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**This exchange offer or business combination is made for the securities of a foreign company. The offer is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.**

**It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers may be residents of a foreign country. You may not be able to sue a foreign company or its officers in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.**

**You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.**

April 15, 2016

For Immediate Release

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**Notice Concerning Execution of Merger Agreement Between**  
**Daiwa House Residential Investment Corporation and**  
**Daiwa House REIT Investment Corporation**

Daiwa House Residential Investment Corporation (“DHI”) and Daiwa House REIT Investment Corporation (“DHR”; collectively with DHI, the “Investment Corporations”) announce that they have decided, at their respective board of directors meetings held today, to 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 and have executed a merger agreement (the “Merger Agreement”) as of today’s date.

## 1. Purpose of the Merger

The Japanese economy is showing signs of gradual recovery, with corporate earnings and capital expenditure on the rise thanks to the government's economic policies and the Bank of Japan's monetary policy.

In the real estate market, the increased investor confidence that has come from the relaxing of financial regulation and other policy changes has continued to buoy up land values—around 90% of the 100 intensively-developed major urban districts showed an increase in land value according to the Land Value LOOK Report published by the Ministry of Land, Infrastructure, Transport and Tourism in February 2016.

In this context, the Tokyo Stock Exchange (“TSE”) REIT Index recorded an eight-year high in January 2015, but the J-REIT market has tended to be bearish since then, and investors have been increasingly risk-averse due to concerns about overseas stock markets and public finances, particularly since late June 2015. However, the TSE REIT Index once again began to rise, due in part to the effect of lower government bond yields as a result of the Bank of Japan's newly-implemented negative interest rate policy in January 2016. Moreover, asset acquisitions by J-REIT from January to December 2015 remained strong despite slowing down in the second half, and overall J-REIT asset acquisitions totaled JPY 1.6146 trillion, up 0.8% year on year.

The asset managers of the Investment Corporations—Daiwa House Asset Management Co., Ltd. (“DHAM”), the asset manager for DHI, and Daiwa House REIT Management Co., Ltd. (“DHRM”; collectively with DHAM, the “Asset Managers”), the asset manager for DHR—are both wholly-owned subsidiaries of Daiwa House Industry Co., Ltd. (“Daiwa House Industry”), and have worked to develop their own track records in asset management with the support of the Daiwa House Group (consisting of Daiwa House Industry 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).

DHI first listed on the TSE REIT market in March 2006 as BLife Investment Corporation, dealing in residential and commercial properties. It began with a portfolio of 14 properties with a total acquisition price of JPY 32.0 billion, and has since continued to operate for 20 fiscal periods. In December 2008, Daiwa House Industry became its main sponsor, and on April 1, 2010 it absorbed New City Residence Investment Corporation. DHI adopted its current trade name on December 1, 2011, and amended its articles of incorporation to specialize in residential investment. With its diversified residential portfolio and stable cash flow, DHI has been able to grow steadily to date by combining property acquisitions aided by the continual support of the Daiwa House Group with proactive property acquisitions from outside the group, and has used its retained earnings to actively update its property portfolio. In the ten years since it first listed on the TSE, DHI's investments have grown to 142 properties with a total acquisition price of JPY 256.3 billion.

DHR first listed on the TSE REIT market in November 2012 as an investment corporation dealing in logistics and commercial properties, specifically high-performance logistics properties and specialty retail complexes, with a portfolio consisting of 24 properties with a total acquisition price of JPY 114.5 billion. DHR has continued to operate for seven fiscal periods since then, and its investments have grown to 41 properties with a total acquisition price of JPY 203.7 billion in the three years since its listing as DHR works to secure stable cash flow through long-term fixed contracts and grow externally with property acquisitions focusing on the Daiwa House Group's strong pipeline.

The Investment Corporations have to date used their individual strengths to work towards securing stable income over the medium to long term and steadily growing their assets, with the aim of sustainably increasing unitholder value. However, each faces its own challenges: DHI's LTV ratio remains high, and its portfolio specialized in residential properties offers limited opportunities for internal growth, while DHR has relatively limited available strategies for efficiently swapping out investments and achieving internal growth at its positioning in the logistics REIT sector and its current portfolio size. It was with this in mind that the Investment Corporations first agreed to begin negotiations for a merger as one option for addressing these challenges and promoting the future growth of both corporations. After careful deliberations, the Investment Corporations determined that the Merger was the most effective strategy for maximizing unitholder value based on secured cash flow and improved and stable distribution through solid growth of the portfolio. As

such, the Investment Corporations have today executed the Merger Agreement.

The Investment Corporations expect the following to result from the Merger: (i) enhanced external growth potential and further internal growth opportunities through the shift to a diversified REIT, (ii) improvement of the position in the J-REIT market and asset-management flexibility through scale enhancement, and (iii) acceleration of growth leveraging the value chain of the Daiwa House Group's integrated capabilities, among other positive effects.

The Daiwa House Group, the sponsor, has set its management vision of "Endless Heart" and as "the Daiwa House Group—working to co-create value for individuals, communities and peoples' lifestyles," has committed itself to "contributing to society" through business development in diversified categories to meet social needs and through proactive innovation and the development of new categories. The Daiwa House Group has realized the "creation of shareholders' value" that generates greater economic value than the capital cost, steadily over the medium-to-long-term. The Investment Corporations will follow this Daiwa House Group's philosophy.

The surviving corporation after the Merger will shift to a diversified REIT that invests in new types of properties, such as hotels, office buildings, in addition to those that the Investment Corporations have dealt in to date. Its policy will be to leverage the Daiwa House Group's integrated capabilities to enhance its growth potential, improve the profitability and quality of its portfolio, and achieve sustainable external growth and stable distributions.

On the basis of that policy, the surviving corporation after the Merger will acquire from Daiwa House Industry a total of six logistics, residential, commercial and multi-use complex (office, hotel and commercial) properties, as outlined in the "Notice Concerning Acquisition of Trust Beneficial Interests in Domestic Real Estate and Leasing of Assets" released by the Investment Corporations today, subject to the Merger taking effect.

Note that, in order for the assets held by the surviving corporation after the Merger to be managed efficiently, the Asset Managers have agreed to implement an absorption-type merger (the "Asset Manager Merger"), effective as of September 1, 2016, with DHAM as the surviving company and DHRM as the absorbed company, subject to the Merger taking effect, as outlined in the "Notice Concerning Execution of Merger Agreement Between Daiwa House Asset Management Co., Ltd. and Daiwa House REIT Management Co., Ltd." released by the Asset Managers today, and have today executed a merger agreement with respect to that Asset Manager Merger.

## **2. Outline of the Merger**

### **(1) Schedule of the Merger**

#### **DHI**

Board of directors meeting to approve the Merger Agreement	April 15, 2016
Execution date of the Merger Agreement	April 15, 2016
Date of public notice of record date for general meeting of unitholders	April 18, 2016 (planned)
Record date for general meeting of unitholders	May 6, 2016 (planned)
Date of holding of general meeting of unitholders	June 17, 2016 (planned)
Effective date of merger	September 1, 2016 (planned)
Date of registration of merger	Early September 2016 (planned)

#### **DHR**

Board of directors meeting to approve the Merger Agreement	April 15, 2016
Execution date of the Merger Agreement	April 15, 2016
Date of holding general meeting of	May 27, 2016 (planned)

unitholders	
Delisting date	August 29, 2016 (planned)
Effective date of merger	September 1, 2016 (planned)
Date of registration of merger	Early September 2016 (planned)

(2) Method of the Merger

The Merger will be an absorption-type merger wherein DHI will be the surviving corporation and DHR will be dissolved.

(3) Allotment of Investment Units under the Merger

(i) Allotment of Investment Units

	DHI (surviving corporation)	DHR (absorbed corporation)
Allotment of investment units under merger	1	2.2

Note 1: Number of new investment units of DHI to be issued upon the Merger: 771,540 units (planned)

Note 2: Fractions less than one unit will be generated for the number of investment units to be issued through the allotment, to the unitholders of DHR, of 2.2 units of DHI per unit of DHR. Those fractional units less than one unit will be sold through a market transaction in accordance with statutory provisions, and the proceeds from the sale will be delivered to the unitholders who hold fractions in proportion to the size of their holdings of fractions.

Note 3: In addition to the above investment units, in lieu of cash distributions to the unitholders of DHR for DHR's fiscal period ending on the day immediately preceding the effective date of the Merger, DHI plans to make a payment upon the merger that will be equivalent to the cash distributions of DHR for that fiscal period (a merger payment equal to the distributable profit amount of DHR as of the day immediately preceding the effective date of the Merger divided by the number of investment units after deducting the number of investment units held by unitholders other than the Allotted Unitholders (defined below) of DHR from the number of outstanding investment units of DHR as of the day immediately preceding the effective date of the Merger), to its unitholders (excluding unitholders who have requested the purchase of their investment units in accordance with Article 149-3 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951; as amended, the "Investment Trusts Act")) (the "Allotted Unitholders") entered in or recorded on the final unitholders register of DHR as of the day immediately preceding the effective date of the Merger, within a reasonable period after the effective date of the Merger. Details will be announced as soon as they are determined.

(4) Amendment to the Articles of Incorporation of the Surviving Corporation

In order to shift to a diversified REIT upon the Merger, DHI will submit to its general meeting of unitholders scheduled to be held on June 17, 2016 proposals including a proposal to amend its articles of incorporation (the "Amendment of the Articles of Incorporation"), subject to the Merger taking effect, for the purpose of changing its trade name to "Daiwa House REIT Investment Corporation," setting new investment policy and investments as a diversified REIT, and for other necessary matters. Please refer to Schedule 1 for the details of the Amendment of the Articles of Incorporation and to Schedule 2 for DHI's articles of incorporation after the Amendment of the

Articles of Incorporation. DHI will submit a notification under Article 191 of the Investment Trusts Act promptly after the Amendment of the Articles of Incorporation is approved at the general meeting of unitholders mentioned above.

(5) Major Conditions for the Merger

The Merger will take effect if the following conditions and other conditions set out in the Merger Agreement are satisfied on the day immediately preceding the effective date of the Merger. If any of those conditions precedent is not satisfied or if it becomes clear that any of such conditions precedent will not be satisfied on or before the day immediately preceding the effective date of the Merger, DHI and DHR may cancel the Merger Agreement by giving written notice to the other party prior to the effective date of the Merger. Please refer to the “Notice of Convening General Meeting of Unitholders for Approval of Merger Agreement, Amendment of the Articles of Incorporation, and Appointment of Directors” announced by DHR today for the details of those conditions precedent.

- Approval at the general meetings of unitholders of both DHI and DHR and other procedures pursuant to applicable laws and ordinances have been completed, and all necessary permits and approvals have been obtained, as required in relation to the Merger or in order to implement the matters contemplated in connection with the Merger.
- Consent has been obtained from each financial institution lending money to DHI or DHR with respect to conducting the Merger and the basic borrowing conditions applicable on and after the effective date of the Merger (for each loan agreement, including necessary measures so that no breach of financial covenant clause, breach of covenant clause, or acceleration event attributable to DHI occurs after the Merger), and such consent has not been withdrawn.
- Both DHI and DHR have reasonably confirmed that the procedures for filing of Form F-4 are not necessary for the Merger under the U.S. Securities Act.

### 3. Basis for Calculation of Allotment of Investment Units under the Merger

(1) Basis of Calculation

For the purpose of determining the merger ratio to be adopted in the Merger, and with a view to ensuring fairness, DHI and DHR each appointed a financial advisor for the Merger and requested each financial advisor to perform a financial analysis of the merger ratio. DHI appointed Nomura Securities Co., Ltd. (“Nomura Securities”), and DHR appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley Securities”).

Nomura Securities performed a financial analysis of the merger ratio for each of DHI and DHR, adopting (i) average market investment unit price analysis, as investment units of both DHI and DHR are listed on the TSE and the market investment unit price is available, (ii) comparable similar investment corporation analysis, as DHI and DHR are comparable to several listed investment corporations and the investment unit value may be analogically inferred by comparing them thereto, (iii) discounted cash flow analysis (“DCF Analysis”) in order to reflect future business activity in the financial analysis, and (iv) the adjusted net asset value approach, in order to reflect the effect on net assets of changes in market value and exchangeability into cash. A summary of the financial analysis performed by Nomura Securities is as follows.

Financial Analysis Approach	DHI	DHR
Average market investment unit price analysis	1	1.98 - 2.10
Comparable similar investment corporation analysis	1	2.12 - 2.50
DCF Analysis	1	2.10 - 2.51

Adjusted net asset value approach	1	2.11
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Concerning the average market investment unit price analysis, the financial analysis date was set at April 14, 2016, and the closing prices on the financial analysis date, and the simple averages of closing prices for the one-week, one-month, three-month, and six-month periods up to the financial analysis date were employed. Please refer to Note 1 at the end of this press release for more detailed information regarding the assumptions and disclaimers for the analysis of Nomura Securities.

In the future profit plan of DHI and DHR which Nomura Securities referred to as the basis for the DCF Analysis, there is no fiscal period in which a considerable increase or decrease in profits is expected.

Mitsubishi UFJ Morgan Stanley Securities conducted its analysis of the merger ratio for each of DHI and DHR, comprehensively taking into consideration the analysis results based on (i) investment unit price analysis as a method of analysis based on the investment unit price formed in the securities market, as investment units of DHI and DHR are listed on the TSE, (ii) analysis by comparison to similar investment corporations as a method of analysis based on the investment unit value of other listed investment corporations conducting business similar to that of DHI and DHR, (iii) the dividend discount model as a method of analysis of investment unit value based on dividends which unitholders of DHI and DHR are expected to receive in the future, (iv) DCF Analysis as a primary method of analysis of investment unit value based on the mid-to-long term future business activities of DHI and DHR, and (v) the net asset value approach as a method of static analysis of investment unit value, which reflects the market value of assets held by DHI and DHR. A summary of the analysis performed by Mitsubishi UFJ Morgan Stanley Securities is as follows.

Financial Analysis Approach	DHI	DHR
Investment unit price analysis	1	1.79 - 2.14
Analysis by comparison to similar investment corporations	1	2.10 - 2.31
Dividend discount model	1	1.97 - 1.98
DCF Analysis	1	2.14 - 2.54
Net asset value approach	1	2.16

Concerning the investment unit price analysis, taking into account the recent market trading trends of the investment units of DHI and DHR, the financial analysis date was set at April 14, 2016 and the merger ratio was analyzed based on the closing prices for one-month, three-month, six-month, and twelve-month periods up to the financial analysis date. Please refer to Note 2 at the end of this press release for more detailed information regarding the assumptions and disclaimers for the analyses of Mitsubishi UFJ Morgan Stanley Securities.

In the future profit plan of DHI and DHR which Mitsubishi UFJ Morgan Stanley Securities referred to as the basis for the DCF Analysis, there is no fiscal period in which a considerable increase or decrease in profits is expected.

## (2) Process of Calculation

DHI and DHR determined the above-mentioned merger ratio to be appropriate and executed the Merger Agreement after comprehensively taking into account the financial results, status of assets and liabilities, future prospects of the business, synergies to be created by the Merger, and the results of the financial analysis conducted by Nomura Securities and Mitsubishi UFJ Morgan Stanley Securities (the financial advisors for DHI and DHR), and discussing and negotiating at length.

## (3) Relationship with the Financial Advisors

Neither Nomura Securities nor Mitsubishi UFJ Morgan Stanley Securities falls under the definition

of an “Affiliated Party” of DHI or DHR as set forth in Article 67(4) of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended) and has any significant interest to note in connection with the Merger.

(4) Prospects of and Reasons for Delisting

As outlined in 2. (2) above, it is expected that DHR will dissolve and the investment units issued by DHR will be delisted on August 29, 2016, which is three business days prior to the effective date of the Merger, in accordance with the Criteria for Delisting set forth by TSE. Upon the Merger, the unitholders of DHR will be allotted new investment units of DHI in proportion to the number of investment units they hold and thereby own investment units of DHI, and those investment units will be listed on the TSE and will continue to be tradeable on the TSE.

(5) Measures to Ensure Fairness

(i) Measures to Ensure Fairness in the Course of Considering Pros and Cons of the Merger and the Merger Ratio

In the course of considering the Merger, each of the Investment Corporations has reported, in a timely manner, the progress of deliberations to its board of directors, which consists of one executive director and two supervisory directors, whose independence from any asset management company has been ensured under the Investment Trusts Act. Further, important matters to be considered have been deliberated and approved by the board of directors of DHI and DHR.

Furthermore, DHI has appointed Mori Hamada & Matsumoto and DHR has appointed Anderson Mori & Tomotsune, as legal advisors for the Merger, and DHI and DHR have received advice on matters including the procedures for the Merger, and the method and procedures for making decisions.

(ii) Measures to Ensure Fairness in Determination of the Merger Ratio

As described in items (1) through (3) above, DHI and DHR requested their respective financial advisors to conduct a financial analysis regarding the merger ratio. In determining the appropriate merger ratio, DHI and DHR considered various factors including the financial analyses conducted by their respective financial advisors.

In order to ensure the fairness of the Merger, DHI has retained Nomura Securities, which is an independent third party financial advisor, for its unitholders, and obtained a merger ratio analysis report, in which analyses of the allotment of investment units under the Merger were conducted from a financial viewpoint under certain assumptions. Given the above, the board of directors of DHI has determined that measures for ensuring the fairness of the Merger were adequately implemented.

In order to ensure the fairness of the Merger, DHR has retained Mitsubishi UFJ Morgan Stanley Securities, which is an independent third party financial advisor, for its unitholders, and obtained a merger ratio analysis report, in which analyses of the allotment of investment units under the Merger were conducted from a financial viewpoint under certain assumptions. Given the above, the board of directors of DHR has determined that measures for ensuring the fairness of the Merger were adequately implemented.

It is to be noted that neither DHI nor DHR obtained a fairness opinion from the respective financial advisor to the effect that the merger ratio is financially suitable for unitholders of the Investment Corporations.

(iii) Using an Independent Financial Advisor

In order to receive advice in deliberating the Merger and other support in implementing the Merger, DHI used Daiwa Securities Co. Ltd. (“Daiwa Securities”) as an independent



financial advisor in addition to the independent third party financial advisor mentioned in (ii) above to which DHI requested the calculation of the merger ratio. It is to be noted that DHI did not obtain a merger ratio analysis report or a fairness opinion from Daiwa Securities.

#### 4. Overview of Merging Parties

	Surviving Corporation		Absorbed Corporation	
(1) Name	Daiwa House Residential Investment Corporation		Daiwa House REIT Investment Corporation	
(2) Location	2-4-8, Nagatacho, Chiyoda-ku, Tokyo		2-3-6, Nihonbashi Kayabacho, Chuo-ku, Tokyo	
(3) Name of Executive Director	Jiro Kawanishi		Masazumi Kakei	
(4) Unitholders' Capital	61,703 million yen		105,459 million yen	
(5) Date of Incorporation	June 7, 2005		September 14, 2007	
(6) Total Number of Investment Units Issued and Outstanding	747,740 units		350,700 units	
(7) End of Fiscal Periods	February and August		February and August	
(8) Main Assets under Management	Real estate, and real estate trust beneficial interest		Real estate trust beneficial interest	
(9) Main Financing Banks	Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and The Bank of Tokyo-Mitsubishi UFJ, Ltd.		Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Mizuho Bank, Ltd.	
(10) Major Unitholders and their Unitholding Ratios	Japan Trustee Services Bank, Ltd. (trust account)	27.7%	Japan Trustee Services Bank, Ltd. (trust account)	31.7%
	Daiwa House Industry Co., Ltd.	10.1%	Daiwa House Industry Co., Ltd.	12.2%
	The Master Trust Bank of Japan, Ltd. (trust account)	9.7%	The Master Trust Bank of Japan, Ltd. (trust account)	7.9%
	Trust & Custody Services Bank, Ltd. (securities investment trust account)	4.7%	Trust & Custody Services Bank, Ltd. (securities investment trust account)	6.9%
	The Nomura Trust and Banking Co., Ltd. (investment trust account)	3.3%	The Nomura Trust and Banking Co., Ltd. (investment trust account)	3.6%
(11) Name of Asset Manager	Daiwa House Asset Management Co., Ltd.		Daiwa House REIT Management Co., Ltd.	
(12) Location of Asset Manager	2-4-8, Nagatacho, Chiyoda-ku, Tokyo		2-3-6, Nihonbashi Kayabacho, Chuo-ku, Tokyo	
(13) Name and Post of Representative of Asset Manager	Koichi Tsuchida, CEO & President		Hiroataka Najima , Representative Director, President and CEO	
(14) Relationship Among Parties Involved				
	Capital Relationship	There are no capital relationship requiring special mention between the merging parties and their asset managers.		
	Personnel Relationship	There are no personnel relationship requiring special mention between the merging parties and their asset managers.		

Business Relationship	There are no business relationship requiring special mention between the merging parties and their asset managers. As stated in “1. Purpose of the Merger,” DHAM and DHRM will conduct the Asset Manager Merger on the effective date of the Merger.
Status of Classification as Related Party	Each merging party is not a related party of the other merging party. The Asset Managers are wholly owned subsidiaries of Daiwa House Industry and are fellow subsidiaries, thus they are considered related parties. Daiwa House Industry, the major unitholder of both DHI and DHR, holds majority ownership of DHAM and DHRM, thus DHAM is considered a related party of DHR and DHRM is considered a related party of DHI.

(15) Management and Other Performance in Most Recent Three Fiscal Periods

(i) DHI (Unit: million yen, unless otherwise stated)

Fiscal period ended	February 2015	August 2015	February 2016
Operating revenue	8,693	9,356	9,662
Operating income	3,881	3,925	3,947
Ordinary income	3,081	3,146	3,177
Net income	3,080	3,145	3,177
Net income per unit (yen)	8,239 (4,119)	4,207	4,248
Distributions per unit (yen)	8,691 (4,345)	4,460	4,501
Net assets per unit (yen)	298,113 (149,056)	148,918	148,707
Net assets	111,455	111,352	111,194
Total assets	238,730	258,400	258,590

Note: DHI conducted a two-for-one unit split with February 28, 2015 as the record date for the unit split (it was actually conducted on February 27, 2015) and March 1, 2015 as the effective date of the unit split. Therefore, the numbers in parentheses are based on the assumption that the unit split was conducted at the beginning of the period ending February 2015.

(ii) DHR (Unit: million yen, unless otherwise stated)

Fiscal period ended	February 2015	August 2015	February 2016
Operating revenue	5,146	6,305	6,938
Operating income	3,003	3,683	3,969
Ordinary income	2,546	2,972	3,382
Net income	2,545	2,971	3,381
Net income per unit (yen)	8,673	8,657	9,642
Distributions per unit (yen)	8,674	8,473	9,642
Net assets per unit (yen)	274,614	309,183	310,353
Net assets	80,593	108,430	108,804
Total assets	166,825	216,936	222,081

## 5. Post-Merger Status

### (1) Status of the Surviving Corporation

	Surviving Corporation
(1) Name	Daiwa House REIT Investment Corporation (currently Daiwa House Residential Investment Corporation) (Note)
(2) Location	2-4-8, Nagatacho, Chiyoda-ku, Tokyo
(3) Name of Executive Director	Jiro Kawanishi
(4) Unitholders' Capital	Undetermined (yet to be determined at this stage)
(5) End of fiscal periods	February and August
(6) Net assets	Undetermined (yet to be determined at this stage)
(7) Total assets	Undetermined (yet to be determined at this stage)
(8) Name of Asset Manager	Daiwa House Asset Management Co., Ltd.
(9) Location of Asset Manager	2-4-8, Nagatacho, Chiyoda-ku, Tokyo
(10) Name and post of representative of Asset Manager	Koichi Tsuchida, CEO & President

Note: DHI will submit to its general meeting of unitholders scheduled on June 17, 2016 a proposal regarding the Amendment of the Articles of Incorporation including the change of its corporate name to “Daiwa House REIT Investment Corporation” subject to the Merger taking effect.

### (2) Major Unitholders and their Unitholding Ratios Before and After the Merger

Before the Merger			
DHI (as of February 29, 2016)		DHR (as of February 29, 2016)	
Japan Trustee Services Bank, Ltd. (trust account)	27.7%	Japan Trustee Services Bank, Ltd. (trust account)	31.7%
Daiwa House Industry Co., Ltd.	10.1%	Daiwa House Industry Co., Ltd.	12.2%
The Master Trust Bank of Japan, Ltd. (trust account)	9.7%	The Master Trust Bank of Japan, Ltd. (trust account)	7.9%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	4.7%	Trust & Custody Services Bank, Ltd. (securities investment trust account)	6.9%
The Nomura Trust and Banking Co., Ltd. (investment trust account)	3.3%	The Nomura Trust and Banking Co., Ltd. (investment trust account)	3.6%
SCBHK AC DBS Vickers (HK) Limited – Client A/C	1.8%	The Fuji Fire and Marine Insurance Company, Limited	1.6%
The Chugoku Bank, Ltd.	1.8%	The Hachijuni Bank, Ltd.	1.3%
The Fuji Fire and Marine Insurance Company, Limited	1.7%	State Street Bank West Pension Fund Clients Exempt 505233	1.0%
The Bank of New York – JASDEC Non – Treaty Account	1.5%	The Yamanashi Chuo Bank, Ltd.	0.9%
Trust & Custody Services Bank, Ltd. (money trust tax account)	1.4%	Trust & Custody Services Bank, Ltd. (money trust tax account)	0.8%

After the Merger (simple sum after taking into account the merger ratio)	
Japan Trustee Services Bank, Ltd. (trust account)	29.8%
Daiwa House Industry Co., Ltd.	11.2%
The Master Trust Bank of Japan, Ltd. (trust account)	8.8%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	5.8%
The Nomura Trust and Banking Co., Ltd. (investment trust account)	3.4%
The Fuji Fire and Marine Insurance Company, Limited	1.6%
The Hachijuni Bank, Ltd.	1.2%
Trust & Custody Services Bank, Ltd. (money trust tax account)	1.1%
State Street Bank West Pension Fund Clients Exempt 505233	1.0%
SCBHK AC DBS Vickers (HK) Limited – Client A/C	0.9%

Note: The major unitholders and their unitholding ratios after the Merger are calculated based on the investment units assuming allotment in accordance with “(3) Allotment of Investment Units under the Merger” under “2. Outline of the Merger” above on the basis of the major unitholders’ unitholding ratios before the Merger above.

### (3) Amendment to the Asset Management Agreement

After the Merger, DHI will continue to delegate its asset management to DHAM, the company to which DHI presently delegates its asset management. As to the asset management agreement between DHI and DHAM, an agreement to amend the asset management agreement was executed today in order to implement the Amendment of the Articles of Incorporation, subject to the Merger and the Amendment of the Articles of Incorporation taking effect.

After obtaining approval from its general meeting of unitholders, DHR will, subject to the Merger taking effect, terminate the asset management agreement with DHRM as of the effective date of the Merger.

### (4) Amendment to the Investment Policy

DHAM resolved at its board of directors meeting held today to make amendment to the management guidelines for the management of assets of DHI as of the effective date of the Merger, in order to set a new investment policy, etc., as a diversified REIT, subject to the Merger and the Amendment of the Articles of Incorporation taking effect. Please refer to Schedule 3 for the outline of the amendment to the investment policy.

### (5) Amendment to the Agreements with Sponsors

DHI executed today a new basic agreement on pipeline support, etc. (the “New Basic Agreement”) between DHI, DHAM, and Daiwa House Industry that will take effect as of the effective date of the Merger subject to the Merger taking effect. Upon the effectiveness of the New Basic Agreement, the existing basic agreement on pipeline support, etc. (the “DHI Existing Basic Agreement”) between

the parties will be expired. The New Basic Agreement is an agreement that integrates the substantive content of the DHI Existing Basic Agreement and the memorandum on pipeline support (the “DHR Existing Memorandum”) executed by DHR and DHRM with Daiwa House Industry, and that covers hotels, offices, and healthcare facilities which are additional targets of pipeline support as the result of the expansion of the investment target resulting from the Merger.

For the purpose of aligning the interests of unitholders of DHI as the surviving corporation after the Merger with the interests of Daiwa House Industry as sponsor of DHI, Daiwa House Industry has expressed its intention to consider in good faith subscribing for part of the investment units of the surviving corporation after the Merger when it newly issues investment units and to continue to hold the investment units of the surviving corporation after the Merger after Daiwa House Industry acquires any investment units.

DHR will terminate the DHR Existing Memorandum as of the effective date of the Merger subject to the Merger taking effect.

Whether and how to amend agreements with each Daiwa House Group company other than Daiwa House Industry has not been determined yet. We will make an announcement once this has been determined.

As stated above, since the basic agreement on pipeline support, etc. with Daiwa House Industry will continue after the Merger, the strong support system of the Daiwa House Group will continue after the Merger.

## **6. Outline of Accounting Method**

It is assumed that the Merger constitutes an acquisition under the Accounting Standards for Business Combinations (ASBJ Guidance No. 21; amended September 13, 2013) and that the Merger will be carried out through the purchase method with DHI as the acquirer and DHR as the acquiree. It is also assumed that the Merger will result in positive goodwill amounting to an estimated 44,544 million yen.

In addition, positive goodwill will be recorded as assets and be regularly amortized through the straight line method for twenty years. The amortization costs will vary between accounting and tax treatment (different treatment between tax and book accounts) and will be a cause for the imposition of taxes such as corporation tax; however, in order to avoid taxes such as the corporation tax, DHI plans to appropriate a part of its internal reserves (for distribution purposes) and thereby distribute an amount equivalent to the cost of amortization of goodwill and other costs, and has no plan to distribute cash in excess of profit for the purpose of tax avoidance as long as internal reserves (for distribution purposes) exist.

## **7. Distribution Policy after the Merger**

DHI currently makes distributions by adding an amount equivalent to 10% of the depreciation cost of each fiscal period to the net income for that fiscal period; however, after the Merger, DHI’s policy will be to make distributions by appropriating an amount equivalent to the cost of amortization of positive goodwill from its internal reserves (for distribution purposes) each fiscal period and adding such amount to net income instead of adding an amount equivalent to 10% of the depreciation cost.

Such added amount may be changed sufficiently after taking into consideration the external environment, including the current financial and economic situation, the overall situation of the J-REIT market, and the status of DHI’s assets and its financial condition after the Merger.

## **8. Future Prospects**

For the prospective future performance after the Merger, please refer to today’s press release, “Notice Concerning Forecasts of Financial Results for the Fiscal Periods Ending February 2017 and Ending August 2017 Following the Merger of Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation”.

The impact of the execution of the Merger Agreement on each of DHI and DHR's performance for the fiscal period ending August 31, 2016 (from March 1, 2016 to August 31, 2016) will be limited. Please refer to the "Financial Report for the Twentieth Fiscal Period (September 30, 2015 - February 29, 2016)" released by DHI and the "Financial Results for the Fiscal Period Ended February 29, 2016" released by DHR, both as of today, for each of DHI and DHR's performance.

End of Document

\* 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/>

Note 1

Nomura Securities has generally used information provided by DHI and DHR and publicly available information in order to conduct the merger ratio analysis. Nomura Securities has not conducted any independent verification of the accuracy or completeness of the materials and information, but rather has assumed that all such materials and information are accurate and complete. In addition, Nomura Securities has not made any independent valuation, appraisal, or assessment of the assets or liabilities (including off-balance-sheet assets and liabilities and any other contingent liabilities) of DHI and DHR, nor has Nomura Securities requested any such valuation, appraisal, or assessment from a third-party institution. Further, Nomura Securities has assumed that the financial projections (including profit plan and other information) provided by DHI and DHR have been prepared in a reasonable manner on the basis of the best estimates and judgment currently available by the management of each of DHI and DHR.

Note 2

In analyzing the above merger ratio, Mitsubishi UFJ Morgan Stanley Securities has relied on the information provided by DHI and DHR and publicly available information assuming that all such materials and information are accurate and complete, without independent verification of the accuracy or completeness of those materials and information. In addition, Mitsubishi UFJ Morgan Stanley Securities did not make any independent valuation, appraisal, or assessment of the assets or liabilities (including off-balance-sheet assets and liabilities and any other contingent liabilities) of DHI and DHR, nor has Mitsubishi UFJ Morgan Stanley Securities requested any such appraisal or assessment from a third-party institution. Further, Mitsubishi UFJ Morgan Stanley Securities has assumed that the financial projections provided by DHI and DHR have been prepared in a reasonable manner to reflect the best currently available estimates and judgments by the management of each of DHI and DHR. The analysis of the above merger ratio by Mitsubishi UFJ Morgan Stanley Securities was based on the above information that was available as of April 14, 2016.

Mitsubishi UFJ Morgan Stanley Securities has prepared its analysis solely for the board of directors of DHR for the purpose of deliberating the Merger and the analysis may not be definitively relied upon or used for any other purpose or by any other third party. In addition, Mitsubishi UFJ Morgan Stanley Securities will not provide any opinion or recommendation on voting by any of the unitholders of DHI or DHR with respect to the Merger or any other proposed transaction.

Schedule 1 (Amendments of the Articles of Incorporation)

Amendments of the Articles of Incorporation

(The amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><b>Article 1 Corporate Name</b> The name of the investment corporation (the “<b>Investment Corporation</b>”) is <i>Daiwa House Residential Investment Corporation</i> and is expressed as “Daiwa House <u>Residential</u> Investment Corporation” in English.</p> <p><b>Article 5 Total Number of Investment Units Authorized to be Issued</b> 5.1 The total number of units authorized to be issued by the Investment Corporation is <u>4,000,000</u>. Paragraphs 5.2 and 5.3 (Omitted)</p> <p><b>Article 16 Record Date</b> 16.1 If the Investment Corporation convenes the general meeting of unitholders pursuant to the provisions of the first sentence of Article 9.3, the unitholders <u>or registered investment unit pledgees</u> registered or recorded in the final unitholders register as of the end of August 2015 and thereafter as of the end of August of every second subsequent year shall be the unitholders <u>or registered investment unit pledgees</u> entitled to exercise their voting rights at the general meeting of unitholders convened by the Investment Corporation. Paragraph 16.2 (Omitted)</p> <p><b>Article 30 Investment Policy</b> 30.1 The Investment Corporation shall mainly invest in (i) Real Estate (meaning the assets defined in Article 31.2; the same</p>	<p><b>Article 1 Corporate Name</b> The name of the investment corporation (the “<b>Investment Corporation</b>”) is <i>Daiwa House <u>REIT</u> Investment Corporation</i> and is expressed as “Daiwa House <u>REIT</u> Investment Corporation” in English.</p> <p><b>Article 5 Total Number of Investment Units Authorized to be Issued</b> 5.1 The total number of units authorized to be issued by the Investment Corporation is <u>8,000,000</u>. Paragraphs 5.2 and 5.3 (Same as Current Provisions)</p> <p><b>Article 16 Record Date</b> 16.1 If the Investment Corporation convenes the general meeting of unitholders pursuant to the provisions of the first sentence of Article 9.3, the unitholders registered or recorded in the final unitholders register as of the end of August 2015 and thereafter as of the end of August of every second subsequent year shall be the unitholders entitled to exercise their voting rights at the general meeting of unitholders convened by the Investment Corporation. Paragraph 16.2 (Same as Current Provisions)</p> <p><b>Article 30 Investment Policy</b> 30.1 The Investment Corporation shall mainly invest in (i) Real Estate (meaning the assets defined in Article 31.2; the same</p>



Current Articles of Incorporation	Proposed Amendments
<p>hereinafter) used mainly for residential facilities located in <u>the greater Tokyo area and other government-designated cities in Japan and the surrounding areas of those cities</u> and (ii) Real-Estate-Backed Securities (meaning the assets defined in Article 31.3; the same hereinafter) backed by Real Estate used mainly for residential facilities located in such <u>greater Tokyo area and other government-designated cities in Japan and the surrounding areas of those cities.</u></p>	<p>hereinafter) used mainly for <u>logistics facilities, residential facilities, commercial facilities, and hotels</u> located in <u>the three major metropolitan areas (the greater Tokyo area (Tokyo, Kanagawa, Saitama, and Chiba prefectures), the greater Nagoya area (Aichi, Gifu, and Mie prefectures), and the greater Osaka area (Osaka, Kyoto, Hyogo, Nara, and Shiga prefectures))</u> and the rest of <u>Japan</u> and (ii) Real-Estate-Backed Securities (meaning the assets defined in Article 31.3; the same hereinafter) backed by Real Estate used mainly for <u>logistics facilities, residential facilities, commercial facilities, and hotels</u> located in such <u>three major metropolitan areas and the rest of Japan.</u> <u>The Investment Corporation may invest in other Real Estate and Real-Estate-Backed Securities.</u></p>
<p>Paragraphs 30.2 through 30.4 (Omitted)</p>	<p>Paragraphs 30.2 through 30.4 (Same as Current Provisions)</p>
<p><b>Article 31 Types, Purpose, and Scope of Specified Assets to be Managed</b> Paragraphs 31.1 through 31.3 (Omitted)</p>	<p><b>Article 31 Types, Purpose, and Scope of Specified Assets to be Managed</b> Paragraphs 31.1 through 31.3 (Same as Current Provisions)</p>
<p>31.4 The Investment Corporation may invest in the following specified assets in addition to the Real Estate and Real-Estate-Backed Securities listed in Article 31.2 and Article 31.3:</p>	<p>31.4 The Investment Corporation may invest in the following specified assets in addition to the Real Estate and Real-Estate-Backed Securities listed in Article 31.2 and Article 31.3:</p>
<p>Items (1) through (6) (Omitted) (New Provisions)</p>	<p>Items (1) through (6) (Same as Current Provisions) (7) <u>rights to operate public facilities, etc. (meaning those provided for in Article 3(xii) of the Investment Trusts Act Enforcement Order).</u></p>
<p>31.5 The Investment Corporation may invest in the following non</p>	<p>31.5 The Investment Corporation may invest in the following non</p>

Current Articles of Incorporation	Proposed Amendments
<p>specified assets incidental to the investment in Real Estate:</p> <p>Item (1) (Omitted) (New Provisions)</p> <p>(2) (Omitted) (New Provisions)</p> <p>(3) other rights that need to be acquired and that are incidental to the investments in Real Estate and Real-Estate-Backed Securities</p> <p>Paragraph 31.6 (Omitted) (New Provisions)</p> <p>(New Provisions)</p>	<p>specified assets incidental to the investment in Real Estate:</p> <p>Item (1) (Same as Current Provisions)</p> <p>(2) <u>movables (meaning, of the movables provided for in the Civil Code (Act No. 89 of 1896, as amended), facilities, equipment, or other things attached to the real estate for structural reasons or for use);</u></p> <p>(3) (Same as Current Provisions)</p> <p>(4) <u>carbon dioxide equivalent quotas under the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998, as amended) or other similar rights, or emission credits (including greenhouse gas emission credits); and</u></p> <p>(5) other rights and assets that need to be acquired and that are incidental to the investments in Real Estate and Real-Estate-Backed Securities</p> <p>Paragraph 31.6 (Same as Current Provisions)</p> <p><b><u>Section XII Supplementary Provision</u></b></p> <p><b><u>Article 41 Effectiveness of Amendments</u></b></p> <p><u>Any amendment to these Articles of Incorporation will take effect on September 1, 2016, the effective date of the absorption-type merger under the Merger Agreement dated April 15, 2016 between the Investment Corporation as the surviving corporation and the pre-merger Daiwa House REIT Investment Corporation as the absorbed corporation (the “<b>Merger</b>”), subject to the effectiveness of the Merger. This supplementary provision is to be deleted after the effective date of the amendment to these Articles of Incorporation.</u></p>

Current Articles of Incorporation			Proposed Amendments		
Attachment Asset Management Fees Payable to Asset Manager (Omitted)			Attachment Asset Management Fees Payable to Asset Manager (Same as Current Provisions)		
Fee	Calculation method	Timing of payment	Fee	Calculation method	Timing of payment
Asset management fee 1 (asset-based fee)	(Omitted)	(Omitted)	Asset management fee 1 (asset-based fee)	(Same as Current Provisions)	(Same as Current Provisions)
Asset management fee 2 (profit-based fee)	(Omitted)	(Omitted)	Asset management fee 2 (profit-based fee)	(Same as Current Provisions)	(Same as Current Provisions)
Acquisition and sale fees	<p>1. If the Investment Corporation acquires or sells Real Estate or Real-Estate-Backed Securities (excluding those that fall under 2. below): Not to exceed the amount calculated by multiplying the acquisition or sale price of the Real Estate or Real-Estate-Backed Securities by <u>0.8%</u>.<sup>3</sup></p> <p>2. If the Investment Corporation acquires or sells Real Estate or Real-Estate-Backed Securities</p>	By the end of month following the month in which the Real Estate or Real-Estate-Backed Securities are acquired or sold.	Acquisition and sale fees	<p>1. If the Investment Corporation acquires or sells Real Estate or Real-Estate-Backed Securities (excluding those that fall under 2. below): Not to exceed the amount calculated by multiplying the acquisition or sale price of the Real Estate or Real-Estate-Backed Securities by <u>0.5%</u>.<sup>3</sup></p> <p>2. If the Investment Corporation acquires or sells Real Estate or Real-Estate-Backed Securities</p>	By the end of month following the month in which the Real Estate or Real-Estate-Backed Securities are acquired or sold.

Current Articles of Incorporation			Proposed Amendments		
	from or to an interested party: Not to exceed the amount calculated by multiplying the acquisition or sale price by <u>0.4%</u> . <sup>3</sup>  3. (Omitted)			from or to an interested party: Not to exceed the amount calculated by multiplying the acquisition or sale price by <u>0.25%</u> . <sup>3</sup>  3. (Same as Current Provisions)	
Merger fee	(Omitted)	(Omitted)	Merger fee	(Same as Current Provisions)	(Same as Current Provisions)
<sup>1</sup> 'Total asset value' means the amount calculated in accordance with either (i) or (ii) below with respect to each accounting period <sup>2</sup> : (i) Total asset value for the First Accounting Period (as defined below) The total asset value recorded on the balance sheet as at the Fiscal Period Closing Date immediately preceding the First Accounting Period (provided that said balance sheet is approved under Article 131(2) of the Investment Trusts Act)  (ii) (Omitted) <sup>2</sup> (Omitted) <sup>3</sup> (Omitted) <sup>4</sup> (Omitted)			<sup>1</sup> 'Total asset value' means the amount calculated in accordance with either (i) or (ii) below with respect to each accounting period <sup>2</sup> : (i) Total asset value for the First Accounting Period (as defined below) The total asset value <u>(minus the amount equivalent to unamortized positive goodwill)</u> recorded on the balance sheet as at the Fiscal Period Closing Date immediately preceding the First Accounting Period (provided that said balance sheet is approved under Article 131(2) of the Investment Trusts Act) (ii) (Same as Current Provisions) <sup>2</sup> (Same as Current Provisions) <sup>3</sup> (Same as Current Provisions) <sup>4</sup> (Same as Current Provisions)		

# **Articles of Incorporation of Investment Corporation**

**Daiwa House REIT Investment Corporation**

# Articles of Incorporation of Daiwa House REIT Investment Corporation

## Section I General Provisions

### Article 1 Corporate Name

The name of the investment corporation (the “**Investment Corporation**”) is *Daiwa House REIT Investment Corporation* and is expressed as “Daiwa House REIT Investment Corporation” in English.

### Article 2 Purpose

The purpose of the Investment Corporation is to manage the assets of the investment corporation by investing them mainly in real property and other assets (those specified assets (meaning assets provided for in Article 2(1) of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “**Investment Trusts Act**”; the same applies hereinafter)) provided for in Article 105(i)(f) of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (Ordinance of the Prime Minister's Office No. 129 of 2000, as amended)) in accordance with the Investment Trusts Act.

### Article 3 Location of Head Office

The head office of the Investment Corporation is in Chiyoda-ku, Tokyo.

### Article 4 Method of Public Notice

All public notices by the Investment Corporation shall be given in the *Nihon Keizai Shimbun*.

## Section II Investment Units

### Article 5 Total Number of Investment Units Authorized to be Issued

- 5.1 The total number of investment units authorized to be issued by the Investment Corporation is 8,000,000.
- 5.2 The proportion of the aggregate issue price of the investment units offered in Japan shall exceed 50% of the total issue price of the investment units of the Investment Corporation.
- 5.3 The Investment Corporation may offer persons to subscribe for the investment units issued by the Investment Corporation, within the limit of the total number of the investment units authorized to be issued provided for in Article 5.1, with the approval of the board of directors. The amount payable per unit upon the issuance

of investment units offered (meaning investment units allocated to a person applying for subscription of investment units in response to the offering) shall be the amount approved by the board of directors as a fair value in light of the contents of the assets held by the Investment Corporation (“**Managed Assets**”).

#### **Article 6 Matters Relating to Handling of Investment Units**

Unless otherwise provided for in applicable laws, ordinances, or these Articles of Incorporation, procedures for the handling of investment units, such as registration or recording of unitholders in the Investment Corporation’s unitholders’ register and other procedures and applicable fees are subject to the rules for the handling of investment units prescribed by the board of directors.

#### **Article 7 Minimum Net Asset Value**

The minimum net asset value of the Investment Corporation is 50,000,000 yen.

#### **Article 8 Redemption of Investment Units at the Request of a Unitholder and Acquisition of Investment Units through Agreement with Unitholders**

- 8.1 The Investment Corporation shall not redeem any investment units at the request of unitholders.
- 8.2 The Investment Corporation may acquire its investment units for value upon agreement with unitholders.

### **Section III General Meeting of Unitholders**

#### **Article 9 Convocation**

- 9.1 A general meeting of unitholders of the Investment Corporation shall be held at least once every two years in principle.
- 9.2 Unless otherwise provided for in applicable laws or ordinances, general meetings of unitholders shall be convened by the executive director if there is only one executive director, and by one of the executive directors in accordance with the sequence predetermined by the board of directors if there are two or more executive directors.
- 9.3 A general meeting of unitholders of the Investment Corporation shall be convened on November 5, 2015 (or without delay thereafter), and subsequently be convened on November 5 of every second subsequent year (or without delay thereafter). Additional general meetings of unitholders may be held when necessary.
- 9.4 In order to convene a general meeting of unitholders, a public notice of the date of such meeting shall be provided no later than two months prior to such date, and notice thereof in writing or notice thereof by electromagnetic means as provided for

in the applicable law or ordinance shall be provided to the unitholders no later than two weeks prior to that date; provided, however, that said public notice shall not be required with respect to a general meeting of unitholders that is to be convened within less than 25 months from the date of the immediately preceding general meeting of unitholders held pursuant to the first sentence of the preceding paragraph.

#### **Article 10 Chairperson**

The executive director shall preside over the general meeting of unitholders if there is only one executive director. One of the executive directors shall preside over the general meeting of unitholders in accordance with the sequence predetermined by the board of directors if there are two or more executive directors. If all of the positions of executive directors become vacant or all of the executive directors are unable to so act, one of the supervisory directors shall preside over the general meeting of unitholders in accordance with the sequence predetermined by the board of directors.

#### **Article 11 Resolution**

Unless otherwise provided for in applicable laws, ordinances, or these Articles of Incorporation, the resolutions of the general meeting of unitholders shall be adopted by a majority of the voting rights represented by the unitholders present at the meeting.

#### **Article 12 Exercise of Voting Rights by Proxy**

- 12.1 A unitholder may exercise voting rights by a proxy, who must be a unitholder of the Investment Corporation with voting rights.
- 12.2 In the case of the preceding paragraph, the relevant unitholder or proxy shall, in advance of each general meeting of unitholders, submit to the Investment Corporation a document certifying the authority of the proxy, or provide the Investment Corporation with the information required to be stated in such a document by electromagnetic means. Unitholders or proxies who intend to provide the Investment Corporation with the information required to be stated in a document certifying the authority of the proxy by electromagnetic means shall, in advance, indicate to the Investment Corporation the type and details of the electromagnetic means that will be used and obtain the consent of the Investment Corporation in writing or by electromagnetic means.

#### **Article 13 Exercise of Voting Rights in Writing**

- 13.1 Exercise of voting rights in writing shall be conducted by the unitholder filling in a document for the exercise of voting rights (the “**Voting Form**”) with the necessary



matters and submitting the completed Voting Form to the Investment Corporation by the time provided for by laws and ordinances.

- 13.2 The number of voting rights exercised in writing under the preceding paragraph shall be included in the number of voting rights of unitholders present.

#### **Article 14 Exercise of Voting Rights by Electromagnetic Means**

- 14.1 Exercise of voting rights by electromagnetic means shall be conducted by the unitholder providing the Investment Corporation by the electromagnetic means with the information that is required to be stated in the Voting Form by the time provided for by laws or ordinances, with the consent of the Investment Corporation, in accordance with the provisions of laws and ordinances.
- 14.2 The number of voting rights exercised by electromagnetic means under the preceding paragraph shall be included in the number of voting rights of unitholders present.

#### **Article 15 Deemed Approval**

- 15.1 If a unitholder is not present at a general meeting of unitholders and does not exercise its voting rights, the unitholder will be deemed to have approved the proposals submitted to the general meeting of unitholders (excluding, if multiple proposals are submitted and such proposals conflict with each other, any of such proposals).
- 15.2 The number of voting rights represented by the unitholders who are deemed to have approved the proposals under the preceding paragraph shall be included in the number of voting rights represented by the unitholders present.

#### **Article 16 Record Date**

- 16.1 If the Investment Corporation convenes the general meeting of unitholders pursuant to the provisions of the first sentence of Article 9.3, the unitholders registered or recorded in the final unitholders' register as of the end of August 2015 and thereafter as of the end of August of every second subsequent year shall be the unitholders entitled to exercise their voting rights at the general meeting of unitholders convened by the Investment Corporation.
- 16.2 Notwithstanding the provisions of the preceding paragraph, the Investment Corporation may treat the unitholders or registered investment unit pledgees registered or recorded in the final unitholders' register as of a certain date upon giving prior public notice in accordance with laws and ordinances through resolution of the board of directors as the unitholders or registered investment unit pledgees entitled to exercise their rights.

### **Article 17 Minutes of the General Meeting of Unitholders**

Regarding the proceedings of the general meeting of unitholders, a summary of the course of proceedings and the results of the general meeting of unitholders and other matters provided for by laws and ordinances are to be registered or recorded in the minutes. The Investment Corporation shall keep the minutes at its head office for ten years from the date of the general meeting of unitholders.

## **Section IV Directors and the Board of Directors**

### **Article 18 Number of Directors and Composition of the Board of Directors**

The Investment Corporation shall have at least one executive director and at least two supervisory directors (provided that the number of supervisory directors shall be at least one more than that of the executive directors) and the directors (meaning the executive directors and supervisory directors; the same hereinafter) shall compose the board of directors.

### **Article 19 Election and Term of Office of Directors**

- 19.1. Directors shall be elected by a resolution of the general meeting of unitholders.
- 19.2. The term of office of directors shall be two years from their election; provided, however, (i) that this shall not preclude the extension or shortening of the term of office, to the extent prescribed by laws and regulations, by resolution of the general meeting of unitholders, and (ii) that the term of office of directors appointed to fill a vacancy or increase the number of directors shall be the same as the remaining term of their predecessors or the directors in office.
- 19.3. The effective period of a resolution regarding the appointment of a director who is appointed to fill a vacancy shall be until the expiration of the term of office of the directors, as prescribed at the general meeting of unitholders in which the director was appointed (or, if directors were not appointed at such general meeting of unitholders, the most recent general meeting of unitholders at which directors were appointed); provided, however, that such period may be shortened by a resolution of the general meeting of unitholders.

### **Article 20 Criteria for Payment of Remuneration to Directors**

The criteria for payment of remuneration to directors of the Investment Corporation and the timing of such payments shall be as follows:

- (1) The Investment Corporation shall pay monthly remuneration to each executive director of an amount determined by the board of directors to be reasonable in light of general price and wage trends, etc., up to an amount equivalent to 800,000 yen per month for each executive director, no later than the last day of the relevant month.

- (2) The Investment Corporation shall pay monthly remuneration to each supervisory director of an amount determined by the board of directors to be reasonable in light of general price and wage trends, etc., up to an amount equivalent to 350,000 yen per month for each supervisory director, no later than the last day of the relevant month.

#### **Article 21 Liability of Directors for Damages**

The Investment Corporation may, to the extent provided for by laws and ordinances, exempt a director from the liability for damages provided for in Article 115-6(1) of the Investment Trusts Act by resolution of the board of directors if the director was acting in good faith without gross negligence in performing his or her duties and if it is considered particularly necessary to do so in light of the details of the facts that caused the liability, the performance of duties by the director, and other circumstances.

#### **Article 22 Convocation and Chairperson of the Board of Directors**

- 22.1 Unless otherwise provided for under laws or ordinances, the executive director shall convene and preside over the meetings of the board of directors if there is only one executive director, and if there are two or more executive directors, one executive director shall convene and preside over the meetings of the board of directors in accordance with the sequence predetermined by the board of directors.
- 22.2 A notice of convocation of a meeting of the board of directors must be dispatched to all directors no later than three days before the date of the meeting of the board of directors. However, the convocation period may be shortened or convocation procedures may be omitted with the consent of all directors.

#### **Article 23 Resolution by the Board of Directors**

Unless otherwise provided for in applicable laws, ordinances, or these Articles of Incorporation, a resolution of the board of directors shall be adopted by a majority vote of the directors present at a meeting where a majority of all directors who are entitled to exercise vote are present.

#### **Article 24 Minutes of the Board of Directors**

Regarding the proceedings of the meeting of the board of directors, a summary of the course of proceedings and the results of meetings of the board of directors and other matters provided for by laws and ordinances are to be registered or recorded in the minutes, and directors that attend the meeting shall affix their signatures or their names and seals, or their electronic signatures. The Investment Corporation shall keep the minutes at its head office for ten years from the date of the applicable meeting of the board of directors.

## **Article 25 Regulations of the Board of Directors**

Unless otherwise provided for by laws, ordinances, or these Articles of Incorporation, matters relating to the board of directors shall be subject to the regulations of the board of directors established by the board of directors.

## **Section V Accounting Auditor**

### **Article 26 Appointment of Accounting Auditor**

The accounting auditor shall be appointed by a resolution of the general meeting of unitholders.

### **Article 27 Term of Appointment of Accounting Auditor**

27.1 The term of appointment of the Accounting Auditor shall be until the conclusion of the first general meeting of unitholders held after the end of the first fiscal period following the passage of one year from the appointment.

27.2 Unless it is otherwise resolved at the general meeting of unitholders referred to in the preceding paragraph, the accounting auditor shall, at such general meeting of unitholders, be deemed to have been reappointed.

### **Article 28 Criteria for Payment of Fees to Accounting Auditor**

The Investment Corporation shall pay fees to the accounting auditor of an amount determined by the board of directors up to an amount equivalent to 25,000,000 yen per fiscal period subject to an audit no later than three months after the end of the relevant fiscal period.

## **Section VI Asset Management Target and Policy**

### **Article 29 Basic Policy of Asset Management**

With the aim of securing stable income in the medium to long term and steadily increasing its assets, the Investment Corporation shall conduct its asset management by making investments primarily in real property and other assets.

### **Article 30 Investment Policy**

30.1 The Investment Corporation shall mainly invest in (i) Real Estate (meaning the assets defined in Article 31.2; the same hereinafter) used mainly for logistics facilities, residential facilities, commercial facilities, and hotels located in the three major metropolitan areas (the greater Tokyo area (Tokyo, Kanagawa, Saitama, and Chiba prefectures), the greater Nagoya area (Aichi, Gifu, and Mie prefectures), and the greater Osaka area (Osaka, Kyoto, Hyogo, Nara, and Shiga prefectures)) and the

rest of Japan and (ii) Real-Estate-Backed Securities (meaning the assets defined in Article 31.3; the same hereinafter) backed by Real Estate used mainly for logistics facilities, residential facilities, commercial facilities, and hotels located in such three major metropolitan areas and the rest of Japan. The Investment Corporation may invest in other Real Estate and Real-Estate-Backed Securities.

- 30.2 In selecting each investment, the Investment Corporation shall comprehensively consider (i) “macro factors” such as general economic conditions, financial conditions, consumer trends, and real estate market conditions, (ii) “geographical factors” such as potential, stability, etc. regarding a site location’s surrounding environment and city planning status and (iii) results of detailed property inspections (including economic research, physical inspections, and legal inquiries).
- 30.3 The Investment Corporation shall conduct its asset management so as to keep the ratio of the total amount of specified real estate (meaning, of the specified assets obtained by the Investment Corporation, real estate (building lots or buildings defined in the Building Lots and Buildings Transaction Business Act (Act No. 176 of 1952, as amended; the same hereafter in this Article 30.3)), leasehold rights in real estate or surface rights, or beneficial interests in trust the principal of which is ownership of real estate, leasehold rights in land or surface rights) to the total amount of specified assets held by the Investment Corporation at 75% or more.
- 30.4 The Investment Corporation may reinvest the money obtained in relation to the Managed Assets (including but not limited to: sales proceeds of the Managed Assets; dividends, redemption proceeds and interest, etc., on securities; interest and default charges on monetary claims; distributions on *tokumei kumiai* equity interests; income from the leasing of real estate; and other income).

### **Article 31 Types, Purpose, and Scope of Specified Assets to be Managed**

- 31.1 The Investment Corporation shall invest in Real Estate and Real-Estate-Backed Securities in accordance with the basic policy of asset management provided for in Article 29.
- 31.2 Real Estate means the following assets:
- (1) real estate;
  - (2) leasehold rights in real estate;
  - (3) surface rights;
  - (4) beneficial interests of trusts the principal of which is any of the assets listed in Article 31.2(1) through (3) (including comprehensive trusts the principal of which is real estate and cash incidental to real estate);
  - (5) beneficial interests in monetary trusts the purpose of which is to manage the trust assets through investing in the assets provided for in Article 31.2(1) through (3);

- (6) equity interests in investments under an agreement where one party makes a financial contribution to another party to manage the assets set out in the preceding Items, and that other party manages that contribution primarily as an investment in those assets and distributes the profits from its management of those assets (the “***Tokumei Kumiai Equity Interests Concerning Real Estate***”); and
  - (7) beneficial interests in monetary trusts the purpose of which is to manage the trust assets through investment primarily in *Tokumei Kumiai Equity Interests Concerning Real Estate*.
- 31.3 Real-Estate-Backed Securities means the following assets whose purpose is to invest more than 50% of assets in Real Estate (including the rights represented on the securities listed in each item below):
- (1) preferred equity securities, as defined in Article 2(9) of the Act on Securitization of Assets (Act No. 105 of 1998, as amended; the “**Asset Securitization Act**”);
  - (2) beneficiary certificates of special purpose trusts, as defined in Article 2(13) and (15) of the Asset Securitization Act;
  - (3) beneficiary certificates of investment trusts, as defined in Article 2(7) of the Investment Trusts Act; and
  - (4) investment securities, as defined in Article 2(15) of the Investment Trusts Act.
- 31.4 The Investment Corporation may invest in the following specified assets in addition to the Real Estate and Real-Estate-Backed Securities listed in Article 31.2 and Article 31.3:
- (1) deposits;
  - (2) securities (meaning those provided for in each item of Article 2(1) and those provided for in each item of Article 2(2) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “**FIEA**”), and excluding the specified assets listed in Article 31.2 and 31.3 and in the items in this Article 31.4);
  - (3) rights pertaining to derivative transactions (meaning those provided for in Article 3(ii) of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, as amended; the “**Investment Trusts Act Enforcement Order**”));
  - (4) monetary claims (meaning those claims, other than deposits, provided for in Article 3(vii) of the Investment Trusts Act Enforcement Order);
  - (5) beneficial interests in monetary trusts the purpose of which is to manage the trust assets through investment primarily in the assets listed in the preceding Items;

- (6) renewable energy power generation facilities (meaning those provided for in Article 3(xi) of the Investment Trusts Act Enforcement Order); and
  - (7) rights to operate public facilities, etc. (meaning those provided for in Article 3(xii) of the Investment Trusts Act Enforcement Order).
- 31.5 The Investment Corporation may invest in the following non specified assets incidental to the investment in Real Estate:
- (1) trademark rights or exclusive or non-exclusive rights to use trademarks provided for in the Trademark Act (Act No. 127 of 1959, as amended);
  - (2) movables (meaning, of the movables provided for in the Civil Code (Act No. 89 of 1896, as amended), facilities, equipment, or other things attached to the real estate for structural reasons or for use);
  - (3) hot spring rights (hot spring source rights) permitted under customary law;
  - (4) carbon dioxide equivalent quotas under the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998, as amended) or other similar rights, or emission credits (including greenhouse gas emission credits); and
  - (5) other rights and assets that need to be acquired and that are incidental to the investments in Real Estate and Real-Estate-Backed Securities
- 31.6 With respect to rights to be indicated on securities as provided for in Article 2(2) of the FIEA, even if securities indicating such rights are not issued, such rights shall be deemed to be such securities, and Article 31.2 through 31.5 shall apply.

## **Article 32 Investment Restrictions**

- 32.1 The Investment Corporation will invest in the securities and monetary claims in Article 31.4 by taking safety and liquidity factors into full consideration and will not conduct such investment only for obtaining active investment returns.
- 32.2 The Investment Corporation will invest in rights pertaining to derivative transactions in Article 31.4(3) only for the purpose of hedging foreign exchange risk, interest rate risk, and other risks arising from liabilities of the Investment Corporation.
- 32.3 The Investment Corporation shall not invest in any real estate located outside Japan, any of the assets listed in Article 31.2(2) through (7) based on any real estate located outside Japan, or any Real-Estate-Backed Security backed by any real estate located outside Japan.
- 32.4 The Investment Corporation shall not invest in assets denominated in foreign currencies or securities mainly traded on foreign securities markets.

### **Article 33 Purpose and Scope of Leasing of Underlying Assets**

- 33.1 The Investment Corporation shall, in principle, lease real estate forming part of the Managed Assets (including real estate that backs the Real-Estate-Backed Securities obtained by the Investment Corporation; the same hereafter in Article 33) for the purpose of securing stable income over the medium to long term (the lease includes, but is not limited to, installation of parking space and signboards). With respect to any real estate that is an asset of a trust in which the beneficial interest held is a specified asset, the Investment Corporation shall, in principle, cause a trustee of the trust to enter into a lease agreement with a third party and to lease such real estate to that third party.
- 33.2 In leasing real estate, the Investment Corporation may, by itself or through its trustee of a trust, receive security deposits, guarantee deposits and other similar monies, which it shall manage in accordance with Articles 29 and 30.
- 33.3 The Investment Corporation may lease the Managed Assets that are not real estate.

## **Chapter VII Valuation of Assets**

### **Article 34 Method of Asset Valuation, Criteria, and Record Date**

- 34.1 The criteria and methods for valuing the assets of the Investment Corporation are prescribed as follows for each type of assets subject to investment:
- (1) Real estate, leasehold rights in real estate and surface rights set forth in Article 31.2(1) through (3)  
The valuation shall be the amount calculated by deducting the accumulated depreciation from the acquisition price. The straight-line method shall be used to calculate the amount of depreciation for buildings and equipment, etc.; provided, however, that another method may be used if it becomes inappropriate to use the straight-line method for any justifiable reason, and as far as it can be determined no problem will arise from the perspective of investor protection.
  - (2) Beneficial interests of trusts the principal of which is real estate, leasehold rights in real estate and surface rights set forth in Article 31.2(4)  
The valuation shall be made by deducting the total amount of trust liabilities from the total amount of trust assets and applying the proportion of the beneficial interests of trusts held. In cases where the trust property is any of the assets listed in the preceding Item, the valuation shall be made pursuant to the preceding Item, while financial assets and liabilities shall be valued in accordance with the generally accepted corporate accounting standards.
  - (3) Beneficial interests in monetary trusts the purpose of which is to manage



the trust assets through investing primarily in real estate, leasehold rights in real estate and surface rights set forth in Article 31.2(5)

The valuation shall be made by deducting the total amount of trust liabilities from the total amount of trust assets and applying the proportion of the beneficial interests of trusts held. In cases where the trust property is any of the assets listed in Item (1), the valuation shall be made pursuant to Item (1), while financial assets and liabilities shall be valued in accordance with the generally accepted corporate accounting standards.

- (4) *Tokumei Kumiai* Equity Interests Concerning Real Estate set forth in Article 31.2(6)

The valuation shall be made by deducting the total amount of *tokumei kumiai* liabilities from the total amount of *tokumei kumiai* assets and applying the proportion of the *tokumei kumiai* equity interests held. In cases where the *tokumei kumiai* property is composed of any of the assets listed in the preceding Items, the valuation shall be made pursuant thereto, while financial assets and liabilities shall be valued in accordance with the generally accepted corporate accounting standards.

- (5) Beneficial interests in monetary trusts the purpose of which is to manage the trust assets through investment primarily in *Tokumei Kumiai* Equity Interests Concerning Real Estate set forth in Article 31.2(7)

The valuation shall be made by deducting the total amount of trust liabilities from the total amount of trust assets and applying the proportion of the beneficial interests of trusts held. For the trust property that is *Tokumei Kumiai* equity interests, the valuation shall be made pursuant to the preceding Item, while financial assets and liabilities shall be valued in accordance with the generally accepted corporate accounting standards.

- (6) Securities set forth in Articles 31.3 and 31.4(2)

The valuation shall be made using a price based on the market price (the transaction price on a financial instruments exchange, the price published by the Japan Securities Dealers Association or a similar organization, or the transaction price that emerges on a similar transaction system that allows liquidation by purchase and sale on demand) when the market price of such security is available. If such market price is unavailable, the valuation shall be made using a reasonable calculation method.

- (7) Monetary claims set forth in Article 31.4(4)

The valuation shall be made using an amount calculated by deducting the allowance for bad debts from the acquisition price; provided, however, that in cases where such monetary claim is acquired for an amount either higher

or lower than the claim amount, and if the nature of the difference between the acquisition price and the claim amount is deemed to be an adjustment related to interest rates, the valuation shall be made using an amount calculated by deducting the allowance for bad debts from the value calculated based on the amortized cost method.

- (8) Rights pertaining to derivative transactions set forth in Article 31.4(3)
- (i) Claims and obligations arising from transactions of derivatives listed on a financial instruments exchange  
The valuation shall be made using the value calculated based on the final price on the financial instruments exchange on the record date (closing price; if there is no closing price, the value shall be the one calculated based on the indicative price, i.e. either the final lowest indicative offer price published or the final highest indicative bid price published; if both prices are published, the middle rate shall be used). If no final price is available on the relevant date, the valuation shall be made by the value calculated based on the most recent final price.
  - (ii) Claims and obligations arising from transactions of derivatives not listed on the financial instruments exchange and without quotation  
The valuation shall be made using the value calculated by a reasonable method approximating market price. If it is considered extremely difficult to calculate a fair value, the valuation shall be made using the acquisition price.
  - (iii) Notwithstanding (i) and (ii) above, hedge accounting may be applied in cases which are deemed as hedge transactions in accordance with generally accepted corporate accounting standards. Further, special treatment for interest rate swaps under accounting principles for financial instruments and the appropriation treatment under foreign currency-denominated transactions accounting standards relating to forward exchange contracts may be accounted for accordingly.
- (9) Beneficial interests in monetary trusts set forth in Article 31.4(5)
- The valuation shall be made by deducting the total amount of trust liabilities from the total amount of trust assets and applying the proportion of the beneficial interests of trusts held. Depending on the assets being managed, the valuation shall be made in accordance with the investment asset valuation methods set forth in Items (1) through (8) and Item (10), and in the case of financial assets and liabilities, the valuation shall be made in accordance with generally accepted corporate

accounting standards.

(10) Other

If the valuation method is not provided in the foregoing, the valuation shall be made based on the valuation rules prescribed under the Investment Trusts Act and by the Investment Trusts Association, Japan, or follow generally accepted corporate accounting standards.

34.2 If a valuation is made by a method other than those set forth in the preceding paragraph for the purpose of disclosure in the asset management reports, etc., the Investment Corporation shall value the assets as follows:

(1) Real estate, leasehold rights in real estate, and surface rights

In principle, the value shall be the appraisal value obtained based on the appraisal conducted by real estate appraisers.

(2) Beneficial interests of trusts regarding real estate, leasehold rights in real estate and surface rights, and *Tokumei Kumiai* Equity Interests Concerning Real Estate

The valuation shall be made by deducting the total amount of trust or *tokumei kumiai* liabilities from the total amount of trust or *tokumei kumiai* assets and applying the proportion of the trust beneficiary or *tokumei kumiai* equity interests held. The valuation of trust or *tokumei kumiai* property comprised of the assets set forth in the preceding Item shall be made pursuant to the preceding Item, while financial assets and liabilities shall be valued in accordance with the generally accepted corporate accounting standards.

34.3 The record date for the asset valuation of the Investment Corporation shall be the each Fiscal Period Closing Date set forth in Article 36; provided, however, that such record date shall be the end of each month with respect to the assets set forth in Articles 31.3 and 31.4 that can be valued based on the market price.

34.4 In compliance with the general principle of consistency, the valuation methods set forth in Articles 34.1 and 34.2 shall not be altered; provided, however, that another method may be used if it becomes inappropriate to use the adopted method for any justifiable reason, and as far as it can be reasonably determined that no problem will arise from the perspective of investor protection. If a valuation method is changed, an asset management report sent to investors immediately thereafter shall contain the following:

- (1) the fact of the change in valuation method and the effective date of the change;
- (2) specific details of the pre- and post-change valuation methods;
- (3) the valuation at the end of the applicable fiscal period when using the pre-change valuation method and when using the post-change valuation

- method;
- (4) specific reasons for the change; and
- (5) other information necessary to protect the investors.

## **Chapter VIII Borrowings and Issuance of Investment Corporation Bonds**

### **Article 35 Maximum Amount of Borrowings and Investment Corporation Bonds**

- 35.1 The Investment Corporation may enter into borrowings or issue investment corporation bonds (including short-term investment corporation bonds; the same hereinafter) with the objective of securing stable income and steady growth of the Managed Assets. The Investment Corporation may borrow funds only from qualified institutional investors as defined in Article 2(3)(i) of the FIEA (and limited to those institutional investors set forth in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the “**Act on Special Measures Concerning Taxation**”).
- 35.2 Money received through borrowings and investment corporate bonds pursuant to the preceding paragraph shall be used for the acquisition of assets, maintenance and repair expenses, payment of distributions, working capital required for the operation of the Investment Corporation or the repayment of debt (including the repayment of tenant leasehold and security deposits, borrowings and investment corporate bonds) and other uses; provided, however, that the purposes and use of funds raised through short-term investment corporate bonds shall be limited to the extent permitted by applicable laws and regulations.
- 35.3 If the Investment Corporation borrows funds or issues investment corporate bonds under Article 35.1, it may pledge the Managed Assets as collateral.
- 35.4 The maximum principal amount of any borrowing and issuance of investment corporation bonds shall be one trillion (1,000,000,000,000) yen respectively, and the aggregate amount of the foregoing shall not exceed one trillion (1,000,000,000,000) yen.

## **Chapter IX Calculation**

### **Article 36 Fiscal Period and Closing Date**

The fiscal period of the Investment Corporation shall be from March 1 through the last day of August and from September 1 through the last day of February of the following year each year (hereinafter, the last day of each fiscal period shall be referred to as the “**Fiscal Period Closing Date**”).

### **Article 37 Policy for Cash Distributions**

The Investment Corporation shall, in principle, make distributions in accordance with the following policies.

(1) Distribution of profits

- (a) From the total amount to be distributed to unitholders, the amount of profit (the “**Distributable Amount**”) shall be the profit calculated in accordance with the generally accepted corporate accounting standards in Japan (the amount calculated by deducting the total amount of unitholders’ capital and capital surplus (unitholders’ capital, etc.) and valuation and translation adjustments, etc. from the amount of net assets (calculated by deducting the total amount of liabilities from the total amount of assets) on the Investment Corporation’s balance sheet as of the Fiscal Period Closing Date).
- (b) In principle, the amount of distribution shall be the amount determined by the Investment Corporation that exceeds the amount equivalent to 90% of the amount of its profit available for distribution as set forth in Article 67-15(1) of the Act on Special Measures Concerning Taxation, unless the Investment Corporation reports a loss for tax purposes or reports no income for tax purposes due to a deduction for carryover of loss, in which case the amount of distribution shall be an amount reasonably determined by the Investment Corporation.

The Investment Corporation may accumulate, retain or otherwise employ a long-term repair reserve, payment reserve, distribution reserve and any other similar reserves and allowances that are deemed necessary to maintain or improve the value of the Managed Assets, and other necessary amounts, from the Distributable Amount.

(2) Distribution of cash in excess of profit

If the Investment Corporation considers it appropriate in order to limit the tax (including corporation tax) imposed on the Investment Corporation or for any other reason, it may make a distribution of the amount determined by the Investment Corporation to the extent of the amount set forth in the rules of the Investment Trusts Association, Japan as distributions in excess of profit.

(3) Method of distribution

Distributions pursuant to this Article 37 shall be made in cash and paid, in principle, within three months from the Fiscal Period Closing Date to unitholders and registered pledgees of investment units who are recorded or registered in the final register of unitholders as of the Fiscal Period Closing Date, in accordance with the number of investment units held or the investment units subject to the registered pledge.

(4) Expiration of the rights to demand distributions

In case where the distributions pursuant to this Article 37 are unclaimed for a period of three (3) full years after the date of commencement of such payment, the Investment Corporation shall be discharged from its payment obligation thereof. No interest shall accumulate on any unpaid distributions.

(5) **Rules of the Investment Trusts Association, Japan**

In addition to the preceding Items, the Investment Corporation shall comply with the rules, etc. set forth by the Investment Trusts Association, Japan for distributions.

## **Section X Entrustment of Operations and Administrative Services**

### **Article 38 Asset Management Fees Payable to Asset Manager**

The standards for the amount and payment of asset management fees payable to the asset manager to which the Investment Corporation entrusts the management of its assets shall be as set forth in the Attachment hereto, which shall constitute a part of these Articles of Incorporation.

### **Article 39 Entrustment of Operations and Administrative Services**

- 39.1 The Investment Corporation shall, pursuant to Articles 198 and 208 of the Investment Trusts Act, entrust the operations for the management of assets to the Asset Manager and the operations for the custody thereof to the custodian of assets.
- 39.2 The Investment Corporation shall entrust any administrative services in connection with operations other than those relating to the management and custody of its assets that are set forth in Article 117 of the Investment Trusts Act to a third party.

## **Section XI Costs and Expenses**

### **Article 40 Consumption Tax and Local Consumption Tax**

The Investment Corporation shall bear consumption tax, local consumption tax, and other taxes imposed on the management of the Managed Assets and other expenses and money payable by the Investment Corporation considered to be taxable items under the Consumption Tax Act (Act No. 108 of 1988, as amended) (the “**Consumption Tax, etc.**”) and pay an amount equivalent to the Consumption Tax, etc. in addition to the amount of taxable items.

Unless otherwise provided herein, any amount in these Articles of Incorporation shall be the amount exclusive of Consumption Tax, etc.

## **Section XII Supplementary Provision**

### **Article 41 Effectiveness of Amendments**

Any amendment to these Articles of Incorporation will take effect on September 1, 2016, the effective date of the absorption-type merger under the Merger Agreement dated April 15, 2016 between the Investment Corporation as the surviving corporation and the pre-merger Daiwa House REIT Investment Corporation as the absorbed corporation (the “**Merger**”), subject to the effectiveness of the Merger. This supplementary provision is to be deleted after the effective date of the amendment to these Articles of Incorporation.

Enacted: June 1, 2005

Amended: November 25, 2005

Amended: January 26, 2006

Amended: February 23, 2007

Amended: February 26, 2009

Amended: February 25, 2010

Amended: March 23, 2010

Amended: September 30, 2010

Amended: December 1, 2011

Amended: November 26, 2013

Amended: March 1, 2015

Amended: November 25, 2015

Amended: June 17, 2016 (Effective Date: September 1, 2016)

## Asset Management Fees Payable to Asset Manager

The calculation method and timing of payment of the fees to be paid to the asset manager undertaking the management of the Managed Assets held by the Investment Corporation are set out below. Each fee is to be paid by bank transfer into the account specified by the asset manager (with transfer fees to be borne by the Investment Corporation).

Fee	Calculation method	Timing of payment
Asset management fee 1 (asset-based fee)	Not to exceed the amount calculated by multiplying the total asset value <sup>1</sup> as at each accounting period <sup>2</sup> by 0.4% per annum (calculated on a daily basis in accordance with the number of days in each accounting period, assuming 365 days per year). <sup>3</sup>	Within one month after the end of each accounting period.
Asset management fee 2 (profit-based fee)	Not to exceed the amount calculated by deducting the total costs (excluding depreciation and loss on retirement of noncurrent assets) of the Investment Corporation's real estate rental business from its total revenue for a given fiscal period and multiplying the result by 5.0%. <sup>3</sup>	By the end of the month following the month in which the relevant accounts and related documents are approved.
Acquisition and sale fees	<p>1. If the Investment Corporation acquires or sells Real Estate or Real-Estate-Backed Securities (excluding those that fall under 2. below): Not to exceed the amount calculated by multiplying the acquisition or sale price of the Real Estate or Real-Estate-Backed Securities by 0.5%.<sup>3</sup></p> <p>2. If the Investment Corporation acquires or sells Real Estate or Real-Estate-Backed Securities from or to an interested party: Not to exceed the amount calculated by multiplying the acquisition or sale price by 0.25%.<sup>3</sup></p> <p>3. Notwithstanding 1. and 2. above, no fee will be paid for the sale of Real Estate or Real-Estate-Backed Securities if no profit on sale<sup>4</sup> is made.</p>	By the end of month following the month in which the Real Estate or Real-Estate-Backed Securities are acquired or sold.
Merger fee	If, in the event of a merger involving the Investment Corporation, the asset manager performs a due diligence and valuation of the other investment corporation's asset and the like or performs any other work related to the merger: not to exceed the amount calculated by multiplying the acquisition price at the time of the merger of the Real Estate or	By the end of the month following the month in which the merger takes effect.



	Real-Estate-Backed Securities of the other investment corporation succeeded to by the Investment Corporation by 0.8%. <sup>3</sup>	
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<sup>1</sup> ‘Total asset value’ means the amount calculated in accordance with either (i) or (ii) below with respect to each accounting period<sup>2</sup>:

(i) Total asset value for the First Accounting Period (as defined below)

The total asset value (minus the amount equivalent to unamortized positive goodwill) recorded on the balance sheet as at the Fiscal Period Closing Date immediately preceding the First Accounting Period (provided that said balance sheet is approved under Article 131(2) of the Investment Trusts Act)

(ii) Total asset value for the Second Accounting Period (as defined below)

The amount obtained by adding, to the total asset value for the immediately preceding First Accounting Period, the total of the acquisition price(s) of any Real Estate or Real-Estate-Backed Securities acquired (including through succession by merger; in such case, the acquisition price of any Real Estate or Real-Estate-Backed Securities succeeded at the time of the merger is to be used) by the Investment Corporation during the First Accounting Period and subtracting the book value on the balance sheet as at the immediately preceding Fiscal Period Closing Date (or, if not recorded on the balance sheet as at the immediately preceding Fiscal Period Closing Date, the acquisition price) of any Real Estate or Real-Estate-Backed Securities sold by the Investment Corporation during the First Accounting Period

<sup>2</sup> ‘Each accounting period’ means the period from the day after the immediately preceding Fiscal Period Closing Date until the end of the third month thereafter (the “**First Accounting Period**”) and the period from the day after the end of the First Accounting Period until the current Fiscal Period Closing Date (the “**Second Accounting Period**”).

<sup>3</sup> Any fraction smaller than one yen will be discarded.

<sup>4</sup> ‘Profit on sale’ means the difference, if positive, between the sale value of the Real Estate or Real-Estate-Backed Securities and the total of (i) the costs associated with the sale and (ii) the book value of the Real Estate or Real-Estate-Backed Securities at the time of sale.

### Schedule 3 (Outline of the Amendment to Investment Policy)

In connection with the shift to a diversified REIT as part of the Merger and the Amendment of the Articles of Incorporation, DHI set out its philosophy which is to seek to continuously enhance unitholders' value by carrying out investment and asset management in diversified categories of real estate to meet social needs and by securing medium- and long-term revenue stability and steady asset growth. Concrete Outline of the amendment to the investment policy is as below.

#### Outline of the Amendment to the Investment Policy

##### (1) Changes to portfolio management policy

In connection with the shift to a diversified REIT as part of the Merger and the Amendment of the Articles of Incorporation, DHI's current portfolio management policy, which deals in residential properties, will shift to focus on logistics, residential, and commercial properties and hotels (the "Core Assets"), and at the same time to make it possible to invest in real estate of different types as compared to the Core Assets, such as offices and healthcare facilities ("Other Assets").

The specific ratio of investment by property type in light of these changes is given below. However, the ratio of investment in the Core Assets may sometimes drop below the level given below, temporarily or during a fixed period, for the purpose of acquiring assets that will help to ensure stable income over the medium to long term, or disposing of assets that may be detrimental to said stable income.

##### Investment ratio by property type (after amendment)

	Core Assets	Other Assets
Property type	Logistics properties, residential properties, commercial properties, hotels	Office buildings, healthcare facilities, etc.
Investment ratio	80% or more	20% or less

Note: Multi-use complex real estate will be considered to be used for the purpose that constitutes the largest proportion of the leasable floor area. Said proportion will be calculated as follows in accordance with the layout of the property:

- (i) if the property is a single building, the proportion of the building's total floor area will be used;
- (ii) if the property is a residential complex or other multi-building property, and the buildings are, socio-economically speaking, used or planned to be used as one multi-use real-estate facility, the proportion of the multi-building property's total floor area will be used; and
- (iii) if the property is a unit ownership, the proportion of the floor area of the exclusive element that is the subject of unit ownership will be used; if multiple units in the same building are acquired, the proportion of the total floor area of all of the exclusive elements of those units ownership will be used.

Furthermore, the main regions for investment are to be changed from government-designated cities in Japan and surrounding areas of those cities with a focus on the national capital region, to the three major metropolitan areas, with the specific ratio of investment by region given below. However, the ratio of investment in the three metropolitan areas may sometimes drop below the level given below, temporarily or during a fixed period, for the purpose of acquiring assets that will help to ensure stable income over the medium to long term, or disposing of assets that may be detrimental to said stable income.

##### Investment ratio by area (after amendment)

Area	Location	Investment ratio
Three metropolitan areas	The greater Tokyo area, the greater Nagoya area, and the	70% or more

	greater Osaka area	
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Note: The “greater Tokyo area” refers to Tokyo, Kanagawa, Saitama and Chiba prefectures, the “greater Nagoya area” to Aichi, Gifu and Mie prefectures, and the “greater Osaka area” to Osaka, Kyoto, Hyogo, Nara and Shiga prefectures.

In accordance with the above changes, the current designated investment ratios relating to the residential properties by region and property type will be abolished.

## (2) Changes to acquisition policy

DHAM will implement selection standards for investment properties of each type in addition to the common selection standards specified in the asset management guidelines upon shifting to a diversified REIT. The common selection standards will be amended such that the minimum investment amount per property will increase from “around JPY 500 million” to “JPY 1 billion or more in principle”, and the maximum ratio of investment in any one property to the portfolio as a whole will increase from “25% or below in principle” to “30% or below in principle”.

Upon changes to the asset management guidelines, it was determined to abolish an exceptional provision in the rules regarding related-party transactions which enables the acquisition of property from a related party at the price up to 110% of the appraised value (exception to the principle that the acquisition price should be not more than the appraised value) if there is any reasonable reason.

The details of the new property type-based selection standards are given below. Note, however, that with the exception of the changes mentioned in (1) and (2) above and the newly established numerical criteria for properties size with a gross floor area of 660 m<sup>2</sup> or more, the policy for residential properties will not change materially from the current DHAM policy, and the policy for logistics and commercial properties will not change materially from the current DHRM policy.

### (A) Logistics properties

#### a. Categories

DHI invests in logistics properties in the following two categories.

Type	BTS (Build-to-suit) type	Multi-tenant type
Outline	Logistics properties customized to tenant needs, while maintaining general versatility to accommodate successor tenants in the future	Logistics properties located on sites suitable to the logistics needs of various businesses with optimal scale, grade and facilities for their respective site

#### b. Evaluation criteria and selection standards

DHI evaluates logistics properties for investment based on the following criteria and standards. It assesses properties on their location and other features, including whether they allow for efficient logistics and rapid adoption to market trends within the supply chain of procurement and production to sale and consumption, and invests in properties with a high level of competitiveness and stable income over the medium to long term. DHI mainly invests in high-performance logistics properties (logistics properties located in areas DHI considers especially suited to logistics, and with facilities and specifications that meet DHI’s competitiveness criteria).

Type	BTS (Build-to-suit) type	Multi-tenant type
Location	<ul style="list-style-type: none"> <li>· Accessibility to both production and consumption areas</li> <li>· Accessibility to transportation such as airports, harbors, highways, etc.</li> <li>· Ease in securing workforce and convenience in commuting for employees</li> <li>· Location’s natural and other surrounding environment</li> </ul>	
Size	<ul style="list-style-type: none"> <li>· Gross floor area of 6,000 m<sup>2</sup> or more</li> </ul>	
Contract terms	<ul style="list-style-type: none"> <li>· Rental rate</li> <li>· Rental term and remaining term in the current lease</li> <li>· Security deposit amount</li> <li>· Provisions for early termination</li> </ul>	

Tenants	<ul style="list-style-type: none"> <li>· Business category</li> <li>· Tenant composition</li> <li>· Required leased area</li> </ul>	<ul style="list-style-type: none"> <li>· Stability of rental revenues</li> <li>· Creditworthiness</li> <li>· Competitiveness</li> </ul>
Facilities and other specifications	<ul style="list-style-type: none"> <li>· Connected car berth</li> <li>· Floor weight capacity (1.5 t/m<sup>2</sup> or more)</li> <li>· Floor height</li> <li>· Ceiling height (5.0 m or more)</li> <li>· Pillar interval spacing (8.0 m or more)</li> <li>· Air conditioning equipment and lighting</li> </ul>	<ul style="list-style-type: none"> <li>· Elevators and vertical carrier machines</li> <li>· Presence of offices and lounges</li> <li>· Working environment</li> <li>· Parking lot</li> <li>· Overall versatility of the facilities</li> </ul>

(B) Residential properties

a. Categories

DHI invests in residential properties in the following two categories.

Type	Compact (C)	Family (F)
Outline	Residences aimed at single- and two-person households and designed for their life styles, etc.	Residences aimed at families and designed for their life styles, etc.

b. Evaluation criteria and selection standards

DHI evaluates residential properties for investment based on the following criteria and standards. DHI intends to invest in properties that will provide stable income and growth potential. DHI determines such properties by comprehensively assessing, among other things, the demand for rental property in the local area, the properties' competitiveness and the sustainability of maintaining competitiveness in the future, competitiveness of the property in the market area, adequacy of the contracted rent, and the status of nearby competing properties.

Type	Compact (C)	Family (F)
Location	<ul style="list-style-type: none"> <li>· Proximity to the nearest train station</li> <li>· Strong variety of options available regarding life style (i.e. proximity to business districts, parks, cultural facilities, broad commercial center, amusement areas, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>· Located in a quiet residential area</li> <li>· A full array of cultural facilities</li> <li>· Lifestyle convenience (proximity to neighboring retail properties, cultural facilities, sports facilities, etc.)</li> </ul>
Dedicated area	· 60 m <sup>2</sup> or less	· More than 60 m <sup>2</sup>
Size	· Gross floor area of 660 m <sup>2</sup> or more	
Contract terms	<ul style="list-style-type: none"> <li>· Rental rate, market rent, occupancy rate</li> <li>· Rental term in the current lease</li> <li>· Security deposit amount</li> </ul>	
Tenants	<ul style="list-style-type: none"> <li>· Creditworthiness and rent payment status</li> <li>· (Individual) joint and several guarantors or guarantor company</li> <li>· Purpose of use</li> <li>· Confirmation of occupation by an anti-social force</li> </ul>	
Facilities and other specifications	<ul style="list-style-type: none"> <li>· Floor plan and composition ratio by type</li> <li>· Ceiling height</li> <li>· Interior specifications (ceiling, wall, floor, and the like)</li> <li>· Exterior specifications (exterior wall, rooftop, stairs, corridor, and the like)</li> <li>· Sanitary equipment</li> <li>· Air conditioning equipment</li> </ul>	<ul style="list-style-type: none"> <li>· Electronic equipment</li> <li>· Security equipment</li> <li>· Common facilities (Elevators, corridors, car parking lot, bicycle parking lot, garbage collecting points, etc.)</li> <li>· Broadcast receiving equipment</li> <li>· Administration office</li> </ul>

(C) Commercial properties

a. Categories

DHI invests in commercial properties in the following three categories.

Type	Mall type (Note)	Roadside type	Urban type
Outline	Enclosed or open malls located along a main highway or residential road	Single retail properties or retail complexes consisting of independent stores located along a main highway or residential road	Retail properties located near terminal stations or in popular urban districts

Note: Enclosed malls are shopping malls that contain all stores in a single building around an air-conditioned mall center, while open malls are unroofed shopping malls, including malls covered by a canopy top, that connect stores outside of a building.

b. Evaluation criteria and selection standards

DHI evaluates commercial properties for investment based on the following criteria and standards. DHI intends to invest in properties that will provide stable income and growth potential. DHI determines such properties by comprehensively assessing, among other things, the properties' competitiveness and the sustainability of maintaining competitiveness in the future, stability and growth of the market area, competitiveness of the property in the market area, creditworthiness of tenants, adequacy of the contracted rent and the potential for opening a store near competing properties. DHI mainly invests in specialty retail complexes (commercial properties which DHI believes are in a favorable location as a market area, with specialty store as core tenants whose products and services are broadly recognized by consumers in the relevant region, and with tenant businesses of categories and sizes well matched to the consumer characteristics and purchasing power of the region. Such properties house relevant specialty stores and may be a part of larger retail complexes that are integrated with multiple commercial facilities in the surrounding area.).

Type	Mall type	Roadside type	Urban type
Location	<ul style="list-style-type: none"> <li>· Accessibility from main highways or residential roads</li> <li>· Visibility of the entire building</li> <li>· Superiority in scale within the market area</li> </ul>	<ul style="list-style-type: none"> <li>· Accessibility from main highways or residential roads</li> <li>· Visibility of the entire building</li> </ul>	<ul style="list-style-type: none"> <li>· Number of passengers passing through the nearest station</li> <li>· Congestion and continuity of the neighboring urban area</li> </ul>
Size	Gross floor area of 8,000 m <sup>2</sup> or more	Gross floor area of 3,000 m <sup>2</sup> or more	Gross floor area of 500 m <sup>2</sup> or more
Contract terms	<ul style="list-style-type: none"> <li>· Rental rate</li> <li>· Rental term and remaining term in the current lease</li> <li>· Security deposit amount</li> <li>· Provisions for early termination</li> </ul>		
Tenants	<ul style="list-style-type: none"> <li>· Business category</li> <li>· Tenant composition</li> <li>· Required leased area</li> <li>· Stability of rental revenues</li> </ul>	<ul style="list-style-type: none"> <li>· Creditworthiness</li> <li>· Competitiveness</li> <li>· Strength of brand name</li> <li>· Ability to attract customers</li> </ul>	
Facilities and other specifications	<ul style="list-style-type: none"> <li>· Floor shape, customer pathway</li> <li>· Capacity for utilities such as electricity, water and gas</li> <li>· Air conditioning equipment and lighting</li> <li>· Interior and exterior appearance</li> </ul>	<ul style="list-style-type: none"> <li>· Elevators and escalators</li> <li>· Parking lot</li> <li>· Overall versatility of facilities</li> </ul>	

(D) Hotels

a. Categories

DHI does not categorize the hotels in which it invests.

b. Evaluation criteria and selection standards

DHI evaluates hotels based on the following criteria and standards. DHI intends to invest in properties that will provide stable income and growth potential. DHI determines such properties by comprehensively assessing, among other things, the properties' competitiveness and the sustainability of maintaining competitiveness in the future, stability and growth of the location area, creditworthiness of tenants, and adequacy of the contracted rent.

Location	<ul style="list-style-type: none"><li>· Accessibility to airport terminals, train stations, and other means of transportation</li><li>· Placement and proximity of business districts, amusement areas, tourist facilities, leisure facilities, and the like</li><li>· Visibility of the building</li></ul>
Size	Gross floor area of 3,000 m <sup>2</sup> or more
Contract terms	<ul style="list-style-type: none"><li>· Rental rate</li><li>· Rental term and remaining term in the current lease</li><li>· Security deposit amount</li><li>· Provisions for early termination</li></ul>
Tenants	<ul style="list-style-type: none"><li>· Checking of main operational index (ADR (see note below), sales and occupancy rate, etc.)</li><li>· Stability of rental revenues</li><li>· Creditworthiness</li><li>· Competitiveness</li><li>· Strength of brand name</li><li>· Ability to attract customers</li></ul>
Facilities and other specifications	<ul style="list-style-type: none"><li>· Number and areas of guestrooms</li><li>· Guestroom types and composition ratio by type</li><li>· Floor shape, customer pathway</li><li>· Capacity for utilities such as electricity, water and gas</li><li>· Air conditioning equipment and lighting</li><li>· Interior and exterior appearance</li><li>· Elevators and escalators</li><li>· Parking lot</li><li>· Overall versatility of facilities</li></ul>

Note: "ADR" is the average daily rate per guestroom, which is calculated by dividing total guestroom revenue by the number of guestrooms sold.

(E) Others (Office buildings, healthcare facilities, etc.)

In consideration of the fact that Other Assets have various types and that investment criteria and standards will vary in accordance with the different types of Other Assets, specific evaluation criteria and selection standards are not set for each type; each of those properties will be invested in upon comprehensive consideration of the regional characteristics arising from location-specific features, ease of securing alternative tenants, overall versatility of facilities, etc.

(3) Asset management policy

As part of the shift to a diversified REIT, only standard rules common to all property types will be established in the asset management guidelines with respect to the appointment, supervision, and management of property managers. Furthermore, rules will be established to the effect that if a portfolio property was developed by the Daiwa House Group, the property manager appointed shall in

principle be part of the Daiwa House Group in order to maximize cash-flow on each individual property by fully leveraging the integrated capabilities of the Daiwa House Group and its integrated business system.

Note, however, that the policy for residential properties will not change materially from the current DHAM policy, and the policy for logistics and commercial properties will not change materially from the current DHRM policy.

In addition, standards for operators of operational assets (meaning assets that have facilities requiring special knowledge and expertise to operate; the same hereinafter) will also be established in connection with the addition of hotels to the Core Assets. A provision will be newly set out to the effect that operators who are judged to have sufficient knowledge and expertise to manage a property are to be selected based on operational experience, brand and other corporate reliability, creditworthiness, operational knowledge, earnings and expenditure estimates for managing the property and ability to bear rent, competitiveness, and financial position. In addition, the appointment of a backup operator will also be considered based on the substitutability of the operator of a given property, where necessary in order to avoid increased losses associated with long operator absences when the operator's contract comes to an end. Furthermore, each operator will be required, where necessary, to make periodic reports on the result of its operation of the property, based on which the business plan for that property will be assessed and the operator's performance evaluated. Operators will be consulted, instructed and supervised such that each property is operated according to its business plan. DHI's asset management will be conducted in principle by leasing properties regardless of property type (including whether or not the subject property is an operational asset).

#### (4) Changes to leasing policy

In connection with the addition of hotels to the Core Assets, percentage rent—rent in addition to the fixed basic rent that varies according to factors such as the profit earned by the business that uses a property—will be considered for hotels and other operational assets, after taking into account the balance of income from operation of the property and the term of the lease. Rules will be established in order to set rent at the optimal level for ensuring steady asset growth and stable income over the medium to long term.

End