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For Immediate Release

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Notice Concerning Acquisition and Leasing 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 acquire and lease the following assets (the “Anticipated Acquisitions”) as described below.

The decision to acquire the Anticipated Acquisitions has been approved by the board of directors of DHR based on the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951, as amended, the “Investment Trust Act”) and the Asset Manager’s voluntary rules concerning conflict of interest.

## 1. Acquisition and leasing overview

### (1) Anticipated Acquisitions

Property number	Real estate in trust (Property name)	Asset class	Location	Anticipated date of acquisition	Anticipated acquisition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	NOI yield (Note 3)	NOI yield after depreciation (Note 4)
LM-004	DPL Nagareyama I	Logistics	Nagareyama City, Chiba	April 3, 2020	32,600	32,900	4.4%	3.4%
RM-012	iias Tsukuba (additional acquisition of 70% quasi co-ownership interest) (Note 5)	Retail	Tsukuba City, Ibaraki	April 1, 2020	23,800	24,010	5.5%	4.2%
OT-006	GRANODE Hiroshima (50% quasi co-ownership interest)	Other	Hiroshima City, Hiroshima	April 3, 2020	14,400	14,750	4.6%	3.2%
<b>Total/Average</b>					<b>70,800</b>	<b>71,660</b>	<b>4.8%</b>	<b>3.6%</b>

(Note 1) Excluding such amounts as expenses related to acquisition, amounts equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.

(Note 2) Appraisal value as of December 31, 2019.

(Note 3) “NOI yield” is represented by a figure calculated by dividing the stabilized net operating income, calculated by deducting operating expenses from operating income based on a direct capitalization method, as stated in the appraisal report (as of December 31, 2019) (the “Net Operating Income” in Note 4 below), by an anticipated acquisition price. Average is calculated by weighted average of NOI yield based on anticipated acquisition price.

(Note 4) “NOI yield after depreciation” is calculated by dividing the figure, calculated by deducting depreciation estimated by the Asset Manager from the Net Operating Income in the appraisal report (as of December 31, 2019), by an anticipated acquisition price. Average is calculated by weighted average of NOI yield after depreciation based on anticipated acquisition price.

(Note 5) As DHR acquired 30% of quasi co-ownership interest of trust beneficiary interest in this property as of April 5, 2019, the additional acquisition of

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the remaining 70% of quasi co-ownership interest of trust beneficiary interest will result in DHR's 100% ownership of trust beneficiary interest in this property.

- |   |   |   |
|---|---|---|
| (2) Execution date of the purchase agreements                     | : | Please refer to below "8. Acquisition schedule"   |
| (3) Planned date of acquisition                                   | : | Please refer to above table (1) "Anticipated date of acquisition"                         |
| (4) Seller  | : | Please refer to below "4. Seller profile"   |
| (5) Acquisition funds   | : | Proceeds from issuance of new investment units, debt financing and cash reserves (Note 1) |
| (6) Method of settlement  | : | Payment of entire amount upon transfer  |
| (7) Sum total for annual rent (Note 2)                            | : | 3,801 million yen   |
| (8) Sum total for tenant leasehold and security deposits (Note 3) | : | 1,765 million yen   |

(Note 1) Please refer to the press releases "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" and "Notice Concerning Debt Financing and Refinancing" dated today.

(Note 2) "Annual rent" means the amount calculated by multiplying the monthly rent of the building (excluding consumption taxes) as indicated in respective lease agreement or lease reservation agreement in relation to each property in trust as of November 30, 2019 by 12 on an annual basis (as to properties in trust for which multiple lease agreements or lease reservation agreements are entered into, the total amount indicated in such lease agreements or lease reservation agreements). If a pass-through type master lease agreement is or is scheduled to be entered into, the annual rent is the amount calculated by multiplying the monthly rent (excluding consumption taxes) as indicated in each sublease agreement in relation to each property in trust as of November 30, 2019 by 12 on an annual basis (as to properties in trust for which multiple sublease agreements are entered into, the total amount indicated in such sublease agreements). Regarding sales commission rent, it refers to the monthly sales commission rent linked to the sales of November 2019. In the cases of each quasi co-owned trust beneficiary interests, the annual rent of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in real estate to be held by DHR is provided. Under the "pass-through type master lease agreement" rent and other fees are collected directly from end tenants in principle and rents are received only when subleasing actually takes place. Meanwhile, under the "sublease type master lease agreement", a certain guaranteed amount of rent is received regardless of any fluctuation in received rents. Furthermore, in the cases of quasi co-owned trust beneficiary interests, the annual rent of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in the relevant real estate to be held by DHR is provided.

(Note 3) "Tenant leasehold and security deposits" means the amount calculated based on the leasehold and security deposits indicated in respective lease agreement or lease reservation agreement in relation to each property in trust as of November 30, 2019 (as to properties in trust for which multiple lease agreements or lease reservation agreements are entered into, the total amount indicated in such lease agreements or lease reservation agreements). If a pass-through type master lease agreement is or is scheduled to be entered into, leasehold and security deposits are those indicated in the sublease agreements of end-tenants as of November 30, 2019 (as to properties in trust for which multiple sublease agreements are entered into, the total amount indicated in such sublease agreements). Meanwhile, leasehold and security deposits that do not need to be returned to the tenant pursuant to the lease agreements or lease reservation agreements are excluded from this calculation. Furthermore, in the cases of each quasi co-owned trust beneficiary interests, the tenant leasehold and security deposits of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in the relevant real estate to be held by DHR is provided.

## 2. Rationale for acquisition and leasing

Based on the targets and policies prescribed in DHR's Articles of Incorporation, the Asset Manager decided for DHR to acquire and lease the Anticipated Acquisitions having deemed that the acquisition would expand the asset size, further increase the stability of cash flow through increased portfolio diversification and secure stable revenues in the long term. All of the Anticipated Acquisitions will be through the pipeline of Daiwa House Group.

For the details of the Anticipated Acquisitions, please see "3. Details of the Anticipated Acquisitions".

Furthermore, the tenants of the Anticipated Acquisitions are deemed to comply with the tenant selection standards stipulated in the "Report on Operating Systems, etc. of Issuers of Real Estate Investment Trust Securities, etc." (in Japanese only) submitted on November 26, 2019 for DHR.

## 3. Details of the Anticipated Acquisitions

The following tables provide an overview of the trust beneficiary interests in real estate that are the Anticipated Acquisitions. Furthermore, unless otherwise stated, descriptions in each column in the "Property number", "Asset class", "Type," "Anticipated date of acquisition", "Anticipated acquisition price", "Overview of specified asset", "Overview of building condition evaluation", "Soil contamination inspector", "Designer, structural designer, contractor and inspection agency", "Overview of leasing", "Special items" and "Property characteristics" for each property indicated below are prepared in accordance with the following definitions, and are based on the information available as of November 30, 2019.

- "Property number" is numbered to each property owned under each asset class. "L" means logistics properties, "RE" means residential properties, "R" means retail properties, "HO" means hotel properties and "OT" means other assets. "LB" means built-to-suit type logistics properties, "LM" means multi-tenant type logistics properties, "RR" means roadside type retail properties, "RM" means mall type retail properties and "RU" means urban type retail properties.
- "Asset class" shows the asset class categories under our portfolio composition, either a logistics property, residential property, retail property, hotel property or other asset. For other assets, specific use is indicated in brackets.
- "Type" shows the type of respective uses as follows for respective Anticipated Acquisitions in accordance with types of investment destination based on the DHR's investment policy.

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< Logistics properties >

Type	BTS (Build-to-suit) type	Multi-tenant type
Description	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

< Residential properties >

Type	Compact	Family
Description	Residences with dedicated area of 60 m <sup>2</sup> or less	Residences with dedicated area of more than 60 m <sup>2</sup>

< Retail properties >

Type	Mall type	Roadside type	Urban type
Description	Enclosed (Note 1) or open malls (Note 2) 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 1) Enclosed malls are shopping malls that contain all stores in a single building around an air-conditioned mall center.

(Note 2) Open malls are open-air shopping malls, including malls covered by a canopy top that connects stores outside of a building.

- “Anticipated date of acquisition” shows the planned date of acquisition of the respective Anticipated Acquisitions indicated in the purchase agreements regarding the relevant acquisition, but such a date may be changed by mutual consent between DHR and the seller.
- “Anticipated acquisition price” shows the transaction price (excluding such amounts as expenses related to acquisition, amount equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes) of the respective Anticipated Acquisitions indicated in the purchase agreements regarding the relevant acquisition.
- “Trustee” is the trustee or the party that is scheduled to become the trustee of the respective Anticipated Acquisitions.
- “Trust maturity date” shows the trust maturity date for respective Anticipated Acquisitions defined in the trust agreement which is scheduled to have teeth when DHR acquires.
- “Lot number” for location is the lot number as indicated in the register (only one location is indicated for properties that have several location), and “Residence indication” for location is the residence indication of each property in trust as indicated in the register (for each property in trust without residence indication, the location of the building is as indicated in the register (only one location is indicated for properties that have several location)).
- “Type of ownership” for the land and building indicates, for each of the Anticipated Acquisitions, the kind of rights held or to be acquired by DHR, or the kind of rights held by the trustee or to be held by a party that is scheduled to become a trustee subject to a trust agreement which is scheduled to have teeth when DHR acquires.
- “Land area” is based on the descriptions in the registry, and may not match the present status.
- “Area classification” for the land indicates the type of zoning district depicted in Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, as amended) or the type of urban district classification depicted in Article 7 of the City Planning Act.
- “Building coverage ratio” for the land is the ratio of the building area of the building to the site area as stipulated in Article 53 of the Building Standards Act (Act No.201 of 1950, as amended) and is the maximum figure of the building coverage ratio determined by city planning in accordance with the zoning, etc. (designated building coverage ratio). Designated building coverage ratios may be relaxed / increased, or decreased, since the building is a fireproof building in a fire prevention district, or for other reasons. Therefore it may differ from the actual building coverage ratio to be applied.
- “Floor area ratio (FAR)” for the land is the ratio of the total floor area of the building to the site area as stipulated in Article 52 of the Building Standards Act and is maximum figure of the floor area ratio determined by city planning in accordance with the zoning, etc. (designated floor area ratio). Designated floor area ratios may be relaxed / increased, or decreased, since the width of the road adjacent to the site, or for other reasons. Therefore it may differ from actual floor area ratio to be applied.
- “Gross floor area” for the building is the sum total of the floor area recorded in the registry, excluding the areas of annex buildings, and may not match the present status.
- “Use” for the building shows the primary category described in the registry, and may not match the present status.

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- “Structure” and “Number of floors” for the building are based on the descriptions in the registry, and excludes annex buildings.
- “Date of construction” for the building is the date of construction in the property registry of the main building.
- “Collateral” indicates the outline of the collateral for the respective Anticipated Acquisitions, if there is collateral scheduled to be borne by DHR after the acquisition.
- “Overview of building condition evaluation” is based on the descriptions in the engineering report prepared for the respective Anticipated Acquisitions.
- “Evaluation date” shows the date when the building condition evaluation report surveyed and prepared by the evaluation companies was prepared.
- “PML” represents the probable maximum loss from an earthquake as being the amount of probable loss of damage that may result from an earthquake having 0.21% annual exceedance probability (475-year return period) expressed as a percentage (%) of the replacement cost. (Note)  
(Note) Replacement cost: Expenses that will be incurred if the existing building is to be newly constructed at the time investigation.
- “Soil contamination inspector” is based on the descriptions in the engineering report prepared for the respective Anticipated Acquisitions.
- “Designer, structural designer, contractor and inspection agency” is based on the descriptions in the applications for building verification and applications for approval to change etc. for the Anticipated Acquisitions, and is described as the names of the companies at the time.
- “Overview of leasing” shows the content of respective lease agreements or lease reservation agreements as of November 30, 2019 for respective property in trust regarding the respective Anticipated Acquisitions. The items “Contract form”, “Contract period”, “Rent revision”, “Contract renewal” and “Early cancellation” are filled with the information about key tenants (of which leased area exceeds 50% of the leasable area of the whole building) for the portfolio assets. In the event that a pass-through type master lease agreement has been executed or is scheduled to be executed for each property in trust, the terms of a sublease agreement executed between a master lease company and a key end tenant. “Leased area (ratio to total leasable area)” is indicated only when there is more than one tenant (end tenant)”.
- “Leasable area” is the leasable area of the building (of the land, for land with leasehold interest properties) for each property in trust, and indicates the area which DHR recognizes to be leasable based on the lease agreements or lease reservation agreements or building drawings or other documents for the respective property in trust as of November 30, 2019. In the cases of quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in the relevant real estate to be held by DHR is provided.
- “Leased area” shows the leased area indicated in respective lease agreements or lease reservation agreements as of November 30, 2019 for respective property in trust regarding the respective Anticipated Acquisitions. However, if there is a master lease agreement or a planned master lease agreement concluded with the sublessee, it shows the leased area of end-tenants indicated in the sublease agreements concluded between the sublessee and end-tenants as of November 30, 2019 for respective property in trust regarding the respective Anticipated Acquisitions. Furthermore, as the respective lease agreements or lease reservation agreements may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular, if eaves are included in the leased area for logistics facilities, the leased area may significantly surpass the gross floor area. Furthermore, in the cases of quasi co-owned trust beneficiary interests, the leased area of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in the relevant real estate to be held by DHR is provided.
- “Occupancy rate” is the ratio of leased floor area to leasable floor area.
- “Number of leasable units” is the number of units of residential property that is leasable as of November 30, 2019.
- “Number of tenants” indicates the number of tenants for each property of the Anticipated Acquisitions based on the lease agreements or lease reservation agreements, etc. as of November 30, 2019. However, “Number of tenants” enters the number of tenants as 1 if there is a master lease agreement or a planned master lease agreement concluded with the sublessee.
- “Annual rent” means the amount calculated by multiplying the monthly rent (excluding consumption taxes) of the building as indicated in respective lease agreement or lease reservation agreement in relation to each property in trust as of November 30, 2019 by 12 on an annual basis (as to properties in trust for which multiple lease agreements or lease reservation agreements are entered into, the total amount indicated in such lease agreements or lease reservation agreements). If a pass-through type master lease agreement is or is scheduled to be entered into, the annual rent is the amount calculated by multiplying the monthly rent (excluding consumption taxes) as indicated in each sublease agreement in relation to each property in trust as of November 30, 2019 by 12 on an annual basis (as to properties in trust for which multiple sublease agreements are entered into, the total amount indicated in such sublease agreements). Regarding sales commission rent, it uses the monthly sales commission rent linked to the sales of November 2019. Furthermore, in the cases of quasi co-owned trust beneficiary interests, the annual rent of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in the relevant real estate to be held by DHR is provided.

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- “Tenant leasehold and security deposits” means the amount calculated based on the leasehold and security deposits indicated in respective lease agreement or lease reservation agreement in relation to each property in trust as of November 30, 2019 (as to properties in trust for which multiple lease agreements or lease reservation agreements are entered into, the total amount indicated in such lease agreements or lease reservation agreements). If a pass-through type master lease agreement is or is scheduled to be entered into, leasehold and security deposits are those indicated in the sublease agreements of end-tenants as of November 30, 2019 (as to properties in trust for which multiple sublease agreements are entered into, the total amount indicated in such sublease agreements). Meanwhile, leasehold and security deposits that do not need to be returned to the tenant pursuant to the lease agreements or lease reservation agreements are excluded from this calculation. Furthermore, in the cases of quasi co-owned trust beneficiary interests, the tenant leasehold and security deposits of the entire real estate multiplied by the ratio of quasi co-ownership of the trust beneficiary interests in the relevant real estate to be held by DHR is provided.
- “Lease term” indicates what is specified in the respective lease agreements or lease reservation agreements as of November 30, 2019 for each property in trust (or, the sublease agreements concluded between the sublessee and end-tenants as of November 30, 2019, for each property in trust, in the event that a pass-through type master lease agreement has been executed or is to be executed with a master lease company). “Average lease term” indicates a weighted average of the lease term under the respective lease agreements or lease reservation agreements with the annual rent specified in the relevant agreements, respectively.
- “Remaining lease term” indicates the period from the respective anticipated date of acquisition to the expiration of the lease term specified in the respective lease agreements or lease reservation agreements as of November 30, 2019 for each property in trust (or the sublease agreements concluded between the sublessee and end-tenants as of November 30, 2019 for each property in trust, in the event that a pass-through type master lease agreement has been executed or is to be executed with a master lease company). “Average remaining lease term” indicates a weighted average of the remaining lease term under the respective lease agreements or lease reservation agreements with the annual rent specified in the relevant agreements, respectively.
- “Master lease company” is the lessee that has a blanket lease agreement concluded or scheduled to be concluded with the trustee for the purpose of re-letting to third parties.
- “Master lease type” shows either a “pass-through type” for those master lease agreements that DHR receives rents as-is, and “sublease type” for those master lease agreements that DHR receives a fixed amount of rent irrespective of the actual rent paid by the end-tenants. For a “pass-through type” DHR is entitled to receive rents when it is actually leased to an end-tenant.
- “Property management company” indicates the property management company consigned or scheduled to be consigned with property management services for respective property in trust.
- “Contract period” shows the contract period indicated in respective lease agreements or lease reservation agreements as of November 30, 2019 for respective property in trust.
- “Other leases” shows the content of respective contract concerning installation of solar power generation system for the purpose of leasing the roof top, etc. on each property in trust entered into or scheduled to be entered into when acquired by DHR.
- “Special items” presents matters recognized to be of importance in terms of the rights, use, etc. of respective Anticipated Acquisitions, as well as matters recognized to be of importance in consideration of the degree of impact on the appraised value, profitability and appropriation of assets, including the following matters:
  - (i) significant limitations or restrictions by laws, ordinances, rules and regulations,
  - (ii) significant burdens or limitations pertaining to rights, etc.,
  - (iii) significant cases where there are building, etc. crossing the boundaries of respective Anticipated Acquisitions without arrangements and cases where there are issues with boundary confirmation, etc.; and
  - (iv) significant agreements, arrangements, etc. made with co-owners or condominium unit owners.
- “Property characteristics” of logistics properties, retail properties and other assets is written based on the major items, including the fundamental nature, characteristics, and special features of the located area of the respective Anticipated Acquisitions stated in the respective evaluation reports for the respective Anticipated Acquisitions prepared by CBRE K.K., BAC Urban Projects Co., Ltd., or Japan Hotel Appraisal Co., Ltd. consigned from DHR of their evaluation. The evaluation of the respective Anticipated Acquisitions represents the judgment and opinion of the evaluation company, and does not guarantee the appropriateness and correctness of the statements.

Property number	DPL Nagareyama I		Asset class	Logistics	
LM-004			Type	Multi-tenant type	
Anticipated date of acquisition	April 3, 2020		Anticipated acquisition price	32,600 million yen	
Overview of specified asset					
Type of specified asset		Trust beneficiary interest in real estate (Note 1)			
Trustee		Mitsubishi UFJ Trust and Banking Corporation	Trust maturity date	April 30, 2040	
Location	Lot number	1374-1, Aza Taneishita, Nishifukai, Nagareyama City, Chiba			
	Residence indication	1374-1, Aza Taneishita, Nishifukai, Nagareyama City, Chiba			
Land	Type of ownership	Ownership	Building	Type of ownership	Ownership
	Land area	66,579.28m <sup>2</sup>		Gross floor area	128,360.20m <sup>2</sup>
	Area classification	Urbanization restricted area		Use	Warehouse, office
	Building coverage ratio	60% (Note 2)		Structure	Reinforced concrete structure
	FAR	200%		Number of floors	4F
Collateral	None		Date of construction	March 7, 2018	
Overview of building condition evaluation					
Evaluation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Urgent repair costs		0 thousand yen	Evaluation date	January 2020	
Short-term repair costs		0 thousand yen	PML	0.1%	
Long-term repair costs		336,596 thousand yen / 12 years			
Soil contamination inspector					
Inspector		Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Designer, structural designer, contractor, inspection agency					
Designer		Fukuda-and-Partners (office of Class-1 Architects)			
Structural designer		Fukuda-and-Partners (office of Class-1 Architects)			
Contractor		Takamatsu Corporation Co., Ltd. / Asunaro Aoki Construction Co., Ltd.			
Inspection agency		Saitama Housing Inspection Center (general incorporated foundation)			
Structural calculation evaluation agency		-			
Overview of leasing					
Leasable area		124,304.90 m <sup>2</sup>	Number of tenants	1	
Leased area		115,342.52 m <sup>2</sup> (Note 3)	Annual rent	Undisclosed (Note 4)	
Occupancy rate		92.8%	Tenant leasehold and security deposit	Undisclosed (Note 4)	
Average lease term		10.7 years	Average remaining lease term	9.1 years	
Master lease company			Daiwa House Property Management Co., Ltd.		
Master lease type			Pass-through type		
Property management company			Daiwa House Property Management Co., Ltd.		
Lessee		Yamato Transport Co., Ltd., Fashion-Co-Lab. Co., Ltd., FRAMEWORX, Inc., SENKO Co., Ltd., MARUBENI LOGISTICS CORPORATION, and others			

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Other leases	<p>The following contract for the lease of the rooftop, etc. of this property for the purpose of installing a solar power system was executed:  Counterparty: Daiwa House Industry Co., Ltd.  Contract date: October 31, 2017  Contract period: from July 1, 2018 to June 30, 2038  Annual rental fees: 3,534,000 yen(consumption tax excluded)</p>
<b>Special items</b>	
<ol style="list-style-type: none"> <li>1. With respect to the part of the boundaries of the land of the property which has not yet been established in a written form as of today, DHR has agreed with the seller that the seller will promptly conclude a written agreement to establish such boundaries at its responsibility and expense.</li> <li>2. Some findings are pointed out in the report on the building condition evaluation, etc., and DHR has agreed with the seller that such findings shall be rectified at the responsibility and expense of the seller before the acquisition by DHR.</li> </ol>	
<b>Property characteristics</b>	
<p>■ <b>Good access</b>  This property is located in Nagareyama City, which is situated in northwestern Chiba within a 25km radius from central Tokyo and has good railway access covering extensive areas via the railway network such as the Tsukuba Express, the JR Musashino Line and Joban Line, the Tobu Noda Line and the Ryutetsu Nagareyama Line, as well as well-developed wide-area road traffic network with the Joban Expressway and National Routes 16 and 6, etc. This property is situated in a favorable location for artery roads, approximately 2.7km from Nagareyama IC on the Joban Expressway, with convenient access to National Routes 16. This property can serve as a hub for an extensive delivery network covering Tokyo, Saitama and Chiba, due to its accessibility to the Tokyo Gaikan Expressway and Metropolitan Expressway via Misato JCT on the Joban Expressway, as well as its proximity to National Route 16.</p> <p>■ <b>Location suitable for logistics</b>  The property, located in an area mostly surrounded by plants and fields, can operate 24 hours a day over the long term with low-potential for complaints from local residents. The property is able to secure workforce from Nagareyama City and heavily-populated neighboring cities as it is accessible by free-of-charge shuttle buses and route buses.</p> <p>■ <b>Advanced specifications</b>  It is a four-story logistics facility with gross floor area of approximately 38,828 tsubo, leased to several tenants including logistics companies. As for basic specifications, the property has ceiling heights of 6.6m (1~3F) and 6.2m (4F), a floor weight capacity of 1.5t/m<sup>2</sup>, and a pillar interval spacing of 11.0m by 11.5m, which offers versatility for tenants with various business needs. A seismic isolation structure was adopted for the construction of this property, which is effective for BCP. It is a one-way traffic utilizing double ramp ways equipped on each floor, with the truck berths installed on both sides of 1F and on one side of each of the other floors and two doorways, enabling efficient truck operation. There are 396 parking lots for ordinary vehicles and 12 waiting spaces for trucks, which is sufficient for the size of the property. The property provides employees with convenient facilities such as a cafeteria, a retail shop and a nursery school, which are established on 1F.</p>	

(Note 1) DHR has agreed in the purchase agreement with the seller that, as of the same date with the acquisition date of the property, the seller will entrust the property to the above trustee, and the seller will transfer the trust beneficiary interest to DHR as of the same date.

(Note 2) While the building coverage ratio of the property is essentially 60%, due to application of corner lot mitigation, it is set at 70%.

(Note 3) The leased area provided in the lease agreement for temporary use that was concluded by the seller for the part of this property is not included.

(Note 4) Not disclosed as consent for disclosure has not been obtained from the lessee.

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Property number	iias Tsukuba (additional acquisition of 70% quasi co-ownership interest)		Asset class	Retail	
RM-012			Type	Mall type	
Anticipated date of acquisition	April 1, 2020 (Note 1)		Anticipated acquisition price	23,800 million yen (70% of quasi co-ownership interest) (Note 1)	
<b>Overview of specified asset</b>					
Type of specified asset		Trust beneficiary interest in real estate			
Trustee		Sumitomo Mitsui Trust Bank, Limited	Trust maturity date	April 30, 2039	
Location	Lot number	5-19, Kenkyugakuen, Tsukuba City, Ibaraki			
	Residence indication	5-19, Kenkyugakuen, Tsukuba City, Ibaraki			
Land	Type of ownership	Ownership	Building	Type of ownership	Ownership
	Land area	145,385.16m <sup>2</sup> (Note 1)		Gross floor area	112,509.43m <sup>2</sup> (Note 1)
	Area classification	Retail district		Use	Store, Parking lot
	Building coverage ratio	80% (Note 2)		Structure	Steel-frame reinforced concrete building
	FAR	200%		Number of floors	5F
Collateral	None		Date of construction	September 29, 2008	
<b>Overview of building condition evaluation</b>					
Evaluation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Urgent repair costs		0 thousand yen	Evaluation date	January 2020	
Short-term repair costs		0 thousand yen	PML	2.2%	
Long-term repair costs		1,489,127 thousand yen / 12 years			
<b>Soil contamination inspector</b>					
Inspector		Tokio Marine & Nichido Risk Consulting Co., Ltd.			
<b>Designer, structural designer, contractor, inspection agency</b>					
Designer		SHIMIZU CORPORATION (New construction) Kitagawa Corporation (Parking lot extension)			
Structural designer		SHIMIZU CORPORATION (New construction) Life Planning Inc. (Parking lot extension)			
Contractor		SHIMIZU CORPORATION (New construction) Kitagawa Corporation (Parking lot extension)			
Inspection agency		The Building Center of Japan (New construction) Japan Constructive Inspect Association (Parking lot extension)			
Structural calculation evaluation agency		-			
<b>Overview of leasing</b>					
Leasable area		97,230.27 m <sup>2</sup>	Number of tenants	1	
Leased area		97,230.27 m <sup>2</sup>	Annual rent	1,505,000 thousand yen	
Occupancy rate		100.0%	Tenant leasehold and security deposit	752,500 thousand yen	
Lease term		20.1 years	Remaining lease term	19.1 years	
Master lease company			Daiwa House Industry Co., Ltd.		
Master lease type			Sublease type		
Property management company			Daiwa Information Service Co., Ltd.		
Lessee		Daiwa House Industry Co., Ltd.			
Contract form		Building lease agreement			

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Contract renewal	From April 5, 2019 to April 30, 2039			
Contract period	Rent shall remain unchanged for ten years from the commencement date of the lease agreement, and shall be reviewed upon consultation every three years after that. Rent may be revised upon consultation in cases when the amount of rent becomes inadequate due to an increase or decrease in public dues and changes in a level of rent of properties in the neighborhood and other economic circumstances.			
Rent revision	The lease agreement shall be renewed automatically every three years, unless either of the parties notifies the counterparty of its rejection of renewal in writing, etc., by at least six months prior to the expiry thereof.			
Early cancellation	The lease agreement may not be cancelled before the expiry thereof. However, the lessee may cancel the lease agreement if it notifies the lessor in writing by at least twelve months prior to such date of cancellation and pay a prescribed amount of penalty fees to the lessor.			
<b>Special items</b>				
Some findings are pointed out in the report on the building condition evaluation, etc., and DHR has agreed with the seller that such findings shall be rectified at the responsibility and expense of the seller before the acquisition by DHR.				
<b>Property characteristics</b>				
<p>■ Favorable location This property is located in Tsukuba City, situated in southwestern Ibaraki, approximately 50km southwest of Mito City, the prefectural capital of Ibaraki, and approximately 50km northeast of Tokyo. This property, which is approximately a four-minute walk from Kenkyu-gakuen Station of the Tsukuba Express, is located in a subcenter district adjacent to the city center. The property is located in a favorable location which has good road and transportation access with approximately 4,300 parking spaces facing three streets, the Toride-Tsukuba Line (Science Boulevard), a major local road on the east side, the Toride-Tsukuba Line (Shintoshu Chuo Dori) on the south side and the road extending north of Kenkyu-gakuen Station.</p> <p>■ Tenant The core tenants of the Inmall Building include a supermarket, Food Square KASUMI (1F), a fashion boutique, Fit House (1F), an apparel retailer, Uniqlo (2F), a home appliance retailer, Nojima (2F), a toy retailer, Toys-R-Us/Babies-R-Us (3F) and a bookshop, Academia (3F), while those of the Outmall Building include a pet shop, Kojima and a wedding hall. The total number of tenants, including other shops, service providers and cafes and restaurants, totals more than 200. It is one of the largest retail facilities by store area within a 3km radius with aggregate sales of more than JPY30bn, and continues to grow together with local community.</p> <p>■ Characteristics It is expected that the population will slightly increase until 2035 in Tsukuba City, in which this property is located. The population in the commercial area is approximately 51,000, 106,000 and 277,000 within a 3km radius, a 5km radius and a 10km radius, respectively. The commercial area within a 3km radius of the property contains more students and families than the average of areas in the Ibaraki Prefecture, as well as a higher percentage of population in their 20s, 30s and 40s.</p>				
Population	Distance from property	Within 3km radius	Within 5km radius	Within 10km radius
2017	Population	51,317	106,073	277,947
	Number of households	24,765	47,843	118,830
2016	Population	49,612	103,500	274,471
	Number of households	24,111	46,575	116,199
Source: Basic Resident Register				
<p>■ Environmental consciousness This property is designed with environmental consciousness adopting a solar power generation system and a hybrid power generation system with solar power and wind power, that are being used as a source of electric power, as well as an ice-storage air conditioning system which utilizes midnight electric power.</p>				

(Note 1) As DHR acquired 30% of quasi co-ownership of trust beneficiary interest in this property as of April 5, 2019, the additional acquisition of the remaining 70% of quasi co-ownership of trust beneficiary interest will result in DHR's 100% ownership of trust beneficiary interest in this property. The land area and gross floor area indicated the figures of the entire property.

(Note 2) While the building coverage ratio of the property is essentially 80%, due to application of corner lot mitigation, it is set at 90%.

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Property number	GRANODE Hiroshima (50% quasi co-ownership interest)	Asset class	Other Asset (Office)
OT-006		Type	-
Anticipated date of acquisition	April 3, 2020	Anticipated acquisition price	14,400 million yen
Overview of specified asset			
Type of specified asset	Trust beneficiary interest in real estate (Note 1)		
Trustee	Sumitomo Mitsui Trust Bank, Limited	Trust maturity date	April 3, 2040
Location	Lot number	3-8-7, Futabanosato, Higashi Ward, Hiroshima City, Hiroshima	
	Residence indication	3-5-7, Futabanosato, Higashi Ward, Hiroshima City, Hiroshima	
Land	Type of ownership	Ownership	Ownership
	Land area	6,339.23m <sup>2</sup> (Note 2)	Gross floor area
	Area classification	Retail district	Use
	Building coverage ratio	80% (Note 3)	Structure
	FAR	500% (Note 4)	Number of floors
Collateral	None	Date of construction	March 29, 2019
Overview of building condition evaluation			
Evaluation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.		
Urgent repair costs	0 thousand yen	Evaluation date	January 2020
Short-term repair costs	0 thousand yen	PML	1.4%
Long-term repair costs	220,401 thousand yen / 12 years		
Soil contamination inspector			
Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.		
Designer, structural designer, contractor, inspection agency			
Designer	Fujita Corporation		
Structural designer	Fujita Corporation		
Contractor	Fujita Corporation		
Inspection agency	JAPAN ERI CO., LTD.		
Structural calculation evaluation agency	-		
Overview of leasing			
Leasable area	14,962.23m <sup>2</sup> (Office 9,645.59m <sup>2</sup> , Hotel 3,839.60m <sup>2</sup> , Retail 1,477.04m <sup>2</sup> )		
Leased area	11,812.38m <sup>2</sup> (Office 6,495.74m <sup>2</sup> , Hotel 3,839.60m <sup>2</sup> , Retail 1,477.04m <sup>2</sup> )		
Occupancy rate	78.9%	Annual rent	673,624 thousand yen
Number of tenant	1	Tenant leasehold and security deposit	566,493 thousand yen
Average lease term	9.3 years	Average remaining lease term	8.4 years
Master lease company	Daiwa Information Service Co., Ltd.		
Master lease type	Pass-through type		
Property management company	Daiwa Information Service Co., Ltd.		
Lessee	Daiwa Royal Co, Ltd. and others		
Special items			

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1. DHR will acquire 50% quasi co-ownership interest of trust beneficiary interest in real estate. Another quasi-co-owner of the interest is Daiwa House Industry Co., Ltd. DHR will enter into a letter of agreement with another quasi co-owner for future management of this property.
2. For this property, the seller and the two owners of the adjacent land on the east side of this property have executed an agreement that the empty space that exists between the lands and constitutes a part of the subject land should be opened up to the public to allow pedestrians free passage, that the three parties should pave roads and plant trees, etc. at the empty space and manage and share such roads and trees and plants, and that the three parties should collect usage fees if the empty space is leased to any third party for events, etc., and divide earnings from such rental equally among the three parties. The trustee will succeed to the status of the seller under this agreement.

#### Property characteristics

##### ■ Favorable location

This property is a multi-use building located in approximately a four-minute walk distance from the JR Hiroshima Station, in Futaba no Sato 5th District, comprised of a hotel, offices and retail facilities. The offices have strong locational advantages, as it is located on the north side of the station and has good access to public transportation, backed by each of the JR lines, which stops at JR Hiroshima Station. The property has better locational advantages than other similar types of properties in the area, because of its high visibility and landmark characteristics. The hotel attracts a wide variety of visitors as it can address business and sightseeing needs, supported by its proximity to a limousine bus stop to and from Hiroshima Airport.

##### ■ Tenant and BCP initiatives

3F to 11F of this property are occupied by office tenants, which is the main tenant base of this building. The office with total gross floor area of approximately 15,000 tsubo and the standard floor area of 660 tsubo is the one of the largest among offices in Hiroshima City, while the office spaces are equipped with advanced specifications that are required for a newly-built building, including a ceiling height of 2.8m, OA floors and individual air-conditioning systems. This earthquake-resistant property has executed strong BCP initiatives, including a 72-hour supply of electricity generated by an equipped emergency generator and a space for tenants' power generators. Thanks to these characteristics, this property is highly competitive in Hiroshima City. 13F to 20F are occupied by Daiwa Roynet Hotel Hiroshima-Ekimae, operated by Daiwa Royal Co., Ltd. The hotel has a total of 197 twin/double guest rooms, and the size of the smallest room is 22m<sup>2</sup>, which is relatively larger than those of other hotels in the same price category. Daiwa Roynet Hotel, the brand of a major nationwide hotel chain, under which development of new businesses is planned, is expected to continue to attract guests with its strong brand recognition and member system.

Retail facilities such as a convenience store, restaurants and cafes, service and other shops are operated on 1F and 2F.

(Note 1) Although a real estate in kind as of today, the seller is to trust the property to the above trustee before the planned acquisition date and DHR is to acquire the quasi co-ownership interest (50%) of trust beneficiary interest in real estate.

(Note 2) While DHR anticipates to acquire 50% of quasi co-ownership of trust beneficiary interest in this property, the land area and gross floor area indicated the figures of the entire property.

(Note 3) While the building coverage ratio of the property is essentially 80%, it is set at 100% due to application of a fire-resistant building located at a corner and in a quasi-fire-protection district.

(Note 4) The FAR of this property is set at 650 % according to the application of the provisions of Article 68-3, Paragraph 1 of the Building Standards Act.

#### 4. Seller profile

##### (1) DPL Nagareyama I

(1) Name	Kabushiki Kaisha Nagareyama Kyodo Kaihatsu
(2) Location	3-13-1, Iidabashi, Chiyoda Ward, Tokyo
(3) Representative	Representative director : Tatsuya Urakawa
(4) Business activities	(a) Sale and purchase, leasing, agency, operation and management of real estate (b) Research, study, planning, designing and consulting regarding real estate development (c) All other businesses incidental or related to the above
(5) Capital	3 million yen (as of February 28, 2019)
(6) Foundation date	December 9, 2014
(7) Net assets	(1,659) million yen (as of February 28, 2019)
(8) Total assets	24,443 million yen (as of February 28, 2019)
(9) Major shareholder and shareholding ratio	Daiwa House Industry Co., Ltd. 93.3% (as of February 28, 2019)
(10) Relationships with DHR and the Asset Manager	
Capital relationships	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the seller. The seller is a subsidiary of Daiwa House Industry Co., Ltd., which is a parent company of the Asset Manager and thus falls under the category of an interested party, etc. as defined in the Investment Trust Act.
Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and the seller.

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Business relationship	There is no business relationship requiring disclosure between DHR/the Asset Manager and the seller.
Status of classification as related party	The seller is not a related party of DHR. The seller is a subsidiary of Daiwa House Industry Co., Ltd. and thus falls under the category of a related party of the Asset Manager.

(2) iias Tsukuba and GRANODE Hiroshima

(1) Name	Daiwa House Industry Co., Ltd.
(2) Location	3-3-5, Umeda, Kita Ward, Osaka City, Osaka
(3) Representative	Keiichi Yoshii, President, CEO and COO
(4) Business activities	General contractor
(5) Capital	161,699 million yen (as of September 30, 2019)
(6) Foundation date	March 4, 1947
(7) Net assets	1,737,753 million yen (as of September 30, 2019)
(8) Total assets	4,454,545 million yen (as of September 30, 2019)
(9) Major shareholder and shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust) 8.97% The Japan Trustee Services Bank, Ltd. (Trust) 6.09% (as of September 30, 2019)
(10) Relationships with DHR and the Asset Manager	
Capital relationship	The seller holds 9.0% of DHR's investment units outstanding as of August 31, 2019. The seller also holds 100.0% of shares issued and outstanding of the Asset Manager as of today, and thus falls under the category of an interested party, etc. as defined in the Investment Trust Act.
Personnel relationship	Of the officers and employees of the Asset Manager, 13 people have been seconded from the seller as of today.
Business relationship	The seller is a consignee of PM and other services for DHR, and is a lessee of real estate owned by DHR. The seller has executed a new basic agreement regarding new pipeline support and other matters with DHR and the Asset Manager.
Status of classification as related party	The seller is not a related party of DHR. The seller is a parent company of the Asset Manager and thus falls under the category of a related party of the Asset Manager.

5. Interested party transactions

The following companies are defined as interested parties, etc. in the Investment Trust Act: Kabushiki Kaisha Nagareyama Kyodo Kaihatsu as the seller of DPL Nagareyama I; Daiwa House Industry Co., Ltd. as the lessee in a contract for installation of solar power system for the purpose of leasing the roofs etc. of DPL Nagareyama I, as the seller of iias Tsukuba and GRANODE Hiroshima and as the master lease company and lessee of iias Tsukuba; Daiwa House Property Management Co., Ltd. as the master lease and property management company of DPL Nagareyama I; and Daiwa Information Service Co., Ltd. as the property management company of iias Tsukuba and the master lease and property management company of GRANODE Hiroshima.

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

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## 6. Status of the seller

Property acquisitions from parties with particular interests are as follows. The table below notes (1) the name of the party; (2) the relationship with the party that has a particular interest; and (3) the backgrounds and reason for the acquisition.

Property name (Location)	Previous owner / trust beneficiary	Owner before previous owner / trust beneficiary
	(1), (2), (3)	(1), (2), (3)
	Acquisition price	Acquisition price
	Acquisition date	Acquisition date
LM-004 DPL Nagareyama I (1374-1, Aza Taneishita, Nishifukai, Nagareyama City, Chiba)	(1) Kabushiki Kaisha Nagareyama Kyodo Kaihatsu (2) Subsidiary of the parent company of the Asset Manager (3) Acquisition for development purposes	A party which does not have any particular interests
	Omitted as the previous owner/trust beneficiary has owned the property for over one year and part of the land was acquired in exchange	—
	September 2015 (Purchase)/ December 2019 (Exchange)	—
RM-012 iiias Tsukuba (5-19, Kenkyugakuen, Tsukuba City, Ibaraki)	(1) Daiwa House Industry Co., Ltd. (2) The parent company of the Asset Manager (3) Acquisition for development purposes	A party which does not have any particular interests
	Omitted as the previous owner/trust beneficiary has owned the property for over one year	—
	December 2005	—
OT-006 GRANODE Hiroshima (3-5-7, Futabanosato, Higashi Ward, Hiroshima City, Hiroshima)	(1) Daiwa House Industry Co., Ltd. (2) The parent company of the Asset Manager (3) Acquisition for development purposes	A party which does not have any particular interests
	Omitted as the previous owner/trust beneficiary has owned the property for over one year	—
	June 2014	—

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7. Brokerage

None

8. Acquisition schedule

Property name	Acquisition decision date and Execution date of the purchase agreements	Date of payment and Delivery date
iiias Tsukuba	February 7, 2020	April 1, 2020 (planned)
DPL Nagareyama I		April 3, 2020 (planned)
GRANODE Hiroshima		

9. Impact on DHR's finance in the event of failure of fulfillment of the forward commitment, etc.

DHR has entered into purchase agreements on February 7, 2020 for the Anticipated Acquisitions of three properties (the "Purchase Agreements") with the sellers of the properties, in order to secure acquisition opportunities. All of the Purchase Agreements for the three properties are "forward commitment, etc." (Note) as defined in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." established by the Financial Services Agency.

Under the Purchase Agreements, if a party breaches the Purchase Agreement, then the non-breaching party may cancel the Purchase Agreements upon notice to the breaching party, but only if the non-breaching party is no longer able to fulfill the purpose of the Purchase Agreements due to the other party's breach. In the event the Purchase Agreements are cancelled, the non-breaching party may demand the breaching party to pay a penalty in the amount equal to approximately 20% of the price net of consumption tax and local consumption tax from purchase price (as such penalty is expected to constitute damage payment, the non-breaching party may not claim for damages in the amount exceeding such penalty amount).

DHR's payment of the purchase price, however, is subject to DHR completing the financing necessary to pay the purchase price. Hence, if DHR is unable to complete the financing necessary to pay the purchase price, the Purchase Agreements will expire without DHR assuming any obligations under the Purchase Agreement, including payment of any penalty.

Thus, if DHR cannot fulfill the forward commitment, etc. for failing to complete the financing, it is unlikely that such non-fulfillment will have any material impact on DHR's finance.

(Note) Forward commitment, etc. is a purchase and sale agreement executed one month or more in advance of the actual date on which the purchase price is paid and the property is transferred to the purchaser, as well as certain other similar contracts.

10. Outlook

For the forecasts of results for the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020) and the fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021) with the acquisition of the Anticipated Acquisitions factored in, please refer to the press release "Notice Concerning Revision to Forecast of Results for the Fiscal Period Ending August 31, 2020 and Announcement of Forecast of Results for the Fiscal Period Ending February 28, 2021" separately announced today.

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## 11. Overview of property appraisal

“Overview of Property Appraisal” is as follows.

“Overview of Property Appraisal” shows the overview of the real estate appraisal report of the Anticipated Acquisitions prepared by The Tanizawa Sōgō Appraisal Co., Ltd. or Japan Real Estate Institute regarding the appraisal consigned by DHR pursuant to the important notices on real estate appraisal based on the Investment Trust Act, and real estate appraisal standards and the Act on Real Estate Appraisal (Act No. 152 of 1963, as amended). The relevant appraisal report represents the judgment and opinion of the appraiser at a certain point, and does not guarantee the appropriateness and correctness of the statements and the possibility of trading at the appraisal value, etc. Furthermore, there is no relationship of special interest between The Tanizawa Sōgō Appraisal Co., Ltd. or Japan Real Estate Institute and DHR.

DPL Nagareyama I	
Appraisal value	32,900 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	December 31, 2019

Item	Content	Basis	
Value based on income method	32,900 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	33,000 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)	1,444 million yen		
Investment income of lump sum	-		Not disclosed (Note)
Capital expenditure	-		
Net cash flow (NCF)	1,417 million yen		
Cap rate	4.3%	Estimated by comparing with the multiple transaction yields in the neighboring areas or the similar areas of the same supply and demand, and also 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	32,800 million yen		
Discount rate	(from first to fourth year) 4.3% (from fifth year) 4.4%	Estimated by the base yield of the warehouse, which is determined by build-up approach based on yields of financial products, and by taking into account specific risks related to the property	
Terminal cap rate	4.5%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty	
Value based on cost method	31,000 million yen		

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Proportion of land	42.7%	
Proportion of building	57.3%	
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.

ias Tsukuba (Note)	
Appraisal value	24,010 million yen
Appraiser	Japan Real Estate Institute
Appraisal date	December 31, 2019

Item	Content	Basis
Value based on income method	24,010 million yen	Estimated the value based on the capitalization method by treating equally the value calculated using the direct capitalization method and the value calculated using the discounted cash flow method and correlating these two values
Value based on direct capitalization method	24,360 million yen	
Operating revenue	1,505 million yen	
Effective gross revenue	1,505 million yen	Recorded rent revenue based on the current leasing contract terms, in consideration of the leasing contract terms and the capacity of the tenants to pay rent, etc.
Loss from vacancy	-	Judged that recording is unnecessary, in consideration of the conditions of the lessees, competitiveness as a retail property, the leasing contract terms and other factors
Operating expense	203 million yen	
Maintenance	-	Not recorded maintenance costs since the property is leased in a lump as a retail property and management and operation are being handled by the lessee themselves
Utility cost	-	Not recorded as borne by the lessee
Repair	37 million yen	Recorded based on management and operation plan and the level of repair cost of similar properties, and average annual repair and renewal costs as noted in the engineering report
Property management Fee	8 million yen	Recorded based on the rate of compensation of similar properties and taking into consideration compensation based on existing agreement conditions
Advertisement and other leasing cost	-	Not recorded expenses for brokerage, advertisement, etc. as leased in bulk as a retail property over a long contract period
Tax	156 million yen	Recorded based on materials about taxes and public dues
Insurance	1 million yen	Assessed in consideration of premiums based on an insurance contract and insurance rates of similar properties, etc.
Other cost	-	No costs to record in particular
Net operating income (NOI)	1,301 million yen	
Investment income of lump sum	7 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	89 million yen	Assessed based on the level of capital expenditure of similar properties, the building age, and average annual repair and renewal costs as noted in the engineering report
Net cash flow (NCF)	1,218 million yen	

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Cap rate	5.0%	Assessed by using the yield of properties considered to have the smallest investment risks as a standard, adjusting with spreads attributable to the property's location, competitiveness as a retail property including the characteristics of the building, the contract terms and conditions and other characteristics, in consideration of prediction uncertainties, transaction yields for similar properties and results of interviews with investors, etc.
Value based on Discounted Cash Flow method	23,590 million yen	
Discount rate	4.8%	Assessed by comprehensively taking into account characteristics unique to the property, etc., by reference to investment returns of similar properties, etc.
Terminal cap rate	5.3%	Assessed by comprehensively taking into account upcoming changes in investment returns, risks associated with the property as an investment target, general prediction of economic growth rates, trends in real estate prices and rent rates and all other applicable factors, by reference to investment returns of similar properties, etc.
Value based on cost method	24,220 million yen	
Proportion of land	68.0%	
Proportion of building	32.0%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(Note) Indicates figures pertaining to the entire property on the appraisal report, however on this document, indicates figures equivalent to DHR's anticipated acquisition of 70% trust beneficiary quasi co-ownership interest, truncated to the nearest unit.

GRANODE Hiroshima (Note)	
Appraisal value	14,750 million yen
Appraiser	Japan Real Estate Institute
Appraisal date	December 31, 2019

Item	Content	Basis
Value based on income method	14,750 million yen	Estimated the value based on the capitalization method by treating equally the value calculated using the discounted cash flow method and the value calculated using the direct capitalization method and correlating these two values
Value based on direct capitalization method	14,950 million yen	
Operating revenue	973 million yen	
Effective gross revenue	1,001 million yen	Assessed the unit value level of rents, etc. that can be received stably over the medium to long term based on the average rent calculated on current lease agreements, level of rents in case when the subject property is newly leased, and qualities, etc. of the current lessees; and recorded the rental revenues based on the aforementioned and common area charges
Loss from vacancy	28 million yen	For each use, recorded by assuming an occupancy ratio level that will remain stably passable over the medium to long term from the occupancy status and the supply and demand trends of competing or alternative, etc. real estates with similar features in a comparable area within the same sphere of supply and demand, and past records and future prospects of the occupancy ratio level thus assumed
Operating expense	310 million yen	
Maintenance	123 million yen	Recorded the maintenance expenses consisting of cleaning, facilities management and security costs, in consideration of the individuality of the subject property, by reference to building management fees of similar properties

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Utility cost	52 million yen	Recorded in consideration of occupancy rates of the rentable spaces, etc. based on the actual costs
Repair	5 million yen	Recorded based on management and operation plan and the level of repair cost of similar properties, and average annual repair and renewal costs as noted in the engineering report, by reference to the actual repair costs
Property management Fee	16 million yen	Recorded based on the rate of compensation of similar properties and taking into consideration compensation based on existing agreement conditions
Advertisement and other leasing cost	6 million yen	Recorded an annual average amount of expenses for brokerage, advertisement, etc. incurred for attracting tenants, assessed based on the estimated tenant turnover period
Tax	100 million yen	Recorded based on materials about taxes and public dues
Insurance	1 million yen	Assessed in consideration of premiums based on an insurance contract and insurance rates of similar properties, etc.
Other cost	4 million yen	Recorded costs for events and renewal of permission for outdoor advertisement, etc.
Net operating income (NOI)	662 million yen	
Investment income of lump sum	7 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	13 million yen	Assessed based on the level of capital expenditure of similar properties, the building age, and average annual repair and renewal costs as noted in the engineering report
Net cash flow (NCF)	656 million yen	
Cap rate	4.4%	Assessed by using the yield of properties for each area specified by Japan Real Estate Institute, adjusting with spreads attributable to the property's location, characteristics of the building, and other terms and conditions, in consideration of prediction uncertainties and transaction yields for similar properties, etc.
Value based on Discounted Cash Flow method	14,550 million yen	
Discount rate	4.2%	Assessed by comprehensively taking into account characteristics unique to the property, etc., by reference to investment returns of similar properties, etc.
Terminal cap rate	4.6%	Assessed by comprehensively taking into account upcoming changes in investment returns, risks associated with the property as an investment target, general prediction of economic growth rates, trends in real estate prices and rent rates and all other applicable factors, by reference to investment returns of similar properties, etc.
Value based on cost method	13,850 million yen	
Proportion of land	36.9%	
Proportion of building	63.1%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(Note) Indicates figures pertaining to the entire property on the appraisal report, however on this document, indicates figures equivalent to DHR's anticipated acquisition of 50% trust beneficiary quasi co-ownership interest, truncated to the nearest unit.

\* 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/>

Disclaimer: This announcement is prepared for the public disclosure of acquisition and leasing of trust beneficiary interests in domestic real estate by DHR and has not been prepared for the purpose of soliciting investment.

<Attachments>

1. Photograph and location map of the Anticipated Acquisitions

LM-004 DPL Nagareyama I



RM-012 iias Tsukuba



OT-006 GRANODE Hiroshima



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## 2. Portfolio status after the acquisition of the Anticipated Acquisitions

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	62 properties	406,241	49.8%
Residential properties	133 properties	246,424	30.2%
Retail properties	22 properties	120,530	14.8%
Hotel properties	4 properties	15,970	2.0%
Other assets	6 properties	27,260	3.3%
<b>Portfolio Total</b>	<b>227 properties</b>	<b>816,425</b>	<b>100.0%</b>

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

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