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For Immediate Release

**REIT Issuer:**

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## Notice Concerning Acquisition of Domestic Real Estate and 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 assets (the “Anticipated Acquisitions”) as described below.

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. Acquisition overview

#### (1) Anticipated Acquisitions

Property number	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)	Seller
RR-009	Hapias Kaita (Land)	Retail	Aki District, Hiroshima	December 13, 2019	1,400	1,510	5.1%	Not disclosed (Note 4)
HO-004	AGORA Kanazawa	Hotel	Kanazawa City, Ishikawa	November 29, 2019	5,200	5,460	5.4%	Daiwa House Industry Co., Ltd.
Total / Average					6,600	6,970	5.3%	—

(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 October 31, 2019.

(Note 3) “NOI yield” is represented by a figure calculated by dividing the stabilized net operating income (NOI), calculated by deducting operating expenses from operating income based on a direct capitalization method, as stated in the appraisal report (as of October 31, 2019), by the anticipated acquisition price (with respect to Hapias Kaita (Land), dividing the NOI for the first year as estimated by the discounted cash flow method by the anticipated acquisition price). Average is calculated by weighted average based on anticipated acquisition price.

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

- (2) Anticipated execution date of the purchase agreements : Please refer to below “7. Acquisition schedule”
- (3) Anticipated 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 : Cash reserves
- (6) Method of settlement : Payment of entire amount upon transfer

### 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 Acquisitions would further increase the stability of cash flow and improve portfolio diversification by generating stable revenue based on long-term lease agreements. For the details of the Anticipated Acquisitions, please refer to “Overview of leasing” and “Property characteristics” in “3. Details

of the Anticipated Acquisitions” below.

### 3. Details of the Anticipated Acquisitions

#### (1) Hapias Kaita (Land)

Property number	Hapias Kaita (Land)		Asset class	Retail
RR-009			Type	Roadside type
Anticipated date of acquisition	December 13, 2019	Anticipated acquisition price	1,400 million yen	
Overview of specified asset				
Type of specified asset	Real estate			
Trustee	-			
Trust maturity date	-			
Location	Lot number	2-1262-11, Une, Kaita-cho, Aki District, Hiroshima		
	Residence indication	-		
Land	Type of ownership	Ownership		
	Land area	13,415.52 m <sup>2</sup>		
	Area classification	Quasi-industrial district		
	Building coverage ratio	60%		
	FAR	200%		
Building	Type of ownership	-		
	Gross floor area	-		
	Use	-		
	Structure	-		
	Number of floors	-		
	Date of construction	-		
Collateral	None			
Overview of building condition evaluation				
Evaluation company	-			
Urgent repair costs	-	Evaluation date	-	
Short-term repair costs	-	PML	-	
Long-term repair costs	-			
Designer, structural designer, contractor, inspection agency				
Designer	-			
Structural designer	-			
Contractor	-			
Inspection agency	-			
Structural calculation evaluation agency	-			
Overview of leasing (Note)				
Leasable area	13,415.52 m <sup>2</sup>	Number of tenants	1	
Leased area	13,415.52 m <sup>2</sup>	Annual rent	76,800 thousand yen	
Occupancy rate	100.0%	Tenant leasehold and security deposit	64,000 thousand yen	
Lease term	20.0 years	Remaining lease term	20.0 years	
Master lease company	-			
Master lease type	-			
Property management company	-			
Lessee	Daiwa Information Service Co., Ltd.			
Contract form	Fixed-term land leasehold agreement for business			
Contract period	From December 13, 2019 to December 31, 2039			

Rent revision	During the existence of the land leasehold, rent shall be revised on September 1, 2020 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 The property is located approximately 1.6 km southwest of Aki-Nakano Station and approximately 2.5km northeast of Kaitaichi Station on the JR Sanyo Line. Since it is approximately 10 minutes from Hiroshima Station to Kaitaichi Station and approximately 13 minutes to Aki-Nakano Station by the JR Sanyo Line, the property is within commuting distance with a residential area of for-sale detached homes on the north side. It is accessible both from Prefectural Road 84 and National Route 2. The buildings are easy to find from National Route 2 and the visibility is excellent. Two entrances to the parking space offer a smooth approach by car.</p> <p>■ Tenant composition The property is a neighborhood shopping center housing 10 tenants including Every (food supermarket), Himawari (drugstore), The Daiso (100 yen shop), a clothing store, service shops, and a restaurant. There are 207 parking spaces, sufficient for the size of the property.</p> <p>■ Trade area characteristics The population in the trade area is 6,300, 51,000 and 155,000 within a 1 km radius, a 3 km radius and a 5 km radius, respectively, showing a large volume when expanding the trade area to the 5 km radius. By age group, the composition ratios of people in their 30s in the 1 km radius and people in their 40s in the 3km radius and 5km radius are high. The composition ratios of people in their 30s and children under the age of 10 exceed those of the prefectural average in all trade areas. As to family composition, the ratio of households with three members or more is high, indicating a characteristic of a suburban market.</p>				
Population	Distance from property	Within 1km radius	Within 3km radius	Within 5km radius
2018	Population	6,476	52,860	157,353
	Number of household	2,994	24,156	70,487
2017	Population	6,421	52,653	157,457
	Number of household	2,940	23,910	70,046
Source: Basic Resident Register				

(Note) As it is scheduled that a fixed-term land leasehold for business agreement will be entered into by the time DHR acquires the property, overview of leasing is based on the assumption that such agreement is executed as of December 13, 2019, which is the anticipated acquisition date.

## (2) AGORA Kanazawa

Property number	AGORA Kanazawa	Asset class	Hotel
HO-004		Type	-
Anticipated date of acquisition	November 29, 2019	Anticipated acquisition price	5,200 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	November 30, 2039		
Location	Lot number	2-606, Katamachi, Kanazawa City, Ishikawa	
	Residence indication	2-25-17, Katamachi, Kanazawa City, Ishikawa	
Land	Type of ownership	Ownership	
	Land area	1,226.82 m <sup>2</sup>	
	Area classification	Retail district	
	Building coverage ratio	80% (Note 2)	

	FAR	600%	
Building	Type of ownership	Ownership	
	Gross floor area	7,246.17 m <sup>2</sup>	
	Use	Hotel	
	Structure	Steel-frame building	
	Number of floors	12F	
	Date of construction	September 2, 2019	
Collateral	None		
<b>Overview of building condition evaluation</b>			
Evaluation company	Tokio Marine & Nichido Consulting Co., Ltd.		
Urgent repair costs	0 thousand yen	Evaluation date	October 2019
Short-term repair costs	0 thousand yen	PML	3.2%
Long-term repair costs	108,463 thousand yen / 12 years		
<b>Designer, structural designer, contractor, inspection agency</b>			
Designer	Daiwa House Industry Co., Ltd.		
Structural designer	Daiwa House Industry Co., Ltd.		
Contractor	Daiwa House Industry Co., Ltd.		
Inspection agency	JAPAN ERI CO., LTD.		
Structural calculation evaluation agency	-		
<b>Overview of leasing</b>			
Leasable area	7,011.58 m <sup>2</sup>	Number of tenants	1
Leased area	7,011.58 m <sup>2</sup>	Annual rent	Not disclosed (Note 3)
Occupancy rate	100.0%	Tenant leasehold and security deposit	Not disclosed (Note 3)
Lease term	20.1 years	Remaining lease term	19.9 years (Note 4)
Master lease company	-		
Master lease type	-		
Property management company	Daiwa Information Service Co., Ltd.		
Lessee	AGORA Hospitalities Co., Ltd.		
Contract form	Fixed-term building lease agreement		
Contract period	From September 19, 2019 to October 31, 2039		
Rent revision	Not disclose (Note 3)		
Contract renewal			
Early cancellation			
<b>Special items</b>			
None			
<b>Property characteristics</b>			
<p>■ <b>Location</b> The property is located in the Katamachi/Korinbo area, a prominent commercial area of Kanazawa City, with excellent access to various sightseeing attractions. Since the property is not facing main roads with heavy traffic but facing a four-lane road easily approachable by large vehicles, the location appears favorable for an accommodation facility.</p> <p>■ <b>Tenant</b> The tenant of this property is an operator of hotels ranging from stay-only to full-service and renowned for its expertise in serving food and drink in addition to operation of hotel accommodation. The operator's expertise in serving food and drink should enable the property to differentiate itself from other stay-only hotels, and is expected to provide an advantage even in a competitive market.</p> <p>■ <b>Characteristics</b> The property is a high-grade hotel equipped with big baths, spa facilities, a restaurant serving dinner, guestrooms with the space of more than 20 m<sup>2</sup> each and a large lobby. Having 200 guestrooms, the size of the property seems sufficient to expect efficient operation.</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 80%, it is set at 100% with the property being in a retail district and a fire-resistant building in a fire control area.

(Note 3) Not disclosed as consent for disclosure has not been obtained from the lessee.

(Note 4) The remaining lease term as of December, 13, 2019, which is the anticipated acquisition date, is shown.

#### 4. Seller profile

##### (1) Hapias Kaita (Land)

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.

##### (2) AGORA Kanazawa

i)	Name	Daiwa House Industry Co., Ltd.
ii)	Location	3-3-5, Umeda, Kita Ward, Osaka City, Osaka
iii)	Representative	Keiichi Yoshii, President and COO
iv)	Business activities	General contractor
v)	Capital	161,699 million yen (as of September 30, 2019)
vi)	Foundation date	March 4, 1947
vii)	Net assets	1,737,753 million yen (as of September 30, 2019)
viii)	Total assets	4,454,545 million yen (as of September 30, 2019)
ix)	Major shareholder and shareholding ratio	The Master Trust Bank of Japan, Ltd. (Trust) 8.58% The Japan Trustee Services Bank, Ltd. (Trust) 6.39% (as of March 31, 2019)
x)	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, 14 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 falls under the category of a related party of DHR/the Asset Manager.

#### 5. Interested party transactions

Daiwa Information Service Co., Ltd. as the lessee of Hapias Kaita (Land) and the property management company of AGORA Kanazawa and Daiwa House Industry Co., Ltd. as the seller of AGORA Kanazawa are defined as interested parties, etc. 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.

#### 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
OT-004 AGORA Kanazawa (2-25-17, Katamachi, Kanazawa City, Ishikawa)	(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	
	August 2017	

## 7. Acquisition schedule

Property name	Acquisition decision date	Execution date of the purchase agreements	Date of payment and Delivery date
Hapias Kaita (Land)	November 26, 2019	November 27, 2019 (planned)	December 13, 2019 (planned)
AGORA Kanazawa		November 29, 2019 (planned)	November 29, 2019 (planned)

## 8. Outlook

The impact of the acquisition of the Anticipated Acquisitions will be minimal, and there are no revisions to the forecast of results for the fiscal period ending February 29, 2020 (from September 1, 2019 to February 29, 2020) and the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020).

## 9. Overview of property appraisal

Overview of property appraisal	
Property name	Hapias Kaita (Land)
Appraisal value	1,510 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	October 31, 2019

Item	Content	Basis
Value based on income method	1,510 million yen	Used discounted cash flow method. Direct capitalization method is not used since the method does not fit with this contract which requires restoring the land to a vacant land upon the end of the contract period.
Value based on direct capitalization method	-	
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)	-	
Investment income of lump sum	-	

Capital expenditure	-	
Net cash flow (NCF)	-	
Cap rate	-	
Value based on Discounted Cash Flow method	1,510 million yen	
Discount rate	4.8%	Based on the method to compare with the yield of similar land transactions, assessed by taking into account the current lease agreement, levels of land rent, period of lease agreement, business risks, etc.
Cap rate for the price to be returned as vacant land	4.9%	Based on the above discount rate and estimated sales price as a vacant land
Value based on cost method	-	
Proportion of land	-	
Proportion of building	-	
Items applied to adjustments in valuation approach and the determination of the appraisal value		Appraisal value assessed based on the characteristic as a land, and taking into account pricing method weighed on income approach and transaction rationale of the potential market participants (buyers demands) in the event of the sale of this property

Overview of property appraisal	
Property name	AGORA Kanazawa
Appraisal value	5,460 million yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	October 31, 2019

Item	Content	Basis
Value based on income method	5,460 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	5,550 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)	280 million yen	
Investment income of lump sum	-	Not disclosed (Note)
Capital expenditure	-	
Net cash flow (NCF)	277 million yen	
Cap rate	5.0%	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	5,420 million yen	

	Discount rate	4.8%	Assessed by comparing with cases of similar real estate transactions and adding individuality of real estate to yield of financial assets
	Terminal cap rate	5.2%	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	3,970 million yen	
	Proportion of land	33.9%	
	Proportion of building	66.1%	
	Items applied to adjustments in valuation approach and the determination of the appraisal value		Applied value based on income method with value based on cost method as a reference, by judging value based on income method is more convincing in consideration of the market trend of more focus on profitability and economic return as investment

(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.

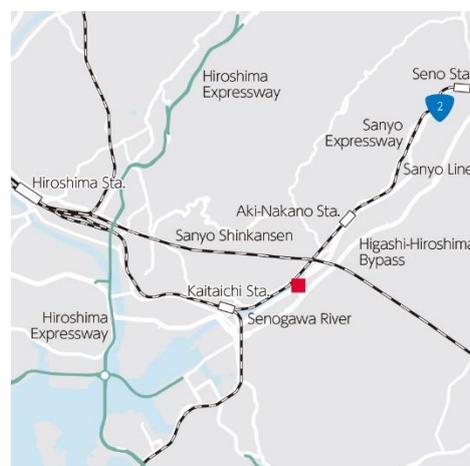
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\* DHR’s website: <https://www.daiwahouse-reit.co.jp/en/>

<Attachments>

1. Photograph and location map of the Anticipated Acquisitions

RR-009 Hapias Kaita (Land)



HO-004 AGORA Kanazawa



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	61 properties	373,641	50.1%
Residential properties	133 properties	246,424	33.0%
Retail properties	22 properties	96,730	13.0%
Hotel properties	4 properties	15,970	2.1%
Other assets	5 properties	12,860	1.7%
<b>Portfolio Total</b>	<b>225 properties</b>	<b>745,625</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.