

December 4, 2018

For Immediate Release

## REIT Issuer:

Daiwa House REIT Investment Corporation  
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 Jiro Kawanishi, Executive Director  
 (TSE Code: 8984)

## Asset Manager:

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### Notice Concerning Acquisition and Disposition of Assets

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 three properties (the “Assets Scheduled for Acquisition”) and dispose of one property (the “Asset Scheduled for Disposition”, respectively the “Acquisition” and the “Disposition”, and collectively the “Transactions”) 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

Property number	Property name	Asset class	Location	Anticipated date of acquisition	Anticipated acquisition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	Appraisal NOI yield (Note 3)	Seller
RM-011	CROSS MALL (Land)	Retail	Sakai City, Osaka	December 7, 2018	3,250	3,880	5.0%	Not disclosed (Note 4)
RU-001	COMBOX310	Retail	Mito City, Ibaraki	December 7, 2018	4,480	4,600	5.7%	Daiwa Royal Co., Ltd.
HO-002	Super Hotel JR Nara Station Sanjo Street	Hotel	Nara City, Nara	December 6, 2018	1,470	1,490	5.0%	Daiwa Lease Co., Ltd.
Total / Average					9,200	9,970	5.3%	—

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

(Note 2) Appraisal value as of October 31, 2018 is listed.

(Note 3) Appraisal NOI yield is calculated as NOI as estimated by the direct capitalization method in the appraisal report divided by the anticipated acquisition price.

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

- (1) Asset type : Trust beneficiary interest in real estate
- (2) Anticipated date of the sale and purchase agreement
- i) CROSS MALL (Land) and COMBOX310 : December 7, 2018
- ii) Super Hotel JR Nara Station Sanjo Street : December 6, 2018
- (3) Acquisition funds
- i) CROSS MALL (Land) and COMBOX310 : Proceeds from debt financing, cash reserves, and proceeds from the Disposition
- ii) Super Hotel JR Nara Station Sanjo Street : Cash reserves

## 2. Disposition overview

Property number	Property name	Asset class	Anticipated date of disposition	Anticipated sale price (million yen) (Note 1)	Anticipated book value (million yen) (Note 2)	Difference between anticipated sale price and anticipated book value (million yen)	Gain or loss on sale (million yen) (Note 3)	Appraisal value (million yen) (Note 4)	Buyer
RE-092	Morino Tonari	Residential	December 7, 2018	1,200	1,044	155	113	1,170	Not disclosed (Note 5)

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

(Note 2) Description is based on the anticipated book value as of the anticipated date of disposition.

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

(Note 4) Appraisal value as of August 31, 2018 is listed.

(Note 5) Not disclosed as consent for disclosure has not been obtained from the buyer.

- (1) Asset type : Real estate
- (2) Anticipated date of the sale and purchase agreement : December 7, 2018
- (3) Use of the proceeds from the Disposition : The proceeds will be used to fund part of the acquisition of CROSS MALL (Land) and COMBOX310 that DHR is scheduled to acquire on the same date with the Disposition

## 3. Rationale for the Transactions

Based on the targets and policies prescribed in DHR's Articles of Incorporation, the Asset Manager decided the Acquisition having deemed that the Assets Scheduled for Acquisition would generate stable revenue with planned long-term lease agreements and further increase the stability of cash flow and secure stable revenues in the long term. For the details of the Assets Scheduled for Acquisition, please refer to "4. Details of the Assets Scheduled for Acquisition" below.

Furthermore, based on the examination in terms of the medium- to long-term management efficiency of DHR's portfolio and the characteristics of the respective properties, the Asset Manager decided the Disposition considering such factors as the competitiveness of the Asset Scheduled for Disposition and market conditions. The Asset Manager decided that it would be preferable to avoid future risks by disposing of the Asset Scheduled for Disposition at the current point in a booming real estate market, since the anticipated sale price is higher than the appraisal value.

## 4. Details of the Assets Scheduled for Acquisition

### (1) CROSS MALL (Land)

Property number	CROSS MALL (Land)	Asset class	Retail
RM-011		Type	Mall type
Anticipated date of acquisition	December 7, 2018	Anticipated acquisition price	3,250 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	December 31, 2038		
Location	Lot number	5-456-67, Harayamadai, Minami Ward, Sakai City, Osaka	
	Residence indication	—	
Land	Type of ownership	Ownership	
	Land area	30,824.72 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 leasing (Note 2)				
Leasable area	30,824.72 m <sup>2</sup>	Number of tenants	1	
Leased area	30,824.72 m <sup>2</sup>	Annual rent	181,212 thousand yen	
Occupancy rate	100.0%	Tenant leasehold and security deposit	151,010 thousand yen	
Lease term	20.1 years	Remaining lease term	20.1 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 7, 2018 to December 31, 2038			
Rent revision	During the leasehold period, the lessor and the lessee shall revise the rent on September 1 of each year, with September 1, 2019 set as the first such revision date.			
Contract renewal	No renewal and the agreement will end upon expiry of the lease period. If the lessor or the lessee wishes to renew the agreement, a notification shall be sent to the other party before six months from the date of expiry. In such a case, the lessor and the lessee shall discuss in good faith whether to renew the agreement and the terms, and the lease agreement shall be renewed if they agree through such discussions.			
Early cancellation	The lessor or the lessee may not terminate the lease agreement for personal reasons before the expiry of the leasehold period, with the exception of situations prescribed in the lease agreement.			
Special items				
None				
Property characteristics				
<p>■ Location The property is located approximately 1.0 km southeast of Toga-Mikita Station on the Semboku Rapid Railway and is surrounded by Harayamadai Housing Complex in Senboku New Town and an area for for-sale detached homes. Since it is situated in the new town, roads around it have been developed allowing for a smooth approach from nearby locations. Furthermore, free shuttle bus services are available (about three per hour) from Toga-Mikita Station in addition to local bus services.</p> <p>■ Tenant composition The property is a retail complex housing Don Quijote (general discount store), Izumiya (food supermarket) and TOHO Cinemas Senboku (cinema complex) as the core tenants, with specialty shop zones that include clothing stores, variety stores and service shops. It is comprised of four buildings, Building A, Building B, Building C and Building D. With few commercial activities around Toga-Mikita Station, the property has provided a main commercial function in the area and has become a retail facility rooted in the community.</p> <p>■ Trade area characteristics Population by trade area of the property is 17,000 within 1 km, 138,000 within 3 km and 308,000 within 5 km, showing a large volume when expanding the trade area to 5 km. By age group, the composition ratios of people in their 60s and 70s exceed those of the prefectural average in all trade areas. However, such trend is less significant when the trade area is expanded, and the composition ratio of young family households in their 30s or over stands high for the trade area within 5 km. As to family composition, the ratio of households with three members or more is high, indicating a characteristic of a suburban market.</p>				
Trade area population	Distance from the property	1km trade area	3km trade area	5km trade area
2017	The population	17,768	138,012	308,386
	The number of households	8,119	61,582	132,390
2016	The population	18,067	140,032	310,401

	The number of households	8,182	61,819	132,001
Source: Basic resident register				

(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) As it is scheduled that a fixed-term land leasehold for business agreement will be entered into by the time DHR acquires this property, overview of leasing is based on the assumption that such agreement is executed as of December 7, 2018 which is the anticipated acquisition date.

(2) COMBOX310

Property number	COMBOX310		Asset class	Retail
RU-001			Type	Urban type
Anticipated date of acquisition	December 7, 2018		Anticipated acquisition price	4,480 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		December 31, 2038		
Location	Lot number	1-107-1, Miyamachi, Mito City, Ibaraki		
	Residence indication	1-7-44, Miyamachi, Mito City, Ibaraki		
Land	Type of ownership	Ownership		
	Land area	5,377.64 m <sup>2</sup>		
	Area classification	Retail district		
	Building coverage ratio	80% (Note 2)		
	FAR	600%		
Building	Type of ownership	Ownership		
	Gross floor area	18,497.92 m <sup>2</sup> (Note 3)		
	Use	Store, movie theater, hotel		
	Structure	Steel-frame building (Note 4)		
	Number of floors	13F (Note 4)		
	Date of construction	April 25, 2006		
Collateral		None		
Overview of building condition evaluation				
Evaluation company		Tokio Marine & Nichido Risk Consulting Co., Ltd.		
Urgent repair costs		0 thousand yen	Evaluation date	November 2018
Short-term repair costs		0 thousand yen	PML	1.6%
Long-term repair costs		0 thousand yen		
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		Japan ERI Co., Ltd.		
Structural calculation evaluation agency		Tokio Marine & Nichido Risk Consulting Co., Ltd.		
Overview of leasing (Note 5)				
Leasable area		30,517.69 m <sup>2</sup>	Number of tenants	1
Leased area		30,517.69 m <sup>2</sup>	Annual rent	297,600 thousand yen
Occupancy rate		100.0%	Tenant leasehold and security deposit	148,800 thousand yen
Lease term		10.1 years	Remaining lease term	10.1 years
Master lease company		—		
Master lease type		—		
Property management company		Daiwa Information Service Co., Ltd.		

Lessee	Daiwa Royal Co., Ltd.			
Contract form	Fixed-term building lease agreement			
Contract period	From December 7, 2018 to December 31, 2038			
Rent revision	Rent may be revised upon consultation only in cases where the amount of costs borne by the lessor fluctuates due to such reasons as an increase and decrease in property taxes.			
Contract renewal	No renewal and the agreement will end upon expiry of the lease period. However, the lessor and the lessee shall renew the agreement with the following day of the date of expiry set as the start of the new agreement if they agree upon consultation.			
Early cancellation	The lessor or the lessee may not terminate the lease agreement before the expiry of the lease period. However, the lessee may cancel the lease agreement if the lessee shall pay a prescribed amount of penalty fees to the lessor.			
Special items				
None				
Property characteristics				
<p>■ Location The property is located a one-minute walk from the south exit of the JR Mito Station. It boasts excellent proximity to the station as a pedestrian deck from the station is connected to the 3rd floor of the property.</p> <p>■ Tenant composition The main tenants are United Cinemas (cinema complex) and Sega (amusement facility), and other tenants include restaurants and offices as well as Daiwa Roynet Hotel Mito on the 6th to the 13th floors operated by Daiwa Royal Co., Ltd. of the Daiwa House Group. The cinema complex and amusement facility are of leading companies of the respective industries, and since Daiwa Roynet Hotel is also a major hotel chain operating across Japan and planning to open more new hotels going forward, stable customer attraction can be expected through its brand power, membership system, etc.</p> <p>■ Property characteristics The property is a complex comprised of a retail facility and a hotel. A large parking place for the retail building, which houses large tenants such as a cinema complex and amusement facility along with restaurants and offices, allows attraction of customers not only from areas surrounding Mito Station but also from wider areas. Furthermore, with 215 guestrooms, the hotel is ranked high among accommodation-focused hotels around Mito Station and thus is likely to generate stable revenues.</p>				
Trade area population	Distance from the property	1km trade area	5km trade area	10km trade area
2015	The population	11,603	194,684	433,520
	The number of households	6,175	88,178	181,455
Source: National census				

(Note 1) As of today, the land and the building of this property are owned by the seller and Hitachi Capital Corporation, respectively, and a fixed-term leasehold for business has been established for the land with Hitachi Capital Corporation set as the leaseholder for the purpose of owning the building of the property. DHR has agreed in the purchase agreement with the seller that, as of the same date with the acquisition date of the property, Hitachi Capital Corporation will entrust the building and the fixed-term leasehold for business to the above trustee, and that the seller will take over the trust beneficiary interest and, after additionally entrusting the land of the property to the trustee, will transfer such trust beneficiary interests to DHR. Furthermore, the above fixed-term leasehold for business will cease to exist upon the additional entrustment of the land.

(Note 2) While the building coverage ratio of the property is essentially 80%, as the property is in the retail district and a fireproof building in the fire control area, it is set at 100%.

(Note 3) “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.

(Note 4) “Structure” and “Number of floors” for the building are based on the descriptions in the registry, and excludes annex buildings.

(Note 5) As it is scheduled that a fixed-term building lease agreement will be entered into by the time DHR acquires this property, overview of leasing is based on the assumption that such agreement is executed as of December 7, 2018 which is the anticipated acquisition date.

### (3) Super Hotel JR Nara Station Sanjo Street

Property number	Super Hotel JR Nara Station	Asset class	Hotel
HO-002	Sanjo Street	Type	—
Anticipated date of acquisition	December 6, 2018	Anticipated acquisition price	1,470 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	December 31, 2038		

Location	Lot number	500-1, Sanjo-cho, Nara City, Nara	
	Residence indication	500-1, Sanjo-cho, Nara City, Nara	
Land	Type of ownership	Ownership	
	Land area	683.52 m <sup>2</sup>	
	Area classification	Retail district	
	Building coverage ratio	100%	
	FAR	400%	
Building	Type of ownership	Ownership	
	Gross floor area	2,707.59 m <sup>2</sup>	
	Use	Hotel, bank, store	
	Structure	Reinforced concrete building	
	Number of floors	6F	
	Date of construction	January 27, 2015	
Collateral	None		
Overview of building condition evaluation			
Evaluation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.		
Urgent repair costs	0 thousand yen	Evaluation date	November 2018
Short-term repair costs	0 thousand yen	PML	9.4%
Long-term repair costs	33,420 thousand yen / 12 years		
Designer, structural designer, contractor, inspection agency			
Designer	Yoshihiro Komatsu Architecture Office		
Structural designer	Yoshihiro Komatsu Architecture Office		
Contractor	Matsuda Cities CO., LTD.		
Inspection agency	Japan ERI Co., Ltd.		
Structural calculation evaluation agency	—		
Overview of leasing (Note 1)			
Leasable area	2,637.18 m <sup>2</sup> (Hotel 1,898.52 m <sup>2</sup> , Retail 738.66 m <sup>2</sup> )		
Leased area	2,637.18 m <sup>2</sup> (Hotel 1,898.52 m <sup>2</sup> , Retail 738.66 m <sup>2</sup> )		
Occupancy rate	100.0%	Annual rent	75,589 thousand yen
Number of tenants	1	Tenant leasehold and security deposit	92,000 thousand yen
Average lease term	20.0 years	Average remaining lease term	16.3 years
Master lease company	Daiwa Lease Co., Ltd.		
Master lease type	Pass-through type		
Property management company	Daiwa Lease Co., Ltd.		
Lessee (Hotel)	Super Hotel Co., Ltd.		
Contract form	Fixed-term building lease agreement		
Contract period	Not disclosed (Note 2)		
Rent revision			
Contract renewal			
Early cancellation			
Special items			
None			
Property characteristics			
<p>■ Location</p> <p>The property, located a two-minute walk from JR Nara Station, has high visibility due to being just across the station-front square, and also offers excellent accessibility, which is an important factor for a hotel targeting business demand. It stands along Sanjo Street lined with various stores and shops, an area where both hotels and retail facilities can enjoy strong customer attraction.</p>			



■ Tenant composition

Super Hotel JR Nara Station Sanjo Street operated by Super Hotel Co., Ltd. occupies the 2nd to the 6th floors as the main tenant while a real estate company is on the 1st floor, a bank is on the 1st and the 2nd floors and a Japanese-style pub is on the 2nd floor. Super Hotel is a major hotel chain operating more than 100 hotels in Japan and abroad. It operates altogether three hotels (Super Hotel Lohas JR Nara Eki, Super Hotel Nara Shin-omiya Ekimae and the above-mentioned hotel) in the surrounding area, and such is expected to contribute to attracting customers.

■ Property characteristics

The property is a complex mainly used as a hotel. Having 98 guestrooms, it is considered small for a business hotel but the hotel chain features low-cost operation and vacancy risk is believed to be low. In addition, rental demand is judged to be strong considering that other retail shops are also located at the intersection of Sanjo Street and the prefectural road; each tenant has high visibility due to wide storefronts; and both an exclusive stairway and elevator are secured for tenants on the 2nd floor.

(Note 1) Descriptions are based on the information available as of October 31, 2018. 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). In the event that a pass-through type master lease agreement has been executed, the terms of a sublease agreement executed between a master lease company and a key end tenant are indicated. “Annual rent” indicates the annualized amount calculated by multiplying the monthly rent as of October 31, 2018 by 12.

(Note 2) Not disclosed as consent for disclosure has not been obtained from the lessee.

## 5. Details of the Asset Scheduled for Disposition

Property number		Morino Tonari		Asset class		Residential		
RE-092				Acquisition price		1,020 million yen		
Type of specified asset			Real estate					
Trustee			—					
Trust maturity date			—					
Location	Lot number		1-95-9, Koyamadai, Shinagawa Ward, Tokyo					
	Address		1-1-5, Koyamadai, Shinagawa Ward, Tokyo					
Land	Type of ownership		Ownership					
	Land area		800.89 m <sup>2</sup>					
	Area classification		Category 1 medium-to-high-rise exclusive residential district					
	Building coverage ratio		60%					
	FAR		200%					
Building	Type of ownership		Ownership					
	Gross floor area		1,611.63 m <sup>2</sup>					
	Use		Apartment complex					
	Structure		Reinforced concrete building					
	Number of floors		3F/B1F					
	Date of construction		June 30, 2008					
Collateral			None					
Overview of leasing (Note)								
Leasable area		1,668.24 m <sup>2</sup>		Number of leasable units		28		
Leased area		1,605.39 m <sup>2</sup>		Annual rent		59 million yen		
Occupancy rate		96.2%		Tenant leasehold and security deposit		8 million yen		
Historical occupancy rate	August 2016		February 2017		August 2017		February 2018	
	94.1%		100.0%		90.9%		92.5%	
August 2018		96.2%						
Master lease company				Daiwa Living Management Co., Ltd.				
Master lease type				Pass-through type				
Property management company				Daiwa Living Management Co., Ltd.				

(Note) Descriptions are based on the information available as of October 31, 2018. “Annual rent” indicates the annualized amount calculated by multiplying the monthly rent (including common area charges) as of October 31, 2018 by 12.

## 6. Seller profile

(1) CROSS MALL (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) COMBOX310

i)	Name	Daiwa Royal Co., Ltd.
ii)	Location	2-18-2, Iidabashi, Chiyoda Ward, Tokyo
iii)	Representative	Ken Harada, President
iv)	Business activities	Real estate business, hotel business and retail business
v)	Capital	500 million yen (as of March 31, 2018)
vi)	Foundation date	April 23, 1991
vii)	Net assets	37,700 million yen (as of March 31, 2018)
viii)	Total assets	154,716 million yen (as of March 31, 2018)
ix)	Major shareholder and shareholding ratio	Daiwa House Industry Co., Ltd. 100.0% (as of March 31, 2018)
x)	Relationship with DHR and the Asset Manager	
	Capital relationship	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., the 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.
	Business relationship	The seller is a lessee of real estate owned by DHR. The seller has executed a basic agreement regarding 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 subsidiary of Daiwa House Industry Co., Ltd., the parent company of the Asset Manager, and thus falls under the category of a related party of the Asset Manager.

(3) Super Hotel JR Nara Station Sanjo Street

i)	Name	Daiwa Lease Co., Ltd.
ii)	Location	2-1-36, Noninbashi, Chuo Ward, Osaka, Osaka
iii)	Representative	Shunsaku Morita, President
iv)	Business activities	Prefabricated industrial buildings business, retail facility leasing business, leasing solutions business, and environmental greening business
v)	Capital	21,768 million yen (as of March 31, 2018)
vi)	Foundation date	July 29, 1947
vii)	Net assets	146,528 million yen (as of March 31, 2018)
viii)	Total assets	452,995 million yen (as of March 31, 2018)
ix)	Major shareholder and shareholding ratio	Daiwa House Industry Co., Ltd. 100.0% (as of March 31, 2018)
x)	Relationship with DHR and the Asset Manager	
	Capital relationship	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., the 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.
	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 basic agreement regarding 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 subsidiary of Daiwa House Industry Co., Ltd., the parent company of the Asset Manager, and thus falls under the category of a related party of the Asset Manager.

7. Status of the seller



Property acquisition from parties with particular interests is 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 (transfer) price	Acquisition (transfer) price
	Acquisition (transfer) date	Acquisition (transfer) date
RU-001 COMBOX310 (1-7-44, Miyamachi, Mito City, Ibaraki)	Land: (1) Daiwa Royal Co., Ltd. (2) Subsidiary of the parent company of the Asset Manager (3) Acquisition for development purposes Building: (1) Daiwa Royal Co., Ltd. (2) Subsidiary of the parent company of the Asset Manager (3) Acquisition for sales purposes	A party which does not have any particular interests
	Land: Omitted as the previous owner/trust beneficiary has owned the land for over one year Building: 2,700 million yen	—
	Land: May 2008 Building: December 2018 (planned)	—
HO-002 Super Hotel JR Nara Station Sanjo Street (500-1, Sanjo-cho, Nara City, Nara)	(1) Daiwa Lease Co., Ltd. (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 land for over one year	—
	November 2006	—

## 8. Buyer profile

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

## 9. Brokerage

### (1) Acquisition of CROSS MALL (Land) and disposition of Morino Tonari

- i) Broker profile: The broker is a domestic financial institution. However, name, etc. is not disclosed as consent for disclosure has not been obtained from the broker. The broker is not an interested party of DHR and the Asset Manager, or a related party of DHR and the Asset Manager. There is no capital relationship requiring disclosure between the broker and DHR or the Asset Manager. Of the officers and employees of the Asset Manager, two persons have been seconded from the broker as of today. The broker is a trustee, lender, custodian, general administrator, transfer agent, special accounts administrator and administrator of investment corporation bonds of DHR.
- ii) Broker's commission: The figures are not disclosed as consent for disclosure has not been obtained from the broker.

### (2) Acquisition of COMBOX310 and Super Hotel JR Nara Station Sanjo Street

None

## 10. Interested party transactions

The following companies are defined as interested parties, etc. in the Investment Trust Act: Daiwa Information Service Co., Ltd. as the lessee of CROSS MALL (Land) and PM company of COMBOX310; Daiwa Royal Co., Ltd. as the seller and lessee of COMBOX310; and Daiwa Lease Co., Ltd. as the seller and MLPM company of Super Hotel JR Nara Station Sanjo Street. The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its voluntary rules concerning conflicts of interest.

#### 11. Method of settlement

- (1) Acquisition settlement: Lump-sum settlement upon delivery  
 (2) Disposition settlement: Lump-sum settlement upon delivery

#### 12. Acquisition and disposition schedule

Please refer to “1. Acquisition overview” and “2. Disposition overview” above.

#### 13. Outlook

DHR expects to post gain on sale of properties of 113 million yen in the fiscal period ending February 2019 (from September 1, 2018 to February 28, 2019) as a result of the Disposition. DHR plans to accumulate all of such gain as internal reserves by applying tax loss carryforwards with an aim to stabilize future distributions. The impact of the Transactions on the forecast of operating results for the fiscal periods ending February 2019 and August 2019 (from March 1, 2019 to August 31, 2019) will be minimal, and there are no revisions to the forecast.

#### 14. Summary of property appraisal of the Assets Scheduled for Acquisition

##### (1) CROSS MALL (Land)

Property name	CROSS MALL (Land)
Appraisal value	3,880 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	October 31, 2018

Item	Content	Basis
Value based on income method	3,880 million yen	Applied value based on discount cash flow method by judging the value based on the discount cash flow method is highly explanatory and more convincing as it shows estimated NOI fluctuations in the future
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	3,880 million yen	
Discount rate	4.3%	Based on the method to compare with the yield of similar land transactions, assessed by taking into account the lease agreement, levels of land rent, period of lease agreement, business risks, etc.
Cap rate for the price to be returned as vacant land	4.4%	Based on the above discount rate adjusted with 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 is 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 the property

(2) COMBOX310

Property name	COMBOX310
Appraisal value	4,600 million yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	October 31, 2018

Item	Content	Basis
Value based on income method	4,600 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	4,590 million yen	
Operating revenue	297 million yen	
Effective gross revenue	297 million yen	Based on the rent of the planned agreement judging the rent is likely to be stable over the medium- to long-term
Loss from vacancy	—	
Operating expense	42 million yen	
Maintenance	—	Not recorded as borne by the lessee
Utility cost	—	Not recorded as borne by the lessee
Repair	—	Not recorded as borne by the lessee
Property management Fee	4 million yen	
Advertisement and other leasing cost	—	
Tax	35 million yen	Based on the actual results and in consideration of burden levels and land price trends
Insurance	0 million yen	Recorded estimated fee
Other cost	1 million yen	Recorded 0.5% of operating revenue
Net operating income (NOI)	255 million yen	
Investment income of lump sum	1 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	—	Not recorded as borne by the lessee
Net cash flow (NCF)	256 million yen	
Cap rate	5.6%	Assessed by adjusting yields in similar asset classes with spreads attributable to the property's location, the characteristics of the building and other 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	4,600 million yen	

Discount rate	5.4%	Assessed by comparing with cases of similar real estate transactions and adding individuality of the property to yield of financial assets
Terminal cap rate	5.8%	Assessed by using the discount rate in comprehensive consideration of prediction uncertainties such as possibility of increase in capital expenditure to deal with aging of building, unpredictability of market trend, and impact on liquidity due to passage of time
Value based on cost method	4,400 million yen	
Proportion of land	47.1%	
Proportion of building	52.9%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

(3) Super Hotel JR Nara Station Sanjo Street

Property name	Super Hotel JR Nara Station Sanjo Street
Appraisal value	1,490 million yen
Appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Appraisal date	October 31, 2018

Item	Content	Basis
Value based on income method	1,490 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	1,500 million yen	
Operating revenue	103 million yen	
Effective gross revenue	103 million yen	Assessed the stabilized assumed rental income based on the rent level of the current agreement, leasing case examples and the level of new rent of similar buildings in the market area and the trends thereof, and by taking into consideration such factors as the medium- to long-term competitiveness of the property
Loss from vacancy	—	
Operating expense	30 million yen	
Maintenance	3 million yen	Recorded based on the planned fees and by taking into account maintenance costs of similar property
Utility cost	14 million yen	Recorded based on the actual results
Repair	1 million yen	Recorded based on engineering report and by taking into account repair costs of similar property
Property management Fee	3 million yen	Determined estimated fee is appropriate by taking into account fee levels of similar property
Advertisement and other leasing cost	—	Not recorded assuming tenant replacement is unlikely
Tax	7 million yen	Assessed based on the actual results and in consideration of burden levels, land price trends, etc.
Insurance	0 million yen	Recorded estimated fee
Other cost	0 million yen	
Net operating income (NOI)	73 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	1 million yen	Assessed based on renewal costs of similar property and by referring to capital expenditure noted in the engineering report and construction management fee
Net cash flow (NCF)	71 million yen	
Cap rate	4.8%	Assessed by adjusting yields in similar asset classes with spreads attributable to the property's location, the characteristics of the building and other 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	1,480 million yen	
Discount rate	4.6%	Assessed by comparing with cases of similar real estate transactions and adding individuality of the property to yield of financial assets
Terminal cap rate	5.0%	Assessed by using the discount rate in comprehensive consideration of prediction uncertainties such as possibility of increase in capital expenditure to deal with aging of building, unpredictability of market trend, and impact on liquidity due to passage of time
Value based on cost method	1,110 million yen	
Proportion of land	46.4%	
Proportion of building	53.6%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

#### 15. Summary of property appraisal of the Asset Scheduled for Disposition

Property name	Morino Tonari
Appraisal value	1,170 million yen
Appraiser	Japan Real Estate Institute
Appraisal date	August 31, 2018

Item	Content	Basis
Value based on income method	1,170 million yen	Estimated by treating equally the value based on direct capitalization method and the value based on discounted cash flow method
Value based on direct capitalization method	1,190 million yen	
Operating revenue	62 million yen	
Effective gross revenue	65 million yen	Assessed the stabilized assumed rental income over the medium- to long- term by taking into account the average rent in the current lease agreement and the rent of potential new tenant, etc.
Loss from vacancy	2 million yen	Assessed considering the past turnover period and the future outlook
Operating expense	12 million yen	
Maintenance	1 million yen	Assessed considering the individuality of the property
Utility cost	0 million yen	Assessed considering the individuality of the property
Repair	1 million yen	Assessed based on the actual results, repair costs of similar cases and annual average in the engineering report
Property management fee	1 million yen	Assessed considering the individuality of the property
Advertisement and other leasing cost	2 million yen	Assessed based on the actual results, etc.
Tax	3 million yen	Recorded based on the reference tax documents
Insurance	0 million yen	Recorded based on the insurance contract
Other cost	0 million yen	Recorded cable television fee
Net operating income (NOI)	50 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	1 million yen	Recorded based on the level of capital expenditure of similar properties, the building age, and the average annual repair and renewal costs as noted in the engineering report
Net cash flow (NCF)	48 million yen	
Cap rate	4.1%	Assessed by using the standard yield of each area, adjusting with spreads attributable to the property's

			location, the characteristics of the building and other conditions, in consideration of prediction uncertainties and transaction yields for similar properties
	Value based on Discounted Cash Flow method	1,150 million yen	
	Discount rate	3.9%	Assessed by reflecting specific risks related to the property in the base yield
	Terminal cap rate	4.3%	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	1,180 million yen	
	Proportion of land	76.7%	
	Proportion of building	23.3%	
	Items applied to adjustments in valuation approach and the determination of the appraisal value		None

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

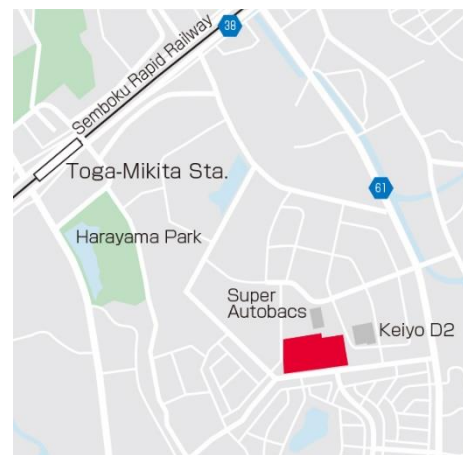
<Attachments>

1. Photograph and location map of the Assets Scheduled for Acquisition
2. Property portfolio after the Transactions

<Attachments>

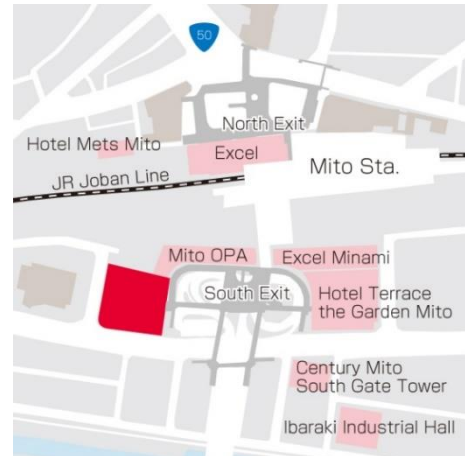
1. Photograph and location map of the Assets Scheduled for Acquisition

(Property number) RM-011 CROSS MALL (Land)

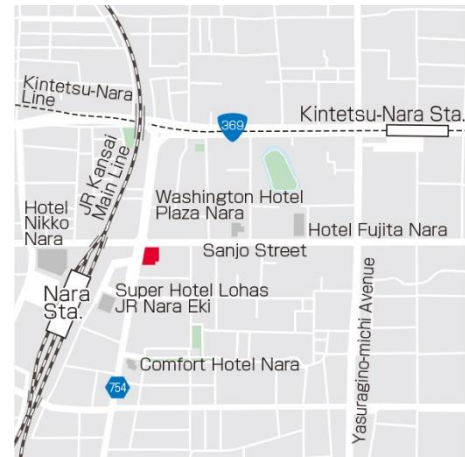




(Property number) RU-001 COMBOX310



(Property number) HO-002 Super Hotel JR Nara Station Sanjo Street



## 2. Property portfolio after the Transactions

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	59 properties	340,009	49.7%
Residential properties	133 properties	246,424	36.1%
Retail properties	18 properties	79,260	11.6%
Hotel properties	2 property	6,290	0.9%
Other assets	4 properties	11,480	1.7%
Portfolio	216 properties	683,463	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.