



**Daiwa House**<sup>®</sup>  
Group



Daiwa House Residential Investment Corporation



Daiwa House REIT Investment Corporation



# Summary of Investor Presentation for the Merger

April 15, 2016

# Rationale of the Merger

- 1 Enhanced external growth potential and further internal growth opportunities through the shift to a “diversified REIT”
- 2 Improvement of the position in the J-REIT market and more flexible asset management through “scale enhancement”
- 3 Acceleration of growth leveraging the value chain of “Daiwa House Group’s integrated capabilities”



**Daiwa House®**  
Group

"Creating Dreams, Building Hearts"



**Daiwa House Residential Investment Corporation**

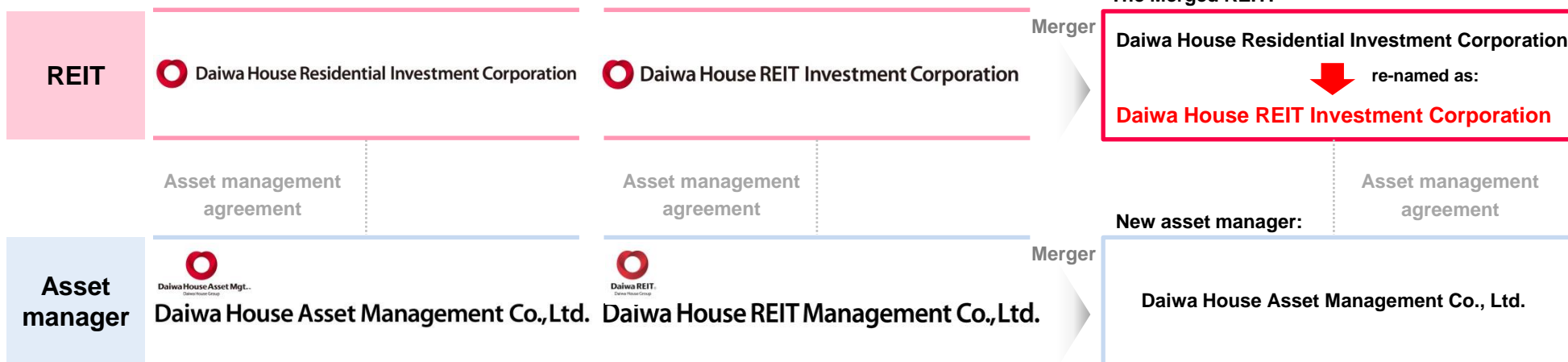


**Daiwa House REIT Investment Corporation**

**Maximizing unitholder value based on secured cash flow and improved and stable distribution through solid growth of portfolio**

# Merger scheme and Schedule

## // Merger Overview



## // Merger scheme (REIT)

<b>Merger method</b>	The merger will be an absorption-type merger wherein Daiwa House Residential is to be the surviving corporation; Daiwa House REIT is to be the absorbed corporation.
<b>Merger ratio</b>	1 : 2.2
<b>Unitholders' meeting resolution</b>	Requirement: Approval <sup>(Note 2)</sup> (by extraordinary resolution <sup>(Note 1)</sup> ) of the merger agreement at unitholders' meetings of the respective REITs  (The unitholders' meeting resolutions of Daiwa House Residential and Daiwa House REIT, respectively, are required for the merger to be effective.)

(Note 1) Attendance by the unitholders who hold a majority of the issued units and approval by two-thirds or more of the voting rights represented by the unitholders present at the meeting are required.  
When there is no contradictory agenda item, the unitholder will be deemed to have approved the proposals submitted to the general meeting of unitholders.

(Note 2) For the surviving corporation, approval of the agenda item regarding the article changes (extraordinary resolution) shall be required; for the absorbed corporation, approval of the agenda item regarding termination of the asset management agreement (ordinary resolution <sup>(Note 3)</sup>) shall be required.

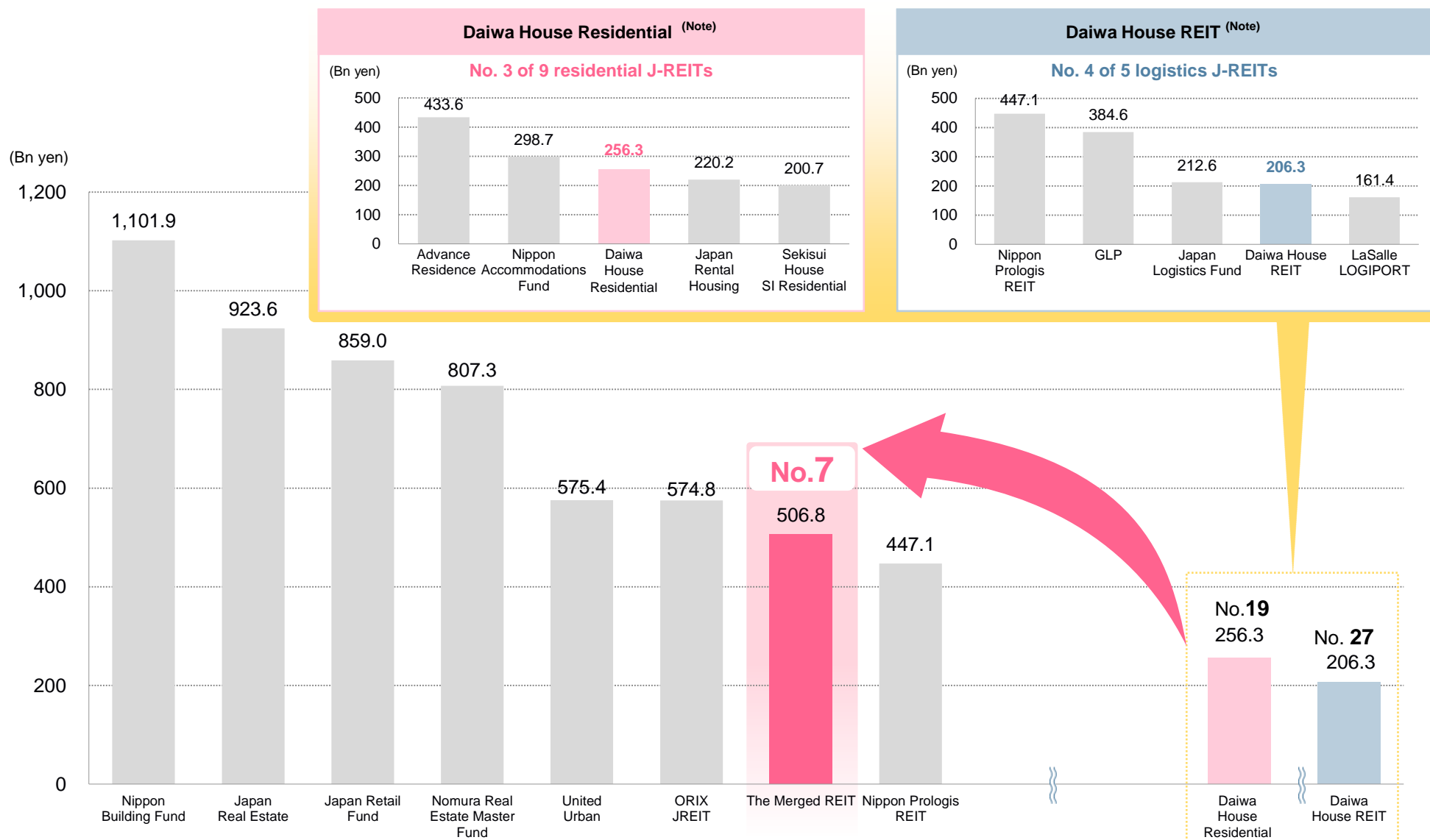
## // Merger schedule

<b>Execution of the merger agreements (between corresponding REITs and the asset managers)</b>	April 15, 2016
<b>Daiwa House REIT Investment Corporation unitholders' meeting (planned)</b>	May 27
<b>Daiwa House Residential Investment Corporation unitholders' meeting (planned)</b>	June 17
<b>Daiwa House REIT Investment Corporation delisting date (planned)</b>	August 29
<b>Effective date of the merger (planned)</b>	September 1

(Note 3) Approval by a majority of the voting rights represented by the unitholders present at the meeting.  
When there is no contradictory agenda item, the unitholder will be deemed to have approved the proposals submitted to the general meeting of unitholders.

(Note 4) The unitholders' meeting record date for Daiwa House REIT Investment Corporation is Feb. 29, 2016. The unitholders' meeting record date for Daiwa House Residential Investment Corporation is scheduled on May 6, 2016.

# Positioning in the J-REIT market in terms of asset size



(Note) The total value of acquisition prices as of Mar. 31, 2016 for each corporation's portfolio (including properties for anticipated acquisition or disposition) is presented.

The figure for Daiwa House REIT includes anticipated acquisition of D Project Tosu extension in Jun. 2016.

The Merged REIT's asset size is the sum of "Daiwa House Residential's acquisition price as of the end of the period ending Feb. 2016", "Daiwa House REIT's appraisal value as of the end of the period ending Feb. 2016" and "anticipated acquisition price of six anticipated acquisitions"

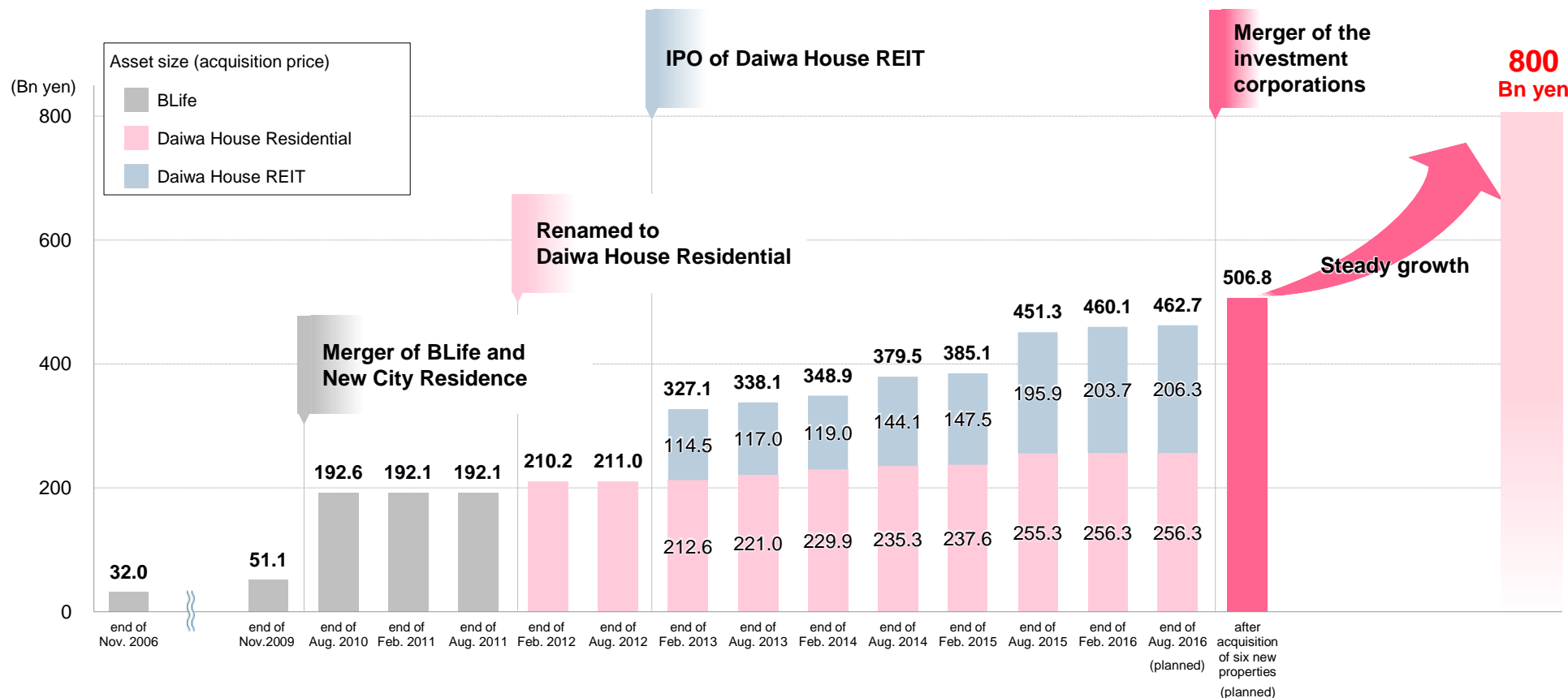
Digits below one hundred million yen are truncated for the amounts of each corporation's asset size.

# Growth record and future target

- ◆ Mainly acquire properties developed by Daiwa House Group, and aim 800 billion yen in asset size

## Stand-alone growth of the investment corporations

Further  
accelerated growth  
as the Merged REIT



(Note) Since digits below one hundred million yen are truncated for the asset size of Daiwa House Residential and Daiwa House REIT, the total amount of each total asset size displayed may not fit in the sum of above figures. The Merged REIT's asset size is the sum of "Daiwa House Residential's acquisition price as of the end of the period ending Feb. 2016", "Daiwa House REIT's appraisal value as of the end of Feb. 2016" and "anticipated acquisition price of six anticipated acquisitions"

# Investment policies of the Merged REIT

## // Investment targets

### Core assets

**80% or more**

Logistics properties (BTS type and multi-tenant type)

Residential properties (compact / family)

Commercial properties (mall / roadside / urban)

Hotels

### Other assets

**20% or less**

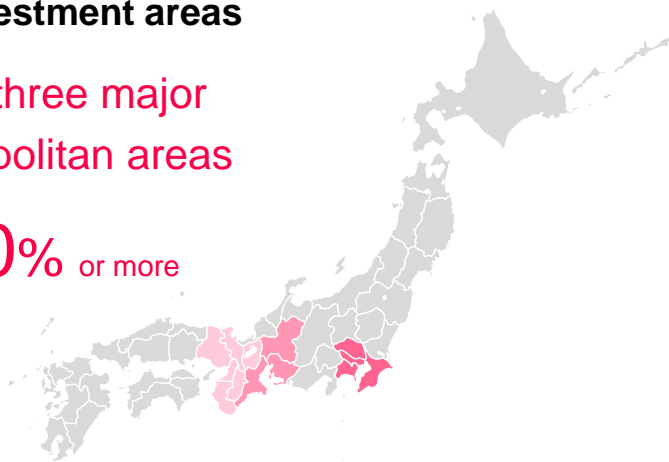
Office buildings

Healthcare facilities, etc.

## // Investment areas

The three major metropolitan areas

**70% or more**



The three major metropolitan areas: Greater Tokyo area, Greater Nagoya area and Greater Osaka area

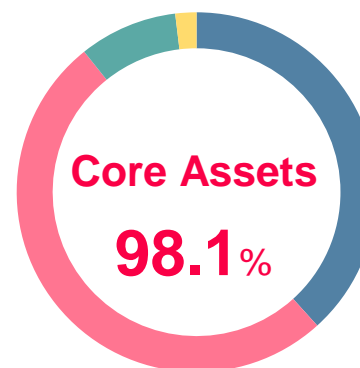
Greater Tokyo area: Tokyo, Kanagawa, Saitama and Chiba Prefecture

Greater Nagoya area: Aichi, Gifu and Mie Prefecture

Greater Osaka area: Osaka, Kyoto, Hyogo, Nara and Shiga Prefecture

## // Portfolio post merger

### Asset type diversity (acquisition price basis) <sup>(Note)</sup>



■ **Logistics properties**  
**(34 properties)**

194,108 mil yen  
38.3%

■ **Residential properties**  
**(142 properties)**

258,339 mil yen  
51.0%

■ **Commercial properties**  
**(10 properties)**

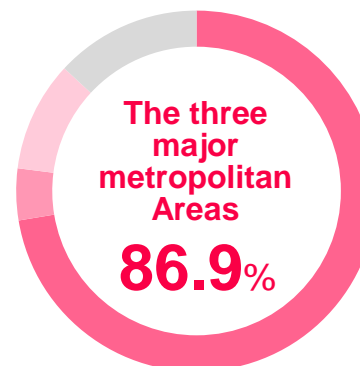
44,810 mil yen  
8.8%

■ **Others**  
**(3 properties)**

9,630 mil yen  
1.9%

## // Portfolio post merger

### Area diversity (acquisition price basis) <sup>(Note)</sup>



■ **Greater Tokyo area**  
72.4%

■ **Greater Nagoya area**  
4.6%

■ **Greater Osaka area**  
9.9%

■ **Others**  
13.1%

(Note) Pro Forma figures in consideration of the six anticipated acquisitions announced on April 15, 2016

# Overview of new anticipated acquisitions

- ◆ The Merged REIT plans to acquire six properties consisting of logistics, residential, commercial facilities and hotel, etc. (Note 1), from Daiwa House Group

Property name	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	D Project Hibiki Nada	D Project Morioka II	Castalia Ningyocho III	Royal Parks Umejima	Sports Depo and GOLF5 Kokurahigashi IC Store	<b>Total anticipated acquisition price</b> <b>17,210</b> mil yen
Use	Multi-use complex (Note 1) (office/hotel/commercial)	Logistics	Logistics	Residential	Residential	Commercial	<b>Total appraisal value</b> <b>17,580</b> mil yen
Anticipated acquisition price	7,600 mil yen	2,080 mil yen	1,280 mil yen	2,000 mil yen	2,020 mil yen	2,230 mil yen	<b>Average Appraisal NOI yield</b> <b>6.1</b> %
Appraisal value	7,600 mil yen	2,100 mil yen	1,300 mil yen	2,170 mil yen	2,150 mil yen	2,260 mil yen	<b>Occupancy rate</b> <b>100.0</b> %
Acquisition date (planned)	Sep. 2016	Sep. 2016	Sep. 2016	Sep. 2016	Sep. 2016	Sep. 2016	
Appraisal NOI yield (Note 2)	5.9%	6.3%	6.3%	4.9%	6.9%	6.8%	
Location	Naha City, Okinawa	Kitakyushu City, Fukuoka	Takizawa City, Iwate	Chuo Ward, Tokyo	Adachi Ward, Tokyo	Kitakyushu City, Fukuoka	
Access	5-min. walk from Okinawa urban monorail "Omoromachi" Sta.	8.5km from Shinwakato Expressway "Kitahama" IC	6km from Tohoku Expressway "Morioka" IC	3-min. walk from Tokyo Metro "Ningyocho" Sta.	5-min. walk from Tobu Skytree line "Umejima" Sta.	0.5km from Kyusyu Expressway "Kokurahigashi" IC	
Construction date	Jul. 2011	Sep. 2008	Oct. 2015	Oct. 2014	Sep. 2010	Oct. 2007	
Occupancy rate (Note3)	100.0%	100.0%	100.0%	99.0%	100.0%	100.0%	
Land area	7,880.42m <sup>2</sup> (Note4)	39,659.00m <sup>2</sup>	14,355.00m <sup>2</sup>	529.80m <sup>2</sup>	4,217.10m <sup>2</sup>	6,789.55m <sup>2</sup>	
Gross floor area	34,180.43m <sup>2</sup> (Note4)	19,967.90m <sup>2</sup>	4,289.89m <sup>2</sup>	3,754.28m <sup>2</sup>	7,913.65m <sup>2</sup>	6,506.99m <sup>2</sup>	

(Note 1) The property includes office and commercial facilities as well as hotel rooms; its use is categorized as "other." The merged REIT will acquire 50% quasi-co-ownership interest of the trust beneficial interest in real estate.

(Note 2) "Net operating income" (direct capitalization method) in the real estate appraisal reports divided by "anticipated acquisition price".

(Note 3) Occupancy rate as of Feb. 29, 2016.

(Note 4) The figure of the entire property is shown.

<Naha Shin-Toshin Center Building  
(Daiwa Roynet Hotel Naha-Omoromachi) >



<D Project Hibiki Nada>



<D Project Morioka II>





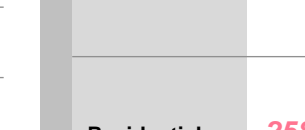

<Castalia Ningyocho III> <Royal Parks Umejima>



<Sports Depo and GOLF5  
Kokurahigashi IC Store>



# Overview of the Merged REIT

Daiwa House Residential (Note 1)				Daiwa House REIT (Note 1)		Anticipated acquisitions (Note 1) (as of Apr. 15, 2016)		The Merged REIT (Note 2) (outlook as of Sep. 28, 2016)		
Portfolio	Asset size (acquisition price basis)	256,349 mil yen	+	206,363 mil yen	+	17,210 mil yen	▶	506,887 mil yen (Note 3)		
	Number of properties	142 properties	+	41 properties	+	6 properties	▶	189 properties		
	Total assets	258,590 mil yen	+	222,081 mil yen	+	-	▶	569,230 mil yen (Note 4)		
	NOI yield	5.5%	+	5.9%	+	6.1% (Note 5)	▶	5.4% (Note 6)		
	Average age	10.3 years	+	6.8 years	+	4.9 years	▶	8.5 years		
	Occupancy rate	96.0%	+	99.95%	+	100.0%	▶	98.7%		
Finance	LTV	54.8%	+	45.9%			▶	44.6% (48.4%) (Note 7)		
	Interest-bearing debt	141,663 mil yen	+	102,000 mil yen			▶	253,663 mil yen		
	Rating	AA- (JCR) A+ (R&I)	+	AA- (JCR)			▶	-		
Unitholder value	NAV per unit	191,454 yen		394,784 yen			▶	213,643 yen		
	Net assets per unit	148,707 yen		310,353 yen			▶	195,610 yen		
	Forecast period ending Aug. 2016			Forecast period ending Aug. 2016			Forecast period ending Aug. 2017			
	Forecast DPU (Note 8)	4,510 yen		9,000 yen			▶	4,700 yen		
	Forecast DPU after the merger-ratio adjustment (Note 9)	4,510 yen		4,090 yen			▶			
				 Adjusted by merger ratio (1 : 2.2)				Increase Rate (Note 10)	for Daiwa House Residential +4.2%	for Daiwa House REIT +14.9%
								Asset size (Note 3)		
								Logistics Properties		194,108 mil yen 34 properties
								Residential Properties		258,339 mil yen 142 properties
								Commercial Properties		44,810 mil yen 10 properties
								Others		9,630 mil yen 3 properties
								Asset size (Note 3)		506,887 mil yen 189 properties



# Forecasts of the Merged REIT

	22nd period (ending Feb. 2017) Forecasts	23rd period (ending Aug. 2017) Forecasts	Variation vs 22nd period (ending Feb. 2017)
Operating revenues	17,386 mil yen	17,501 mil yen	+ 114 mil yen
Operating income	11,184 mil yen	10,328 mil yen	- 855 mil yen
Amortization of Goodwill	1,113 mil yen	1,113 mil yen	0 mil yen
Operating income	6,202 mil yen	7,172 mil yen	+ 970 mil yen
Ordinary income	5,018 mil yen	6,027 mil yen	+ 1,009 mil yen
Net income	<b>5,017 mil yen</b>	<b>6,027 mil yen</b>	<b>+ 1,009 mil yen</b>
Reversal of retained earnings	2,046 mil yen	1,113 mil yen	- 933 mil yen
Total distribution	<b>7,064 mil yen</b>	<b>7,140 mil yen</b>	<b>+ 75 mil yen</b>
Net income per unit (A)	3,302 yen	3,967 yen	+ 665 yen
Reversal of retained earnings per unit (B)	1,347 yen	732 yen	- 615 yen
DPU (A)+(B)	<b>4,650 yen</b>	<b>4,700 yen</b>	<b>+ 50 yen</b>
Number of properties held	189 properties	189 properties	

\* Notes of the previous page

(Note 1) Financial figures for the period ended Feb. 2016 or those as of Feb. 29, 2016 of Daiwa House Residential and Daiwa House REIT. (The figure for Daiwa House REIT includes anticipated acquisition of D Project Tosu extension in Jun. 2016)

(Note 2) Pro forma figures, including borrowing and repayment, in consideration of the six anticipated acquisitions announced on April 15, 2016.

(Note 3) Based on the purchase method, with Daiwa House Residential being the acquiring entity, Daiwa House REIT's assets are to be obtained at appraisal value. Therefore, the total amount of Daiwa House Residential acquisition price plus Daiwa House REIT's appraisal value in the period ended Feb. 2016 as well as the total amount of the anticipated acquisitions is presented.

(Note 4) Total assets include goodwill of 44,544 mil yen (forecast).

(Note 5) NOI yield of the anticipated acquisitions are based on appraisal NOI yields.

(Note 6) NOI yield is calculated based on actual NOI in the period ending Feb. 2016 and appraisal NOI.

(Note 7) The figure inside the parentheses presents a trial calculation figure: The Merged REIT's "total assets" minus "positive goodwill of 44,544 mil yen (forecast)."

(Note 8) Forecast DPU represent the forecast figures of Daiwa House Residential and Daiwa House REIT announced on April 15, 2016.

(Note 9) Forecast DPU (4,510 yen for Daiwa House Residential and 9,000 yen for Daiwa House REIT) announced on April 15, 2016 adjusted by the merger ratio.

(Note 10) Figures are calculated as follows: "Forecast DPU in the period ending August 2017 of the Merged REIT" divided by "Forecast DPU after the merger-ratio adjustment in the period ending Aug 2016."

# Disclaimer

- This document is provided for information purposes only and is not intended as a solicitation to invest or a recommendation to trade in a specific security. Please contact a financial product brokerage company if you are interested in purchasing the investment units of Daiwa House Residential Investment Corporation (“DHI”) and Daiwa House REIT Investment Corporation (“DHR”) .
- This document is not a disclosure document or investment report required under and made in accordance with the Financial Instruments and Exchange Act, the Act on Investment Trusts and Investment Corporations and related cabinet orders and cabinet office ordinances, or under the Tokyo Stock Exchange’s securities listing rules or any other related rules.
- The contents of this document include forward-looking statements based on certain assumptions and judgments using information currently available to DHI and DHR. These forward-looking statements are not a guarantee of DHI’s or DHR’s future results, business performance and financial position.
- DHI and DHR endeavor to ensure the contents of this document are as accurate as possible. However, DHI and DHR cannot guarantee the accuracy, reliability, adequacy or the accessibility of the information herein. DHI and DHR reserve the right to change or delete information without prior notice.
- Duplication or reproduction of any item presented as information herein without the prior consent of DHI and DHR is strictly prohibited.