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For Immediate Release

REIT Issuer:

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

Asset Manager:

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

Inquiries:

 Yoshikazu Tamura, General Manager,
 Fund Management Department, Daiwa House REIT Division
 TEL: +81-3-3595-1265

Notice Concerning Acquisition of Domestic Trust Beneficiary Interest in 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 the following asset (the “Anticipated Acquisition”) as described below.

1. Acquisition overview

(1) Anticipated Acquisition

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)
RU-002	Sports Plaza Ibaraki (Note 5)	Retail	Ibaraki City, Osaka	August 31, 2020	2,689	2,720	5.4%	4.7%

(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 July 31, 2020.

(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 July 31, 2020) (the “Net Operating Income” in Note 4 below), by an 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 July 31, 2020), by an anticipated acquisition price.

(Note 5) The property comprises the retail building and land of the parking garage with leasehold interest.

(2) Anticipated execution date of the sale and purchase agreement : August 31, 2020

(3) Seller : Not disclosed (Note)

(4) Acquisition funds : Cash reserves

(5) Method of settlement : Payment of entire amount upon transfer

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

2. Rationale for acquisition

Based on the targets and policies prescribed in DHR’s Articles of Incorporation, the Asset Manager decided the acquisition having deemed that the Anticipated Acquisition, because of its close proximity to the station of an approximately one-minute walk from Ibaraki-shi Station on the Hankyu Kyoto Line and long-term lease agreements of 20 years, would further increase the stability of cash flow and improve portfolio diversification by generating stable revenue. For the details of the Anticipated Acquisition, please refer to “Overview of leasing” and “Property characteristics” in “3. Details of the Anticipated Acquisition” below.

3. Details of the Anticipated Acquisition

Property number	Sports Plaza Ibaraki		Asset class	Retail
RU-002			Type	Urban type
Anticipated date of acquisition	August 31, 2020		Anticipated acquisition price	2,689 million yen
Overview of specified asset				
Type of specified asset		Trust beneficiary interest in real estate		
Trustee		Sumitomo Mitsui Trust Bank, Limited		
Trust maturity date		August 31, 2040		
Location	Lot number	Retail Building: 292-2, Eidai-cho, Ibaraki City, Osaka Land of Parking Garage: 293-4, Eidai-cho, Ibaraki City, Osaka		
	Residence indication	Retail Building: 6-2, Eidai-cho, Ibaraki City, Osaka Land of Parking Garage: 9-22, Eidai-cho, Ibaraki City, Osaka		
Land	Type of ownership	Ownership		
	Land area	Retail Building: 2,005.41 m ² Land of Parking Garage: 1,495.73 m ²		
	Area classification	Retail Building: Retail district / Neighborhood retail district Land of Parking Garage: Neighborhood retail district		
	Building coverage ratio	80%		
	FAR	Retail district: 600% Neighborhood retail district: 300%		
Building	Type of ownership	Ownership		
	Gross floor area	7,974.54 m ²		
	Use	Training school, amusement center, store		
	Structure	Steel-frame building		
	Number of floors	6F		
	Date of construction	August 11, 1993		
Collateral	None			
Overview of building condition evaluation				
Evaluation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Urgent repair costs	0 thousand yen	Evaluation date	August 2020	
Short-term repair costs	0 thousand yen	PML	6.5%	
Long-term repair costs	223,112 thousand yen (12 years)			
Soil contamination inspector				
Inspector	Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Designer, structural designer, contractor, inspection agency				
Designer	Daiwa House Industry Co., Ltd.			
Structural designer	Daiwa House Industry Co., Ltd.			
Contractor	Daiwa House Industry Co., Ltd.			
Inspection agency	Ibaraki City			
Structural calculation evaluation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.			
Overview of leasing				
Leasable area	9,470.27 m ² (Retail Building 7,974.54 m ² , Land of Parking Garage 1,495.73 m ²)			
Leased area	9,470.27 m ² (Retail Building 7,974.54 m ² , Land of Parking Garage 1,495.73 m ²)			
Occupancy rate	100.0%	Annual rent	165,624 thousand yen	
Number of tenants	1	Tenant leasehold and security deposit	82,812 thousand yen	
Lease term	20.0 years	Remaining lease term	20.0 years (Note)	
Master lease company (Retail Building)		Daiwa Information Service Co., Ltd.		
Master lease type		Sublease type		
Lessee (Land of Parking Garage)		Daiwa Information Service Co., Ltd.		

Property management company		Daiwa Information Service Co., Ltd.		
Retail Building	Contract form	Fixed-term building lease agreement		
	Contract period	From August 31, 2020 to August 31, 2040		
	Rent revision	No rent revision.		
	Contract renewal	No renewal; the contract will end upon expiration of the lease period.		
	Early cancellation	The lease agreement may not be cancelled during the lease period. However, the lessee may cancel the lease agreement if it notifies the lessor in writing by at least twelve months prior to the date of cancellation and makes a lump-sum payment of a prescribed amount of penalty fees.		
Land of Parking Garage	Contract form	Fixed-term land leasehold agreement for business		
	Contract period	From August 31, 2020 to August 31, 2040		
	Rent revision	During the existence of the land leasehold, rent shall be revised on September 1, 2021 for the first time and then on September 1 every year.		
	Contract renewal	No renewal; the contract will end upon expiration of the lease period. However, either the lessor or the lessee shall notify the counterparty of its intention, if any, to renew the agreement, at least six months prior to the expiry thereof. In such case, both the lessor and the lessee shall discuss whether the agreement is renewed or not and its terms and conditions in good faith, and shall enter into a renewed contract if an agreement is reached upon consultation.		
	Early cancellation	Neither the lessor nor the lessee may cancel the lease agreement before the expiry of the land leasehold for its own reasons, except in cases prescribed in the lease agreement.		
Special items				
None				
Property characteristics				
<p>■ Location Ibaraki City where the property is located is situated midway between Osaka City and Kyoto City and has grown as a commuter town of Osaka City. The property is located an approximately one-minute walk from Ibaraki-shi Station on the Hankyu Kyoto Line and offers a high level of convenience because of its close proximity to the station.</p> <p>■ Tenant composition The property houses various tenants including restaurant, karaoke, bowling alley, internet café, gaming arcade and integrated sports club. The property is also equipped with a multi-story mechanical parking garage for more than 200 cars.</p> <p>■ Trade area characteristics The population of the trade area is quite large and approximately 46,000, 156,000 and 287,000 within a 1km radius, a 2km radius and a 3km radius, respectively, showing an increasing trend in all areas. Given the composition ratios of people in their 40s are high in all areas and family households of the second-generation baby boomers are moving in to a certain extent, the trade area offers an attractive market with limited concern over the aging of population. Demands for amusement and dining can also be expected since many young single persons live in the vicinity of the station.</p>				
Population	Distance from property	Within 1km radius	Within 3km radius	Within 5km radius
2018	Population	45,529	156,071	286,844
	Number of household	21,938	71,806	130,008
2017	Population	45,111	155,554	286,670
	Number of household	21,633	71,170	129,059
Source: Basic Resident Register				

(Note) The remaining lease term as of August 31, 2020, which is the anticipated acquisition date, is shown.

4. Seller profile

The seller is a domestic corporation. However, name, etc. is not disclosed as consent for disclosure has not been obtained from the seller. The seller is not an interested party of DHR and the Asset Manager or a related party of DHR and the Asset Manager.

5. Interested party transactions

Daiwa Information Service Co., Ltd. as the master lease and property management company and lessee of the Anticipated Acquisition is defined as the interested party, etc. in the Act on Investment Trust and Investment

Corporations (Act No. 198 of 1951, as amended). The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its internal rules regarding interested party transactions.

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	2 owners before previous owner / trust beneficiary
	(1), (2), (3)	(1), (2), (3)	(1), (2), (3)
	Acquisition price	Acquisition price	Acquisition price
	Acquisition date	Acquisition date	Acquisition date
RU-002 Sports Plaza Ibaraki (6-2, Eidai-cho, Ibaraki City, Osaka)	A party which does not have any particular interests	(1) Daiwa Information Service Co., Ltd. (2) Subsidiary of the parent company of the Asset Manager (3) Acquisition for adding facilities	A party which does not have any particular interests
	-	2,794 million yen (Note)	-
	March 2020	March 2020	-

(Note) Acquisition price of the trust beneficiary before the previous trust beneficiary includes the acquisition price of the parking garage not acquired by DHR.

7. Acquisition schedule

- | | |
|---|-----------------------------|
| (1) Acquisition decision date | : August 28, 2020 |
| (2) Execution date of the sale and purchase agreement | : August 31, 2020 (planned) |
| (3) Date of payment | : August 31, 2020 (planned) |
| (4) Delivery date | : August 31, 2020 (planned) |

8. Outlook

The impact of the acquisition of the Anticipated Acquisition will be minimal, and there are no revisions to the forecast 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).

9. Overview of property appraisal

Sports Plaza Ibaraki	
Appraisal value	2,720 million yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	July 31, 2020

Item	Content	Basis
Value based on income method	2,720 million yen	Applied value based on discount cash flow method by judging it is more convincing with value based on direct capitalization method used as a reference
Value based on direct capitalization method	2,740 million yen	
Operating revenue	165 million yen	
Effective gross revenue	165 million yen	Assessed based on assumed rent, judging the assumed rent should be stable over the medium- to long-term, in consideration of the assumed rent level, level and trend of new rents of the similar properties in the same supply and demand
Loss from vacancy	-	
Operating expense	19 million yen	

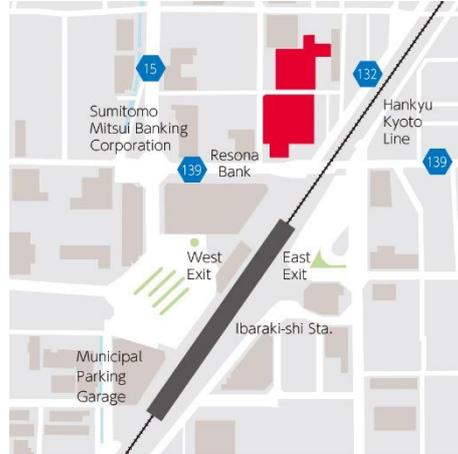
Maintenance	-	Not recorded as borne by the lessee
Utility cost	-	Not recorded as borne by the lessee
Repair	1 million yen	Assessed based on engineering report
Property management Fee	-	Not recorded as borne by the lessee
Advertisement and other leasing cost	-	Not recorded assuming the building is leased over a long contract period
Tax	17 million yen	Recorded based on actual values in consideration of burden levels, land price trends, etc.
Insurance	0 million yen	Recorded estimated fee
Other cost	0 million yen	Assessed by multiplying costs per leasable area
Net operating income (NOI)	146 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	18 million yen	Assessed based on the amount noted in the engineering report in consideration of construction management fee
Net cash flow (NCF)	128 million yen	
Cap rate	4.7%	Assessed by adjusting yields in similar types with spreads attributable to the property's location, the characteristics of the building and conditions, additionally in consideration of cap rate of appraisal value for J-REIT properties in similar areas of the same supply and demand
Value based on Discounted Cash Flow method	2,710 million yen	
Discount rate	4.5%	Assessed by comparing with cases of similar real estate transactions and adding individuality of real estate to yield of financial assets
Terminal cap rate	4.9%	Assessed based on capitalization rate, in consideration to future uncertainty such as possibility of increased capital expenditure due to aging of the property, change of market trend and loss of liquidity because of passage of time
Value based on cost method	1,760 million yen	
Proportion of land	79.5%	
Proportion of building	20.5%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

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

<Attachments>

1. Photograph and location map of the Anticipated Acquisition

RU-002 Sports Plaza Ibaraki



2. Portfolio status after the acquisition of the Anticipated Acquisition

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	62 properties	406,241	49.6%
Residential properties	133 properties	246,424	30.1%
Retail properties	23 properties	123,219	15.0%
Hotel properties	4 properties	15,970	1.9%
Other assets	6 properties	27,260	3.3%
Portfolio Total	228 properties	819,114	100.0%

(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.