

August 23, 2019

For Immediate Release

REIT Issuer:

 Daiwa House REIT Investment Corporation
 2-4-8, Nagatacho, Chiyoda-ku, Tokyo
 Jiro Kawanishi, Executive Director
 (TSE Code: 8984)

Asset Manager:

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

Inquiries:

 Haruto Tsukamoto, Director and CFO
 TEL. +81-3-3595-1265

Notice Concerning Disposition of Trust Beneficiary Interests in Domestic Real Estate

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

The decision related to transactions with interested parties, etc. as defined in the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951, as amended, the “Investment Trust Act”) has been approved by the board of directors of DHR based on the Asset Manager’s voluntary rules concerning conflicts of interest.

1. Disposition overview

Property number	Property name	Asset class	Anticipated date of disposition	Anticipated sale price (million yen) (Note 1)	Anticipated book value (million yen) (Note 2)	Difference between anticipated sale price and anticipated book value (million yen)	Gain or loss on sale (million yen) (Note 3)	Appraisal value (million yen) (Note 4)
LB-004	D Project Shin-Misato	Logistics	August 30, 2019	5,755	5,584	170	154	5,750
LB-010	D Project Gifu	Logistics	September 2, 2019	1,171	1,065	105	100	1,170
LB-012	D Project Sapporo Minami	Logistics	September 2, 2019	863	781	81	77	862
LB-014	D Project Sendai Minami	Logistics	September 2, 2019	1,581	1,509	71	65	1,580
LB-016	D Project Gotenba	Logistics	September 2, 2019	1,141	1,107	33	29	1,140
LB-017	D Project Nishi-Hiroshima	Logistics	September 2, 2019	1,211	1,173	37	32	1,210
Total				11,722	11,222	499	461	11,712

(Note 1) Excluding various expenses related to dispositions, settlement money such as taxes and dues, and consumption taxes, etc.

(Note 2) Anticipated book value as of each anticipated date of disposition.

(Note 3) Gain or loss on sale represents the forecast amount.

(Note 4) Appraisal value as of February 28, 2019.

- | | | |
|--|---|---|
| (1) Type of specified asset | : | Trust beneficiary interest in real estate |
| (2) Anticipated date of the sale and purchase agreements | : | August 30, 2019 |
| (3) Buyer | : | Godo Kaisha Heptagon |
| (4) Settlement method | : | Payment of entire amount upon transfer |

2. Disposition rationale

With an aim to improve portfolio quality including area, remaining lease term, and property age, DHR will dispose of the Anticipated Dispositions previously held by the former Daiwa House REIT Investment Corporation (the Daiwa House REIT Investment Corporation, which was dissolved upon having merged with DHR as of September

1, 2016) since its IPO in November 2012, based on the examination in terms of the medium- to long-term management efficiency of DHR's portfolio and characteristics of the respective properties, and comprehensively considering factors such as the competitiveness of the Anticipated Dispositions and market conditions.

DHR also intends to promote efficiency of portfolio management by the Disposition, since the Anticipated Dispositions are considered at risk for a potential decrease in NOI in the future due to rent reduction and increased repair and maintenance expenses, or less efficient due to their small size. The anticipated sale price of each property is higher than the appraisal value, and it would be preferable to avoid future risks by disposing of the properties at the current point in a booming real estate market. DHR believes the Disposition and returning the gain on sale to unitholders as distribution over the fiscal periods ending August 31, 2019 and February 29, 2020 will contribute to expand our unitholders' value.

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

3. Details of the Anticipated Dispositions

Overview of leasing is based on information as of July 31, 2019.

Property number		D Project Sin-Misato		Asset class		Logistics	
LB-004				Acquisition price		5,710 million yen	
Type of specified asset			Trust beneficiary interest in real estate				
Trustee			Mitsubishi UFJ Trust and Banking Corporation				
Trust maturity date			November 30, 2032				
Location	Lot number		Lala City, Shin-Misato, Misato City, Saitama (Note)				
	Address		Lala City, Shin-Misato, Misato City, Saitama (Note)				
Land	Type of ownership		Ownership				
	Land area		9,616.60 m ²				
	Area classification		Quasi-residential district				
	Building coverage ratio		60%				
	FAR		200%				
Building	Type of ownership		Ownership				
	Gross floor area		11,257.04 m ²				
	Use		Office				
	Structure		Steel-frame building				
	Number of floors		2F				
	Date of construction		April 15, 2009				
Collateral			None				
Overview of leasing							
Leasable area		11,289.91 m ²		Number of tenants		1	
Leased area		11,289.91 m ²		Annual rent		Not disclosed (Note)	
Occupancy rate		100.0%		Tenant leasehold and security deposit		Not disclosed (Note)	
Historical occupancy rate	February 2017	August 2017	February 2018	August 2018	February 2019		
	100.0%	100.0%	100.0%	100.0%	100.0%		
Master lease company			-				
Master lease type			-				
Property management company			Daiwa House Property Management Co., Ltd.				
Lessee			Asahi Security Co., Ltd.				

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

Property number		D Project Gifu		Asset class		Logistics	
LB-010				Acquisition price		1,100 million yen	

Type of specified asset		Trust beneficiary interest in real estate			
Trustee		Mitsubishi UFJ Trust and Banking Corporation			
Trust maturity date		November 30, 2032			
Location	Lot number	449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu			
	Address	449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu			
Land	Type of ownership	Ownership			
	Land area	7,333.37 m ²			
	Area classification	Unspecified area			
	Building coverage ratio	60%			
	FAR	200%			
Building	Type of ownership	Ownership			
	Gross floor area	6,921.06 m ²			
	Use	Warehouse			
	Structure	Steel-frame building			
	Number of floors	2F			
	Date of construction	February 28, 2009			
Collateral		None			
Overview of leasing					
Leasable area		7,669.91 m ²	Number of tenants		1
Leased area		7,669.91 m ²	Annual rent		Not disclosed (Note)
Occupancy rate		100.0%	Tenant leasehold and security deposit		Not disclosed (Note)
Historical occupancy rate	February 2017	August 2017	February 2018	August 2018	February 2019
	100.0%	100.0%	100.0%	100.0%	100.0%
Master lease company			-		
Master lease type			-		
Property management company			Daiwa House Property Management Co., Ltd.		
Lessee			GOTSU Co., Ltd.		

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

Property number		D Project Sapporo Minami	Asset class		Logistics
LB-012			Acquisition price		818 million yen
Type of specified asset		Trust beneficiary interest in real estate			
Trustee		Mitsubishi UFJ Trust and Banking Corporation			
Trust maturity date		November 30, 2032			
Location	Lot number	5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido			
	Address	5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido			
Land	Type of ownership	Ownership			
	Land area	10,982.06m ²			
	Area classification	Quasi-industrial district			
	Building coverage ratio	60%			
	FAR	200%			
Building	Type of ownership	Ownership			
	Gross floor area	6,749.10 m ²			
	Use	Warehouse			
	Structure	Steel-frame building			
	Number of floors	2F			
	Date of construction	October 30, 2007			
Collateral		None			

Overview of leasing						
Leasable area		6,749.10 m ²		Number of tenants		1
Leased area		6,749.10 m ²		Annual rent		Not disclosed (Note)
Occupancy rate		100.0%		Tenant leasehold and security deposit		Not disclosed (Note)
Historical occupancy rate	February 2017	August 2017	February 2018	August 2018	February 2019	
	100.0%	100.0%	100.0%	100.0%	100.0%	
Master lease company			-			
Master lease type			-			
Property management company			Daiwa House Property Management Co., Ltd.			
Lessee			Mitsubishi Shokuhin Co., Ltd.			

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

Property number		D Project Sendai Minami		Asset class		Logistics	
LB-014				Acquisition price		1,530 million yen	
Type of specified asset			Trust beneficiary interest in real estate				
Trustee			Mitsubishi UFJ Trust and Banking Corporation				
Trust maturity date			November 30, 2032				
Location	Lot number		3-2-39, Kuko-Minami, Iwanuma City, Miyagi				
	Address		3-2-39, Kuko-Minami, Iwanuma City, Miyagi				
Land	Type of ownership		Ownership				
	Land area		17,092.58 m ²				
	Area classification		Exclusive industrial district				
	Building coverage ratio		60%				
	FAR		200%				
Building	Type of ownership		Ownership				
	Gross floor area		11,042.27 m ²				
	Use		Warehouse, office				
	Structure		Steel-frame building				
	Number of floors		2F				
	Date of construction		March 28, 2006				
Collateral			None				

Overview of leasing						
Leasable area		11,052.27 m ²		Number of tenants		1
Leased area		11,052.27 m ²		Annual rent		Not disclosed (Note)
Occupancy rate		100.0%		Tenant leasehold and security deposit		Not disclosed (Note)
Historical occupancy rate	February 2017	August 2017	February 2018	August 2018	February 2019	
	100.0%	100.0%	100.0%	100.0%	100.0%	
Master lease company			-			
Master lease type			-			
Property management company			Daiwa House Property Management Co., Ltd.			
Lessee			Mitsubishi Shokuhin Co., Ltd.			

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

Property number		D Project Gotenba		Asset class		Logistics	
LB-016				Acquisition price		1,140 million yen	
Type of specified asset			Trust beneficiary interest in real estate				
Trustee			Mitsubishi UFJ Trust and Banking Corporation				
Trust maturity date			November 30, 2032				

Location	Lot number	2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka			
	Address	2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka			
Land	Type of ownership	Ownership			
	Land area	6,154.07 m ²			
	Area classification	Exclusive industrial district			
	Building coverage ratio	60%			
	FAR	200%			
Building	Type of ownership	Ownership			
	Gross floor area	6,457.26 m ²			
	Use	Warehouse, office			
	Structure	Steel-frame building			
	Number of floors	4F			
	Date of construction	January 15, 2009			
Collateral	None				
Overview of leasing					
Leasable area	6,737.53 m ²	Number of tenants	1		
Leased area	6,737.53 m ²	Annual rent	Not disclosed (Note)		
Occupancy rate	100.0%	Tenant leasehold and security deposit	Not disclosed (Note)		
Historical occupancy rate	February 2017	August 2017	February 2018	August 2018	February 2019
	100.0%	100.0%	100.0%	100.0%	100.0%
Master lease company	-				
Master lease type	-				
Property management company	Daiwa House Property Management Co., Ltd.				
Lessee	HOKKOH Transportation Inc.				

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

Property number	D Project Nishi-Hiroshima		Asset class	Logistics	
LB-017			Acquisition price	1,210 million yen	
Type of specified asset	Trust beneficiary interest in real estate				
Trustee	Mitsubishi UFJ Trust and Banking Corporation				
Trust maturity date	Building A: November 30, 2032, Building B: November 30, 2032				
Location	Lot number	2-8005-3, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima			
	Address	Building A	2-3-11, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima		
		Building B	2-3-13, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima		
Land	Type of ownership	Ownership			
	Land area	24,049.72 m ²			
	Area classification	Industrial district, Urbanization restricted area			
	Building coverage ratio	60%/50%			
	FAR	200%/100%			
Building	Type of ownership	Ownership			
	Gross floor area	4,453.45 m ²			
	Use	Building A: Refrigerated warehouse, warehouse, office Building B: Warehouse, office			
	Structure	Building A and Building B: Steel-frame building			
	Number of floors	Building A: 3F, Building B: 2F			
	Date of construction	Building A: January 10, 2008, Building B: October 24, 2008			
Collateral	None				
Overview of leasing					
Leasable area	5,093.51 m ²	Number of tenants	2		

Leased area	5,093.51 m ²	Annual rent	Not disclosed (Note)		
Occupancy rate	100.0%	Tenant leasehold and security deposit	Not disclosed (Note)		
Historical occupancy rate	February 2017	August 2017	February 2018	August 2018	February 2019
	100.0%	100.0%	100.0%	100.0%	100.0%
Master lease company	-				
Master lease type	-				
Property management company	Daiwa House Property Management Co., Ltd.				
Lessee	Building A: UCC FOODS CO., LTD. Building B: HOKKOH Transportation Inc.				

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

4. Buyer profile

(1) Name	Godo Kaisha Heptagon
(2) Location	2-17-17, Nagatacho, Chiyoda-ku, Tokyo
(3) Representative	Representative member : Property Holdings General Incorporated Association Enforcer : Masanori Nakatsu
(4) Business activities	(a) Acquisition, holding, leasing, management, operation and disposal of real estate (b) Acquisition, holding and disposal of trust beneficiary interest in real estate (c) All other businesses incidental or related to the above
(5) Capital	200,000 yen
(6) Foundation date	July 29, 2019
(7) Net assets	We have not obtained permission from the buyer to disclose the information.
(8) Total assets	We have not obtained permission from the buyer to disclose the information.
(9) Major shareholder and shareholding ratio	We have not obtained permission from the buyer to disclose the information.
(10) Relationships with DHR and the Asset Manager	
Capital relationships	There is no capital relationship requiring disclosure between DHR/the Asset Manager and Godo Kaisha Heptagon. There is no capital relationship requiring disclosure between Godo Kaisha Heptagon and Daiwa House Industry Co., Ltd., which is a parent company of the Asset Manager.
Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and Godo Kaisha Heptagon.
Business relationship	There is no business relationship requiring disclosure between DHR/the Asset Manager and Godo Kaisha Heptagon.
Status of classification as related party	Godo Kaisha Heptagon is not a related party of DHR/the Asset Manager. Godo Kaisha Heptagon is not a related party of Daiwa House Industry Co., Ltd. which is a parent company of the Asset Manager; however, is a special purpose company on which Daiwa House Industry Co., Ltd., a parent company of the Asset Manager, may have a significant influence and is an interested party as defined in the Asset Manager's rules regarding interested-party transactions.

5. Brokerage

None

6. Interested party transactions

The buyer is a special purpose company on which Daiwa House Industry Co., Ltd., a parent company of the Asset Manager, may have a significant influence and is an interested party as defined in the Asset Manager's rules regarding interested-party transactions; however, is not an interested party, etc., as defined in the Investment Trust Act.

The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its internal rules regarding related party transactions.

7. Disposition schedule

Property name	Disposition decision date	Execution date of the sale and purchase agreements	Date of payment and Delivery date
D Project Shin-Misato	August 23, 2019	August 30, 2019 (planned)	August 30, 2019 (planned)
D Project Gifu			September 2, 2019 (planned)
D Project Sapporo Minami			
D Project Sendai Minami			
D Project Gotenba			
D Project Nishi-Hiroshima			

8. Outlook

DHR expects to record gain on sale of investment properties of 154 million yen for the fiscal period ending August 31, 2019 and 306 million yen for the fiscal period ending February 29, 2020 associated with the Disposition.

For the forecasts of results for the fiscal periods ending August 31, 2019, February 29, 2020, and August 31, 2020 with the Disposition factored in, please refer to the press release “Notice Concerning Revision of Forecast for the Fiscal Periods Ending August 31, 2019 and February 29, 2020 and Announcement of Forecast for the Fiscal Period Ending August 31, 2020” separately announced today.

9. Summary of property appraisal of the Anticipated Dispositions

Property name	D Project Shin-Misato	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	5,750 million yen	Appraisal date	February 28, 2019

Item	Content	Basis
Value based on income method	5,750 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	5,900 million yen	
Operating revenue	—	Not disclosed (Note)
Effective gross revenue	—	
Loss from vacancy	—	
Operating expense	—	
Maintenance	—	
Utility cost	—	
Repair	—	
Property management Fee	—	
Advertisement and other leasing cost	—	
Tax	—	
Insurance	—	
Other cost	—	
Net operating income (NOI)	283 million yen	
Investment income of lump sum	—	Not disclosed (Note)
Capital expenditure	—	
Net cash flow (NCF)	283 million yen	
Cap rate	4.8%	Compared the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, and also assessed by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.
Value based on Discounted Cash Flow method	5,680 million yen	
Discount rate	(1st-10th year) 4.8% (11th year)	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assessed by taking into account specific risks related to the

		4.9%	property.
	Terminal cap rate	5.0%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty.
Value based on cost method		5,120 million yen	
	Proportion of land	69.8%	
	Proportion of building	30.2%	
Items applied to adjustments in valuation approach and the determination of the appraisal value			None

(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

Property name	D Project Gifu	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	1,170 million yen	Appraisal date	February 28, 2019

Item	Content	Basis	
Value based on income method	1,170 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.	
Value based on direct capitalization method	1,160 million yen		
Operating revenue	—	Not disclosed (Note)	
Effective gross revenue	—		
Loss from vacancy	—		
Operating expense	—		
Maintenance	—		
Utility cost	—		
Repair	—		
Property management Fee	—		
Advertisement and other leasing cost	—		
Tax	—		
Insurance	—		
Other cost	—		
Net operating income (NOI)	62 million yen		
Investment income of lump sum	—	Not disclosed (Note)	
Capital expenditure	—		
Net cash flow (NCF)	61 million yen		
Cap rate	5.3%	Compared the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, and also assessed by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.	
Value based on Discounted Cash Flow method	1,180 million yen		
Discount rate	(1st-5th year) 5.2% (from 6th year) 5.3%	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assessed by taking into account specific risks related to the property.	
Terminal cap rate	5.5%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty.	
Value based on cost method	930 million yen		
Proportion of land	32.9%		
Proportion of building	67.1%		
Items applied to adjustments in valuation approach			None

and the determination of the appraisal value	
(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.	

Property name	D Project Sapporo Minami	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	862 million yen	Appraisal date	February 28, 2019

Item	Content	Basis
Value based on income method	862 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	855 million yen	Not disclosed (Note)
Operating revenue	—	
Effective gross revenue	—	
Loss from vacancy	—	
Operating expense	—	
Maintenance	—	
Utility cost	—	
Repair	—	
Property management Fee	—	
Advertisement and other leasing cost	—	
Tax	—	
Insurance	—	
Other cost	—	
Net operating income (NOI)	51 million yen	Not disclosed (Note)
Investment income of lump sum	—	
Capital expenditure	—	
Net cash flow (NCF)	50 million yen	
Cap rate	5.9%	Compared the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, and also assessed by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.
Value based on Discounted Cash Flow method	865 million yen	
Discount rate	5.8%	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assessed by taking into account specific risks related to the property.
Terminal cap rate	6.1%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty.
Value based on cost method	743 million yen	
Proportion of land	20.4%	
Proportion of building	79.6%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

Property name	D Project Sendai Minami	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
---------------	-------------------------	-----------	---------------------------------------

Appraisal value	1,580 million yen	Appraisal date	February 28, 2019
-----------------	-------------------	----------------	-------------------

Item	Content	Basis
Value based on income method	1,580 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	1,570 million yen	Not disclosed (Note)
Operating revenue	—	
Effective gross revenue	—	
Loss from vacancy	—	
Operating expense	—	
Maintenance	—	
Utility cost	—	
Repair	—	
Property management Fee	—	
Advertisement and other leasing cost	—	
Tax	—	
Insurance	—	
Other cost	—	
Net operating income (NOI)	83 million yen	
Investment income of lump sum	—	Not disclosed (Note)
Capital expenditure	—	
Net cash flow (NCF)	81 million yen	
Cap rate	5.2%	Compared the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, and also assessed by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.
Value based on Discounted Cash Flow method	1,580 million yen	
Discount rate	(1st-2nd year) 5.0% (3rd-10th year) 5.1%	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assessed by taking into account specific risks related to the property.
Terminal cap rate	5.4%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty.
Value based on cost method	1,390 million yen	
Proportion of land	27.0%	
Proportion of building	73.0%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

Property name	D Project Gotenba	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	1,140 million yen	Appraisal date	February 28, 2019

Item	Content	Basis
Value based on income method	1,140 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	1,130 million yen	

Operating revenue	—	Not disclosed (Note)
Effective gross revenue	—	
Loss from vacancy	—	
Operating expense	—	
Maintenance	—	
Utility cost	—	
Repair	—	
Property management Fee	—	
Advertisement and other leasing cost	—	
Tax	—	
Insurance	—	
Other cost	—	
Net operating income (NOI)	62 million yen	
Investment income of lump sum	—	Not disclosed (Note)
Capital expenditure	—	
Net cash flow (NCF)	61 million yen	
Cap rate	5.4%	Compared the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, and also assessed by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.
Value based on Discounted Cash Flow method	1,150 million yen	
Discount rate	(1st-10th year) 5.3% (from 11th year) 5.4%	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assessed by taking into account specific risks related to the property.
Terminal cap rate	5.6%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty.
Value based on cost method	996 million yen	
Proportion of land	40.9%	
Proportion of building	59.1%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

Property name	D Project Nishi-Hiroshima	Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal value	1,210 million yen	Appraisal date	February 28, 2019

Item	Content	Basis
Value based on income method	1,210 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	1,180 million yen	
Operating revenue	—	Not disclosed (Note)
Effective gross revenue	—	
Loss from vacancy	—	
Operating expense	—	
Maintenance	—	
Utility cost	—	
Repair	—	
Property management	—	

	Fee		
	Advertisement and other leasing cost	—	
	Tax	—	
	Insurance	—	
	Other cost	—	
	Net operating income (NOI)	65 million yen	
	Investment income of lump sum	—	Not disclosed (Note)
	Capital expenditure	—	
	Net cash flow (NCF)	63 million yen	
	Cap rate	5.4%	Compared the multiple transaction yields of the logistics properties in suburbs of government-designated cities or regional core urban cities from a cross-regional standpoint, taking into account the regional and unique characteristics of the property and also considering the relationship with the discount rate.
	Value based on Discounted Cash Flow method	1,220 million yen	
	Discount rate	Building A (1st-4th year) 5.4% (5th-10th year) 5.5% Building B (1st-10th year) 5.4% (11th year) 5.5%	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assess by taking into account specific risks related to the property.
	Terminal cap rate	5.6%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty.
	Value based on cost method	1,170 million yen	
	Proportion of land	61.6%	
	Proportion of building	38.4%	
	Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

* Distribution of this material: This material is distributed to “Kabuto Club” (a media correspondents’ club at the Tokyo Stock Exchange), the press club at the Ministry of Land, Infrastructure, Transport and Tourism and the press club for construction trade newspapers at the Ministry of Land, Infrastructure, Transport and Tourism.

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

<Attachment>

Portfolio status after the Disposition

Asset class	Number of properties	Acquisition price (million yen)	Investment ratio (Note)
Logistics properties	61 properties	373,641	50.6%
Residential properties	133 properties	246,424	33.3%
Retail properties	21 properties	95,330	12.9%
Hotel properties	3 properties	10,770	1.5%
Other assets	5 properties	12,860	1.7%
Portfolio Total	223 properties	739,025	100.0%

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