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For Immediate Release

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## Notice Concerning Acquisition of Trust Beneficiary Interest 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 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 2)	Appraisal value (million yen) (Note 3)	NOI yield (Note 4)	NOI yield after depreciation (Note 5)
RE-144	Castalia Sumiyoshi II (Note 1)	Residential	Koto Ward, Tokyo	February 21, 2022	1,420	1,480	4.0%	3.1%

(Note 1) While the property name is currently Hainesuto Residence, it will be changed to Castalia Sumiyoshi II upon acquisition by DHR. The same applies hereinafter.

(Note 2) Excluding such amounts as expenses related to acquisition, amounts equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.

(Note 3) Appraisal value as of January 20, 2022.

(Note 4) “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 January 20, 2022) (the “Net Operating Income” in Note 5 below), by an anticipated acquisition price.

(Note 5) “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 January 20, 2022), by an anticipated acquisition price.

- (2) Anticipated execution date of the sale and purchase agreement : February 21, 2022  
 (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 acquisition would further increase the stability of cash flow and improve portfolio diversification, because the Anticipated Acquisition, located an approximately three-minute walk from Sumiyoshi Station on the Tokyo Metro Hanzomon Line and Toei Subway Shinjuku Line, offers excellent transportation convenience and stable rental demand can be expected. 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	Castalia Sumiyoshi II		Asset class	Residential	
RE-144			Type (Note 1)	Compact type 100% Family type 0%	
Anticipated date of acquisition	February 21, 2022		Anticipated acquisition price	1,420 million yen	
Overview of specified asset					
Type of specified asset		Trust beneficiary interest in real estate (Note 2)			
Trustee		Sumitomo Mitsui Trust Bank, Limited			
Trust maturity date		February 29, 2032			
Location	Lot number	1-3-6, Sumiyoshi, Koto Ward, Tokyo			
	Residence indication	1-16-1, Sumiyoshi, Koto Ward, Tokyo			
Land	Type of ownership	Ownership	Building	Type of ownership	Ownership
	Land area	495.86 m <sup>2</sup>		Gross floor area	1,849.24 m <sup>2</sup>
	Area classification	Commercial district		Use	Apartment complex, Retail
	Building coverage ratio	90% (Note 3)		Structure	Steel-frame reinforced concrete and flat-roomed building
	FAR	500%		Number of floors	11F
Collateral	None		Date of construction	February 26, 2003	
Overview of building condition evaluation					
Evaluation company		Tokio Marine dR Co., Ltd.			
Urgent repair costs		0 thousand yen	Evaluation date	November 2021	
Short-term repair costs		0 thousand yen	PML	8.5%	
Long-term repair costs		35,590 thousand yen / 12 years			
Soil contamination inspector					
Inspector		Tokio Marine dR Co., Ltd.			
Designer, structural designer, contractor, inspection agency					
Designer		Mitsubishi Jisho Sekkei Inc.			
Structural designer		Mitsubishi Jisho Sekkei Inc.			
Contractor		Odakyu Construction Co., Ltd.			
Inspection agency		JAPAN ERI CO., LTD.			
Structural calculation evaluation agency		Tokio Marine dR Co., Ltd.			
Overview of leasing (Note 4)					
Leasable area		1,687.89 m <sup>2</sup>	Number of leasable units	31	
Leased area		1,534.40 m <sup>2</sup>	Annual rent (Note 5)	61,302 thousand yen	
Occupancy rate		90.9%	Tenant leasehold and security deposit (Note 5)	9,111 thousand yen	
Master lease company			Daiwa Living Co., Ltd.		
Master lease type			Pass-through type		
Property management company			Daiwa Living Co., Ltd.		
Special items					
Two findings are pointed out in the report on building condition evaluation, etc., and DHR has agreed with the seller that one finding shall be rectified by March 31, 2022 and the other finding shall be rectified by April 30, 2022 at the responsibility and expense of the seller.					
Property characteristics					

The property is an approximately three-minute walk from Sumiyoshi Station on the Tokyo Metro Hanzomon Line and Toei Subway Shinjuku Line, enabling use of multiple lines. The location offers excellent transportation convenience and proximity to the city center, since Sumiyoshi Station on the Tokyo Metro Hanzomon Line is four stations and approximately 11 minutes away from Otemachi Station. The surrounding environment is also convenient with supermarkets and restaurants available in the neighborhood area and large retail facilities concentrated around Kinshicho Station on the JR Sobu Main Line and Tokyo Metro Hanzomon Line within walking distance. The number of leasable units is 31 (30 residential and one retail) and the average floor area of residential units is 51 m<sup>2</sup>. It is possible to meet the needs of a wide range of residents such as DINK households who place an importance on commuting convenience as well as family households.

(Note 1) Unit types are categorized as compact-type units with leasable area of 60m<sup>2</sup> or less and family-type units of more than 60m<sup>2</sup>. A ratio of units is the ratio of the units leased by type to the total number of units for lease (excluding for retail and other non-residential uses) and rounded to the nearest tenth. Therefore, the sum may not add up to 100%.

(Note 2) 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 3) While the building coverage ratio of the property is essentially 80%, due to application of corner lot mitigation, it is set at 90%.

(Note 4) Descriptions in “Overview of leasing” are based on the information available as of January 31, 2022.

(Note 5) A pass-through type master lease agreement with the master lease company is scheduled to be entered into by the time DHR acquires the property. “Annual rent” and “Tenant leasehold and security deposit” are calculated based on the assumption that the master lease agreement is retroactively effective from January 31, 2022. Annual rent of residential properties includes the common area charges and is the amount calculated by multiplying the monthly rent (excluding consumption taxes) as indicated in each sublease agreement with end tenants as of January 31, 2022 by 12 on an annual basis (if multiple sublease agreements are entered into, the total amount indicated in such sublease agreements).

#### 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 Living Co., Ltd. as the master lease and property management company 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 voluntary rules regarding interested party transactions.

#### 6. Acquisition schedule

(1) Acquisition decision date	: February 18, 2022
(2) Execution date of the sale and purchase agreement	: February 21, 2022 (planned)
(3) Date of payment	: February 21, 2022 (planned)
(4) Delivery date	: February 21, 2022 (planned)

#### 7. 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 February 28, 2022 (from September 1, 2021 to February 28, 2022) and the fiscal period ending August 31, 2022 (from March 1, 2022 to August 31, 2022).

#### 8. Overview of property appraisal

Property name	Castalia Sumiyoshi II
Appraisal value	1,480 million yen
Appraiser	Japan Real Estate Institute
Appraisal date	January 20, 2022

Item	Content	Basis
Value based on income method	1,480 million yen	Estimated the value based on income method by treating the value based on direct capitalization method and the value based on discounted cash flow method equally and correlating these two values
Value based on direct capitalization method	1,490 million yen	
Operating revenue	71 million yen	
Potential gross	74 million yen	Assessed the unit value level of rents that can be received

revenue		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 attributes, etc. of the current lessees; and recorded the rental revenues and common area charges based on the aforementioned
Loss from vacancies	3 million yen	For each use, assumed a stable occupancy level over the medium to long term based on the occupancy status and the supply and demand trends of competing or alternative properties 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	13 million yen	
Maintenance	3 million yen	Recorded in consideration of the individuality of the subject property, by reference to actual amounts in past years and maintenance expenses of similar properties
Utility cost	0 million yen	Recorded utility cost for common areas by taking into account utility cost of similar properties and the individualities of the subject property with reference made to actual amounts in past years
Repair	1 million yen	Recorded restoration cost based on the level of restoration cost per room that will ordinarily arise in correlation with tenant replacement, the proportion of the lessor's burden, average timing of recording expenses, degree of restoration and other factors. Also recorded repair cost by taking into account the actual amounts in past years, the level of expenses for similar properties, the annual average amounts of repairs in the relevant engineering report and other factors
Property management fee	1 million yen	Recorded based on the fee rates, etc. under current terms and conditions, considering the fee rates for similar properties and the individualities of the subject property
Advertisement and other leasing cost	2 million yen	Recorded in consideration of current lease terms and leasing conditions of similar properties in the surrounding area
Tax	3 million yen	Recorded based on documents related to taxes and other public charges
Insurance	0 million yen	Assessed based on insurance premium estimates in consideration of insurance rates of similar buildings
Other cost	0 million yen	Recorded cable television connection charges
Net operating income (NOI)	57 million yen	
Investment income of lump sum	0 million yen	Assessed with an investment yield set at 1.0%
Capital expenditure	2 million yen	Assuming a projected average amount will be set aside every fiscal period, assessed in consideration of the level of capital expenditure for similar properties, the age of the building and the annual average amount, etc. of repair and renewal costs in the relevant engineering report
Net cash flow (NCF)	55 million yen	
Cap rate	3.7%	Assessed by 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	1,460 million yen	
Discount rate	3.5%	Assessed by comprehensively taking into account characteristics unique to the property, etc., by reference to investment returns of similar properties, etc.
Terminal cap rate	3.8%	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	1,370 million yen		
Proportion of land	74.5%		
Proportion of building	25.5%		
Items applied to adjustments in approaches to the value 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

### RE-144 Castalia Sumiyoshi II



- Anticipated Acquisition (Castalia Sumiyoshi II)
- Owned properties (Castalia Sumiyoshi and Castalia Kikukawa)

## 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	66 properties	470,121	52.5%
Residential properties	130 properties	241,043	26.9%
Retail properties	23 properties	123,219	13.8%
Hotel properties	5 properties	19,110	2.1%
Other assets	6 properties	41,660	4.7%
<b>Portfolio Total</b>	<b>230 properties</b>	<b>895,153</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.