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For Immediate Release

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## Notice Concerning Disposition of Trust Beneficiary Interest in Domestic Real Estate

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the decision made today by Daiwa House Asset Management Co., Ltd. (the “Asset Manager”), the asset manager to which DHR entrusts the management of its assets, to dispose of the following asset (the “Disposition”) as described below.

### 1. Disposition overview

- |   |   |   |
|---|---|---|
| (1) Property name   | : | Crest Kusatsu                               |
| (2) Type of specified asset                                       | : | Trust beneficiary interest in real estate   |
| (3) Location  | : | Kusatsu City, Shiga                         |
| (4) Asset class   | : | Residential                                 |
| (5) Anticipated sale price (Note 1)                               | : | 2,800 million yen                           |
| (6) Anticipated book value (Note 2)                               | : | 2,814 million yen                           |
| (7) Gain or loss on sale  | : | (99) million yen                            |
| (8) Appraisal value   | : | 1,960 million yen (as of February 28, 2018) |
| (9) Anticipated execution date of the sale and purchase agreement | : | May 30, 2018                                |
| (10) Anticipated date of disposition                              | : | June 22, 2018                               |
| (11) Buyer  | : | SCORE Dormitory TMK                         |
| (12) Settlement method  | : | Lump-sum settlement on delivery             |
- (Note 1) Excluding such amounts as expenses related to sale, amount equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.  
(Note 2) Description is based on the anticipated book value as of the anticipated date of disposition on June 22, 2018.  
(Note 3) Gain or loss on sale represents the forecast amount.

### 2. Disposition rationale

Based on the examination in terms of the medium- to long-term management efficiency of DHR’s portfolio and the characteristics of the respective properties, the Asset Manager decided the Disposition considering factors such as the competitiveness of the property and market conditions.

The Asset Manager decided that it would be preferable to avoid future risks by disposing of the property at the current point in a booming real estate market, since the anticipated sale price is higher than the appraisal value.

Net proceeds of the Disposition will be used to reserve as cash to fund part of acquisition of specified assets or part of repayment of loans in the future.

### 3. Details of the asset scheduled for disposition

Property number		Crest Kusatsu	Asset class		Residential
RE-115			Acquisition price		3,004 million yen
Type of specified asset			Trust beneficiary interest in real estate		
Trustee			Mizuho Trust & Banking Co., Ltd.		
Trust maturity date			June 30, 2023		
Location	Lot number		5-480, Sasanoguchi, Kasayama, Kusatsu City, Shiga		
	Address		5-3-27, Kasayama, Kusatsu City, Shiga		
Land	Type of ownership		Ownership		
	Land area		7,616.46 m <sup>2</sup>		
	Area classification		Industrial district		
	Building coverage ratio		60%		
	FAR		200%		
Building	Type of ownership		Ownership		
	Gross floor area		15,176.45 m <sup>2</sup>		
	Use		Apartment complex		
	Structure		Reinforced concrete building		
	Number of floors		11F/B2F		
	Date of construction		February 4, 1999		
Collateral			None		
Overview of leasing (Note)					
Leasable area		13,452.80 m <sup>2</sup>	Number of leasable units		540
Leased area		13,329.16m <sup>2</sup>	Annual rent		224 million yen
Occupancy rate		99.1%	Tenant leasehold and security deposit		31 million yen
Historical occupancy rate	February 2016	August 2016	February 2017	August 2017	February 2018
	49.2%	80.7%	85.9%	99.4%	94.6%
Master lease company			Sigma Japan		
Master lease type			Pass-through type		
Property management company			National Students Information Center		

(Note) Descriptions are based on the information available as of April 30, 2018. “Annual rent” indicates the annualized amount calculated by multiplying the monthly rent (including common area charges) as of April 30, 2018 by 12.

### 4. Buyer profile

(1)	Name	SCORE Dormitory TMK
(2)	Location	Oak Minami Azabu 2F, 3-19-23, Minami Azabu, Minato Ward, Tokyo
(3)	Representative	Henry Tan, Director
(4)	Business activities	Acquisition, management and disposition of specified assets
(5)	Capital	109,200,000 yen
(6)	Foundation date	March 19, 2010
(7)	Net assets	Not disclosed (Note)
(8)	Total assets	Not disclosed (Note)
(9)	Major shareholder and shareholding ratio	Not disclosed (Note)
(10)	Relationships with DHR and the Asset Manager	
	Capital relationships	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and the buyer.
	Business relationship	There is no business relationship required to be stated between DHR/the Asset Manager and the buyer.
	Status of classification as affiliated party	The buyer is not an affiliated party of DHR/the Asset Manager.

(Note) Not disclosed as consent for disclosure has not been obtained from the buyer.

## 5. Interested party transactions

None

## 6. Brokerage

### (1) Broker profile

The broker is a domestic financial institution. However, name, etc. is not disclosed as consent for disclosure has not been obtained from the broker. The broker is not an interested party of DHR and the Asset Manager, or an affiliated party of DHR and the Asset Manager. There is no capital relationship requiring disclosure between the broker and DHR or the Asset Manager. Of the officers and employees of the Asset Manager, one person has been seconded from the broker as of today. The broker is a trustee, lender, custodian, general administrator, transfer agent, special accounts administrator and administrator of investment corporation bonds of DHR.

### (2) Broker's commission

The figure is not disclosed as consent for disclosure has not been obtained from the broker.

## 7. Disposition schedule

- |   |   |                         |
|---|---|-------------------------|
| (1) Disposition decision date                         | : | May 25, 2018            |
| (2) Execution date of the sale and purchase agreement | : | May 30, 2018 (planned)  |
| (3) Payment date                                      | : | June 22, 2018 (planned) |
| (4) Delivery date                                     | : | June 22, 2018 (planned) |

## 8. Outlook

It is expected that loss on sale of investment properties of 99 million yen will be incurred for the fiscal period ending August 2018 (from March 1, 2018 to August 31, 2018) as a result of the Disposition. However, the impact of the Disposition on the forecast of operating results for the fiscal periods ending August 31, 2018 and February 28, 2019 (from September 1, 2018 to February 28, 2019) will be minimal, and there are no revisions to the forecast.

## 8. Summary of real estate appraisal

Property name	Crest Kusatsu
Appraisal value	1,960 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	February 28, 2018

Item	Content	Basis
Value based on income method	1,960 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	2,010 million yen	
Operating revenue	265 million yen	
Effective gross revenue	281 million yen	Assessed the average market rent level of the property through comparison with rent levels of leasing cases, etc.
Loss from vacancy	16 million yen	Assessed considering the average turnover period, period without revenue during tenant solicitation, etc.
Operating expense	113 million yen	
Maintenance	0 million yen	Based on the property management contract.
Utility cost	24 million yen	Recorded based on past results of the property, etc.
Repair	18 million yen	Assessed by splitting the figure based on the engineering report and similar cases in 3 (repair): 7 (capex) ratio.
Property management fee	32 million yen	Based on the property management contract.
Advertisement and other leasing cost	6 million yen	Assumed 25% annual tenant replacement.

	Tax	19 million yen	Recorded based on the fixed asset register and tax ledger for 2017.
	Insurance	0 million yen	Recorded based on past results of the property, etc.
	Other cost	12 million yen	Recorded based on past results of the property, etc.
	Net operating income (NOI)	151 million yen	
	Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
	Capital expenditure	19 million yen	Assessed by splitting the figure based on the engineering report and similar cases in 3 (repair): 7 (capex) ratio.
	Net cash flow (NCF)	132 million yen	
	Cap rate	6.6%	Assessed by comparing multiple transaction yields in the neighboring areas or similar areas with the same supply and demand.
	Value based on Discounted Cash Flow method	1,940 million yen	
	Discount rate	6.7%	Assessed by reflecting specific risks related to the property in the base yield.
	Terminal cap rate	6.8%	Assessed on the basis of capitalization rate taking into consideration of future prediction uncertainty.
	Value based on cost method	1,920 million yen	
	Proportion of land	17.2%	
	Proportion of building	82.8%	
	Items applied to adjustments in valuation approach and the determination of the appraisal value		None

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

<Attachment>

#### Portfolio status after the Disposition

Asset class	Number of properties	Acquisition price (million yen)	Investment ratio (Note)
Logistics properties	58 properties	336,499	50.1%
Residential properties	134 properties	247,444	36.8%
Retail properties	16 properties	71,530	10.6%
Hotel properties	1 property	4,800	0.7%
Other assets	4 properties	11,480	1.7%
Portfolio	213 properties	671,753	100.0%

(Note) Investment ratio indicates the ratio of the acquisition price for each asset to the total acquisition price, rounded to the nearest tenth.