

December 20, 2013

For Immediate Release

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**Notice Concerning the Proposed Disposition of
Trust Beneficiary Rights in Real Estate**

Daiwa House Residential Investment Corporation (“DHI”) announces its decision today to dispose trust beneficiary rights in real estate as follows:

1. Reasons for Disposition

Daiwa House Asset Management Co., Ltd., the asset manager to which DHI entrusts the management of its assets (the “Asset Manager”), made amendments to the Asset Management Guidelines pertaining to the management of DHI’s assets, which are internal rules of the Asset Manager, on September 5, 2011 to adopt the policy of focusing on residential properties as investment assets in acquisitions going forward. DHI holds one retail property “FOLEO TOWN Tsutsui” (accounting for 0.6% of the entire portfolio). DHI has been considering selling the retail property at an appropriate time based on assessment of market conditions and other factors. A recent consideration of the medium- to long-term management efficiency, etc. of the portfolio led to the decision today to dispose of the retail property (the “Disposition”).

Through the Disposition, DHI and the Asset Manager will concentrate management resources on the management of residential properties to keep pursuing even higher investment efficiency and operational capacity of residential properties and thereby keep striving to further boost revenue-generating potential. DHI expects loss on sales of a total of 385 million yen (including sundry expenses, etc.) will result from the Disposition, but reversal of retained earnings will absorb any impact this loss on sales may have on distributions.

2. Disposition Detail

- ① Property Name : FOLEO TOWN Tsutsui
 ② Asset Type : Beneficiary right in trust that places real estate in trust
 ③ Sale Price (planned) : ¥990,446,666
 (Excluding such amounts as expenses related to sale, amount equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.)
 ④ Acquisition Date : March 23, 2007
 ⑤ Acquisition Price : ¥1,410,000,000
 ⑥ Book Value : ¥1,368,037,411 (as of August 31, 2013)
 ⑦ Appraisal Value : ¥1,050,000,000 (Date of value opinion: August 31, 2013)
 ⑧ Difference between Sale Price (planned) and Book Value : ▲¥377,590,745 (difference between ③ and ⑥)
 ⑨ Difference between Sale Price (planned) and Appraisal Value : ▲¥59,553,334 (difference between ③ and ⑦)
 ⑩ Execution date of the trust beneficiary rights sale and purchase agreement (planned) : December 26, 2013
 ⑪ Delivery Date (planned) : December 26, 2013 or on a date agreed upon by the buyer and DHL.
 ⑫ Buyer (planned) : Please refer to 3. below for details.
 ⑬ Sale Method : Sale in the form of lump-sum settlement of real estate to the proposed buyer.

Address		531-1, Tsutsui-cho, Yamato Koriyama City, Nara
Land	Type of Ownership	Proprietary ownership
	Site Area	12,073.77 m ²
	Zoning	Quasi-industrial zone, Class 1 residential zone
	Building Coverage Ratio/ FAR	60% / 200%
Building	Type of Ownership	Proprietary ownership
	Usage	Retail, Office
	Total Floor Space	4,115.33 m ²
	Construction/ No. of Floors	S, Flat (partly 2F)
	Completion Date	October 2, 2006 (A building and B building), October 16, 2006 (C building), October 11, 2006 (D building)
Tenants (Note 1)	Number of Tenants	1
	Number of Leasable Units	11 unit
	Number of Leased Units	11 unit
	Occupancy Rate	100.0%
	Rental Revenues	¥7,575 thousand
	Deposits and Guarantees	¥128,757 thousand
Appraisal value (Note 2)	Real Estate Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.
	Date of Value Opinion	August 31, 2013
	Appraisal Value	¥1,050,000,000

(Note 1) (i) "Number of Tenants" is recorded as "1" where a single master lease contract has been executed with a master lease company.

(ii) "Number of Leasable Units" is the number of units of the real estate that is leasable.

(iii) "Number of Leased Units", "Occupancy Rate", "Rental Revenues" and "Deposits and Guarantees" are as of November 30, 2013.

(iv) "Number of Leased Units" is the number of units for which a lease agreement has been concluded with an end-tenant for real estate.

- (v) “Occupancy Rate” is the ratio of leased floor area to leasable floor area of the real estate, rounded to one decimal place.
 (vi) “Rental Revenues” is the monthly rental revenues as of November 2013, rounded down to the nearest thousand yen.
 (vii) “Deposits and Guarantees” is the total amount of the deposits and guarantees of the real estate that must be returned to end-tenants based on the lease contract concluded with end-tenants, rounded down to the nearest thousand yen.

(Note 2) “Appraisal Values” is the real estate appraisal values as end of the 15th fiscal period (August 31, 2013).

3. Buyer Profiles

The buyer is a business company in Japan. No name, etc. is shown as the buyer has not consented to such disclosure. Please note that the buyer does not constitute a party with particular vested interest in DHI or the Asset Management Company.

4. Broker Profiles

(1) Broker Profile

Trade name	RISA Partners, Inc.
Head Office Address	2-15-3, Konan, Minato-ku, Tokyo 19F Shinagawa Intercity Tower C
Representative	Toshiaki Tanaka, President
Principal Activities	Investment, lending and various advisory in the corporate, receivables and assets fields
Capital	¥ 100 million (As of November 30, 2013)
Established	July 2, 1998
Relationship with DHI and Asset Management Company	
Capital Relationship	There is no capital relationship to describe between DHI, asset management company and RISA Partners, Inc.
Personnel Relationship	There is no personnel relationship to describe between DHI, asset management company and RISA Partners, Inc.
Business Relationship	There is no business relationship to describe between DHI, asset management company and RISA Partners, Inc.
Status of Classification as Related Party	The Company does not constitute a related party of DHI or the Asset Management Company. Furthermore, affiliated persons or affiliated companies of the Company do not constitute a related party of DHI or the Asset Management Company.

(2) Broker’s Commission

Commission is not shown as the broker has not consented to such disclosure.

5. Future Prospects

The decrease in rent income resulting from the Disposition will be minor. In addition, loss on sales is expected in the fiscal period ending in February 28, 2014 (16th Fiscal Period: from September 1, 2013 to February 28, 2014), but reversal of retained earnings (reserve for distribution) (Note) will absorb any impact this loss on sales may have on distributions.

There is thus no revision to the operating status forecasts for the fiscal period ending in February 28, 2014 (16th Fiscal Period: from September 1, 2013 to February 28, 2014) and August 31, 2014

(17th Fiscal Period: from March 1, 2014 to August 31, 2014).

(Note) DHI has 19,140 million yen of total retained earnings (reserve for distribution) as of August 31, 2013.

* 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.

* URL of the DHI's website: <http://daiwahouse-resi-reit.co.jp/eng/>

[Reference Information]
Real Estate Portfolio List after Disposition

	Area (Note 1)	Property No.	Property Name	Acquisition Date (Note 2)	Acquisition Price (Note 3)	Investment Ratio (Note 4)	
Residential	Area 1	1001	Qiz Ebisu	March 22, 2006	7,650	3.3%	
		1002	Castalia Azabujuban Shichimenzaka	March 22, 2006	4,500	2.0%	
		1003	Castalia Shibakoen	March 22, 2006	2,630	1.1%	
		1004	Castalia Ginza	March 22, 2006	2,520	1.1%	
		1005	Castalia Hiroo	March 22, 2006	2,220	1.0%	
		1006	Castalia Nihonbashi	March 22, 2006	1,200	0.5%	
		1007	Castalia Hacchobori	March 7, 2007	2,300	1.0%	
		1008	Castalia Azabujuban	June 21, 2007	2,910	1.3%	
		1009	Castalia Azabujuban II	June 21, 2007	2,690	1.2%	
		1010	Castalia Shinjuku Natsumezaka	June 21, 2007	1,865	0.8%	
		1011	Castalia Ginza II	June 21, 2007	1,800	0.8%	
		1012	Castalia Shibuya Sakuragaoka	June 21, 2007	1,400	0.6%	
		1015	Castalia Nishi Azabu Kasumicho	April 1, 2010	2,143	0.9%	
		1016	Castalia Ochanomizu	April 1, 2010	1,770	0.8%	
		1017	Castalia Sangubashi	April 1, 2010	1,393	0.6%	
		1018	Castalia Suitengu	April 1, 2010	1,279	0.6%	
		1019	Castalia Suitengu II	April 1, 2010	1,138	0.5%	
		1020	Castalia Shintomicho	April 1, 2010	932	0.4%	
		1021	Castalia Shintomicho II	April 1, 2010	825	0.4%	
		1022	Castalia Harajuku	April 1, 2010	887	0.4%	
		1023	Castalia Yoyogi Uehara	April 1, 2010	608	0.3%	
		1024	Castalia Sendagaya	April 1, 2010	555	0.2%	
		1025	Castalia Shinjuku 7 chome	April 1, 2010	464	0.2%	
		1027	Castalia Ningyocho	April 1, 2010	947	0.4%	
		1028	Castalia Ningyocho II	April 1, 2010	1,070	0.5%	
		1029	Castalia Shin-Ochanomizu	April 1, 2010	914	0.4%	
		1030	Castalia Higashi Nihonbashi II	April 1, 2010	1,370	0.6%	
		1031	Castalia Jinbocho	April 1, 2010	1,160	0.5%	
		1032	Castalia Shintomicho III	April 1, 2010	675	0.3%	
		1033	Castalia Shinjuku Gyoen	April 1, 2010	2,720	1.2%	
		1034	Castalia Takanawadai	April 1, 2010	860	0.4%	
		1035	Castalia Higashi Nihonbashi III	April 1, 2010	666	0.3%	
		1036	Castalia Shinjuku Gyoen II	April 1, 2010	486	0.2%	
	1037	Castalia Shintomicho IV	April 1, 2010	400	0.2%		
	1038	Castalia Takanawadai II	April 1, 2010	1,190	0.5%		
	1039	Castalia Minami Azabu	April 1, 2010	642	0.3%		
	1040	Castalia Ginza III	April 1, 2010	2,880	1.3%		
	1041	Castalia Kayabacho	April 1, 2010	2,707	1.2%		
	1042	Castalia Takanawa	April 1, 2010	7,430	3.2%		
	1043	Castalia Higashi Nihonbashi	April 1, 2010	3,520	1.5%		
	1045	Castalia Shinjuku	April 1, 2010	2,950	1.3%		
	1046	Castalia Ichigaya	June 29, 2010	940	0.4%		
	1047	Shibaura Island Bloom Tower	October 18, 2011	7,580	3.3%		
	1048	Castalia Hatsudai	December 19, 2011	2,030	0.9%		
	1049	Castalia Hatsudai II	September 27, 2013	1,900	0.8%		
	1050	Castalia Ebisu	September 27, 2013	1,420	0.6%		
			Subtotal			92,136	40.1%
		Area 2	2001	Castalia Meguro Kamurozaka	December 20, 2005	4,500	2.0%
			2002	IPSE Toritsudaigaku	March 22, 2006	648	0.3%
			2004	Castalia Yukigaya	March 7, 2007	1,110	0.5%
	2005		Castalia Yutenji	June 21, 2007	1,450	0.6%	
	2006		Castalia Otsuka	June 21, 2007	1,480	0.6%	
	2007		Castalia Kikukawa	June 21, 2007	817	0.4%	
	2008		Castalia Meguro	April 1, 2010	844	0.4%	
	2009		Castalia Otsuka II	April 1, 2010	1,040	0.5%	
	2010		Castalia Jiyugaoka	April 1, 2010	1,200	0.5%	
	2011		Castalia Mejiro	April 1, 2010	988	0.4%	

This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. DHI makes no warranties as to its accuracy or completeness.

2012	Castalia Ikebukuro	April 1, 2010	2,570	1.1%	
2013	Castalia Kaname-cho	April 1, 2010	1,140	0.5%	
2014	Castalia Tower Shinagawa Seaside	April 1, 2010	7,380	3.2%	
2015	Castalia Yakumo	April 1, 2010	857	0.4%	
2016	Castalia Togoshiekimae	April 1, 2010	1,560	0.7%	
2018	Castalia Honjo Azumabashi	April 1, 2010	996	0.4%	
2019	Castalia Kitazawa	April 1, 2010	742	0.3%	
2020	Castalia Monzennakacho	April 1, 2010	503	0.2%	
2023	Castalia Kamiikedai	April 1, 2010	198	0.1%	
2024	Castalia Morishita	April 1, 2010	832	0.4%	
2025	Castalia Wakabayashi koen	April 1, 2010	776	0.3%	
2026	Castalia Asakusabashi	April 1, 2010	792	0.3%	
2027	Castalia Iriya	April 1, 2010	546	0.2%	
2028	Castalia Kita Ueno	April 1, 2010	2,641	1.1%	
2029	Castalia Morishita II	April 1, 2010	686	0.3%	
2030	Castalia Minowa	April 1, 2010	1,430	0.6%	
2031	Castalia Oyamadai	April 1, 2010	533	0.2%	
2032	Castalia Nakano	April 1, 2010	1,060	0.5%	
2033	Castalia Yoga	April 1, 2010	923	0.4%	
2034	Castalia Sumiyoshi	April 1, 2010	948	0.4%	
2035	Castalia Monzennakacho II	April 1, 2010	2,160	0.9%	
2036	Castalia Oshiage	April 1, 2010	1,100	0.5%	
2037	Castalia Kuramae	April 1, 2010	1,260	0.5%	
2038	Castalia Nakanobu	June 29, 2010	1,790	0.8%	
2039	Royal Parks Toyosu	November 1, 2010	7,360	3.2%	
2040	Castalia Togoshi	November 1, 2010	1,770	0.8%	
2041	Castalia Ooimachi	June 30, 2011	1,181	0.5%	
2042	Castalia Omori	August 2, 2011	1,500	0.7%	
2043	Castalia Mishuku	October 7, 2011	1,900	0.8%	
2044	Castalia Arakawa	March 28, 2012	1,660	0.7%	
2045	Castalia Omori II	March 29, 2012	2,370	1.0%	
2046	Castalia Nakameguro	November 29, 2012	3,800	1.7%	
2047	Castalia Meguro Chojyamanu	September 27, 2013	2,030	0.9%	
2048	Castalia Meguro Takaban	September 27, 2013	1,750	0.8%	
2049	Castalia Omori III	September 27, 2013	1,520	0.7%	
Subtotal			74,341	32.3%	
Area 3	3001	Cosmo Heim Musashikosugi	March 22, 2006	1,674	0.7%
	3002	Castalia Tsurumi	June 21, 2007	666	0.3%
	3003	Castalia Funabashi	April 1, 2010	704	0.3%
	3006	Castalia Nishi Funabashi	April 1, 2010	783	0.3%
	3007	Castalia Maihama	April 1, 2010	670	0.3%
	3008	Castalia Ichikawamyoden	April 1, 2010	671	0.3%
	3010	Castalia Urayasu	April 1, 2010	592	0.3%
	3011	Castalia Minamigyotoku	April 1, 2010	543	0.2%
	3012	Castalia Minamigyotoku II	April 1, 2010	385	0.2%
	3013	Castalia Nogeeyama	April 1, 2010	325	0.1%
	3017	Castalia Ichikawa	April 1, 2010	461	0.2%
	3018	Royal Parks Hanakoganei	October 7, 2011	5,300	2.3%
	3019	Castalia Musashikosugi	September 27, 2013	1,680	0.7%
Subtotal			14,454	6.3%	
Area 4	4001	Castalia Shinsakae	December 20, 2005	1,920	0.8%
	4008	Aprile Tarumi	April 1, 2010	1,340	0.6%
	4009	Crest Kusatsu	April 1, 2010	3,004	1.3%
	4010	Castalia Sakaisuji Honmachi	April 1, 2010	1,490	0.6%
	4011	Castalia Shin-Umeda	April 1, 2010	1,376	0.6%
	4012	Castalia Abeno	April 1, 2010	4,368	1.9%
	4014	Castalia Sakae	April 1, 2010	1,010	0.4%
	4015	Castalia Nipponbashi Kouzu	April 1, 2010	3,570	1.6%
	4016	Castalia Maruyama Urasando	April 1, 2010	411	0.2%
	4017	Castalia Maruyama Omotesando	April 1, 2010	1,740	0.8%
	4018	Castalia Higashi Hie	April 1, 2010	960	0.4%
4019	Castalia Tower Nagahoribashi	April 1, 2010	3,400	1.5%	

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4020	Castalia Sannomiya	April 1, 2010	1,230	0.5%		
4021	Castalia Kotodaikoen	April 1, 2010	481	0.2%		
4022	Castalia Ichibancho	April 1, 2010	783	0.3%		
4023	Castalia Omachi	April 1, 2010	656	0.3%		
4024	Castalia Uemachidai	April 1, 2010	2,190	1.0%		
4025	Castalia Tower Higobashi	April 1, 2010	2,670	1.2%		
4026	Big Tower Minami Sanjo	November 1, 2010	1,740	0.8%		
4027	Castalia Fushimi	January 14, 2011	2,260	1.0%		
4028	Castalia Meieki Minami	August 1, 2011	720	0.3%		
4029	Castalia Yakuin	September 26, 2011	930	0.4%		
4030	Castalia Mibu	December 22, 2011	1,193	0.5%		
4031	Castalia Tsutsujigaoka	September 3, 2012	1,208	0.5%		
4032	Castalia Ohori Bay Tower	March 25, 2013	2,910	1.3%		
4033	Royal Parks Namba	March 29, 2013	2,830	1.2%		
4034	Castalia Shigahondori	June 26, 2013	1,730	0.8%		
Subtotal			48,120	20.9%		
Subtotal			229,051	99.6%		
Residential	Area 3	6001	Urban Living Inage	June 24, 2013	930	0.4%
(Residential properties for the elderly)			Subtotal	930	0.4%	
Total			229,981	100.0%		

(Note 1) Under “Area,” “Area 1” refers to the Chiyoda, Chuo, Minato, Shibuya and Shinjuku Wards, “Area 2” refers to the wards of Tokyo excluding “Area 1,” “Area 3” refers to the Tokyo metropolitan area (Tokyo (excluding “Areas 1” and “Area 2”)), Kanagawa, Saitama and Chiba Prefectures), and “Area 4” refers to other cities (areas with populations of approximately 100,000 people or more).

(Note 2) “Acquisition Date” is entered as the effective date of the merger (April 1, 2010) for properties that were held by the former New City Residence Investment Corporation.

(Note 3) “Acquisition Price” is excluding such amounts as expenses related to acquisition, reimbursement of taxes and dues, etc., and consumption taxes. For properties that were held by the former New City Residence Investment Corporation, the price at which the properties were succeeded at the time of the merger (the appraisal value as of the end of February 2010) is shown. Amounts are rounded to the nearest million yen.

(Note 4) “Investment Share” is the ratio of the acquisition price to the total amount of acquisition prices, rounded to one decimal place.