 against Mitsubishi UFJ Trust and Banking Corporation, the trustee of the Property, to confirm the reduction of the current level of rent by approximately 16% for the period from May 1, 2014 onward, as announced in the press release “Notice Concerning Case Brought against Daiwa House REIT to Confirm Rent Reduction of its Investment Property” dated July 28, 2014.

DHR believes the current level of rent is reasonable and has pleaded to that effect through the trustee at the court proceedings. However, the Tokyo District Court rendered a judgement of the first instance on July 24, 2017, confirming the reduction of the current level of rent by approximately 6% for the period from May 1, 2014 onward as announced in the press release “Notice Concerning Court Judgement of Lawsuit over Confirmation of Rent Reduction” dated July 24, 2017. DHR appealed to the Tokyo High Court on August 4, 2017 on the grounds that DHR disagrees with the judgement of the first instance as announced in the press release “Notice Concerning Appeal against Court Judgement of Lawsuit over Confirmation of Rent Reduction” dated August 4, 2017. The Tokyo High Court rendered the Judgement on April 11, 2018, confirming the reduction of the current level of rent by approximately 6% for the period from May 29, 2014 onward.

2. Outlook

DHR disagrees with the Judgement and will consider what measures to take next, including the possibility of appealing to a higher court. DHR will announce once the next step is determined.

DHR has included a provision for loss on litigation in the forecast of operating results for the fiscal periods ending August 2018 (from March 1, 2018 to August 31, 2018) and February 2019 (from September 1, 2018 to February 28, 2019) based on rent judged most likely as of February 28, 2018 after giving comprehensive consideration to the progress of the lawsuit, etc. Therefore, the impact on the operating results for the fiscal periods ending August 2017 and February 2018 will be minimal and there are no revisions to the forecast.

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* DHR’s website: <http://www.daiwahouse-reit.co.jp/en/>