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For Immediate Release

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## Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate (D Project Tosu (Extended Building))

Daiwa House REIT Management Co., Ltd. (the “Asset Manager”), the asset manager to which Daiwa House REIT Investment Corporation (“DHR”) entrusts the management of its assets, hereby announces that it has decided acquisition of asset (hereafter referred to as “Asset Scheduled for Acquisition”) as follows, based on the project contract announced in the press release “Notice Concerning D Project Tosu Extension Project” dated July 30, 2015. The decision has been approved by the board of directors of DHR based on the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”) and the Asset Manager’s voluntary rules concerning conflicts of interest.

### 1. Acquisition details

- |                                          |   |                                                                   |
|------------------------------------------|---|-------------------------------------------------------------------|
| (1) Asset type                           | : | Trust beneficiary interests in real estate                        |
| (2) Property name                        | : | D Project Tosu (Extended Building)                                |
| (3) Planned acquisition price            | : | 2,600 million yen (excluding acquisition-related expenses)        |
| (4) Execution date of purchase agreement | : | October 29, 2015                                                  |
| (5) Planned date of acquisition          | : | June 15, 2016 or the date agreed between the seller and the buyer |
| (6) Seller                               | : | Daiwa House Industry Co., Ltd.                                    |
| (7) Acquisition fund                     | : | To be determined                                                  |
| (8) Method of settlement                 | : | Payment of entire amount upon transfer                            |

### 2. Rationale for acquisition

Based on the targets and policies of asset management prescribed in DHR’s Articles of Incorporation, DHR and the Asset Manager decided acquisition of the Asset Scheduled for Acquisition having deemed that the acquisition would expand the asset size, further increase the stability of cash flow and secure stable revenues in the long term.

Extension of D Project Tosu (the “Property”) will be conducted in accordance with the floor expansion request from the lessee of the Property, while enabling expansion of profit of the Property, continuation of stable contract over the long-term and enhancement of asset value through the extension.

Daiwa House Industry Co., Ltd. (“Daiwa House”) will newly construct an extension (hereinafter, the extended building shall be referred to as the “Extended Building” and the building other than the Extended Building will be referred to as the “Existing Building”), which will stand over both the Property’s land and the adjacent land owned by Daiwa House on the north side of the Property (the “Adjacent Land”), and DHR will acquire the Extended Building and the Adjacent Land after its completion.

## 3. Details of the Asset Scheduled for Acquisition

Property number	D Project Tosu (Extended Building)		Use	Logistics		
L-B-19			Category	BTS type		
<b>Overview of Specified Asset</b>						
Type of specified asset	Trust beneficiary interests in real estate		Overview of building condition evaluation	Evaluation company	Tokio Marine & Nichido Risk Consulting Co., Ltd.	
Planned date of acquisition	June 15, 2016			Evaluation date	October 2015	
Planned acquisition price	2,600 million yen			Urgent repair costs	0 yen	
Overview of trust beneficiary interests	Trust establishment date	To be determined		Short-term repair costs	0 yen	
	Trustee	Mitsubishi UFJ Trust and Banking Corporation (planned)		Long-term repair costs	28,615,000 yen/12 years (annual average: 2,385,000 yen)	
	Trust maturity date	To be determined		PML	6.3%	
Land (Note)	Location	1623-1 Aza Hasuhara, Himekata-machi, Tosu-shi, Saga		Building (Note)	Structure / floors	Steel-frame / 2 floors
	Land area	6,939.40 m <sup>2</sup>			Date of construction	May 2016 (planned)
	Area classification	Quasi-industrial district			Gross floor area	9,082.99 m <sup>2</sup>
	Building coverage ratio / FAR	60%/200%			Use	Warehouse
	Type of ownership	Ownership			Type of ownership	Ownership
Total leasable area	8,949.40 m <sup>2</sup> (planned)		Designer	Daiwa House Industry Co., Ltd.		
Total leased area	8,949.40 m <sup>2</sup> (planned)		Structure designer	Daiwa House Industry Co., Ltd.		
Occupancy rate	100.00% (planned)		Contractor	Daiwa House Industry Co., Ltd.		
Master lease company	—		Inspection agency	Japan ERI Co., Ltd.		
Property management company	Daiwa House Industry Co., Ltd. (planned)		Structural calculation evaluation agency	—		
Number of tenants	1		Collateral	None		
Special items: None						

(Note) This is indicated based on the building confirmation application and confirmation certificate and is subject to change.

<b>Overview of Leasing</b>				
Lessee	Leased area	Annual rent (excluding consumption tax)	Contract period	Tenant leasehold and security deposit
NH Foods, Ltd.	8,949.40 m <sup>2</sup> (planned)	— (Note)	— (Note)	— (Note)
Contract form:	Fixed-term building lease agreement			
Rent revision:	It is agreed that rent shall remain unchanged until expiration of the lease period.			
Contract renewal:	No renewal; the contract will end upon expiration of the lease period. Unless a new lease agreement (re-contract) is executed with the date following the expiration date of the lease period set as the starting date, the lessee shall evacuate the building of the property by the expiration date of the lease period.			
Early cancellation:	The lessee may not be able to cancel the lease agreement. However, if the lessee wishes to terminate the lease agreement for its own reasons, it shall notify the lessor in writing by at least 12 months prior to the cancellation date. In this case, the lessee shall pay a pre-determined cancellation penalty to the lessor.			

(Note) The figures are not disclosed as consent for disclosure has not been obtained from the lessee.

### Property Characteristics

#### ■ Location

Green Logistics Park Tosu, where the Property stands, is developed adjacent to Tosu Interchange where Kyushu Expressway, Nagasaki Expressway and Oita Expressway intersect and serves as an important logistics point as a node of expressways in Kyushu. The Property is located within 2km of the Tosu Interchange and is also close to Tosu Commercial and Industrial Park and Tosu Freight Terminal Station, commanding extremely good transport access. As for the operation environment, since the area is classified as a quasi-industrial district and the property stands in the logistics park, there is little concern for such matters as neighborhood relations and the property can also be operated around the clock for the long-term. With enough width for the traffic of large vehicles using front roads and major roads, there is no particular problem found from the viewpoint of operating a logistics base. Moreover, with regard to securing workforce, which assumes commuting by car, the location offers good access from neighboring cities where the population is concentrated.

#### ■ Specifications

The Extended Building is a two-storied refrigerated warehouse with a gross floor area of approximately 2,740 *tsubos*, which will be constructed as an extension adjacent to the Existing Building. Inside of the warehouse is divided into the three different temperature zones of normal, chilled and frozen. Specifications include a floor load capacity of 1.3t/m<sup>2</sup> for the first floor, 1.7t/m<sup>2</sup> for the second floor, a ceiling height of 6.0m on the first floor and 6.1m on the second floor, and distance between pillars of 11.4m × 10.0m. Equipped with one cargo elevator and two vertical conveyors for intra-conveyance, it boasts refrigerated warehouse specifications that ensure operational efficiency and storage capacity. Having 17 berths with dock shelters on the east side on the first floor, the facility offers functionality that can respond to frequent deliveries. Waiting space for vehicles is sufficient within the site of the Existing Building and the Extended Building, and there are no particular problems found in the traffic line and handling of large vehicles. In addition, as office space is also sufficient, it is a facility that can function as a local key base along with the Existing Building.

### Overview of Property Appraisal

Appraisal value	2,950 million yen
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Appraisal date	September 30, 2015

Item	Content	Basis
Value based on income method	2,950 million yen	
Value based on cost method	2,600 million yen	
Proportion of land	23.5%	
Proportion of building	76.5%	
Items applied to adjustments in approaches to the value and the determination of the appraisal value	As the construction of the Extended Building has not yet started as of the appraisal date, this property appraisal assumes that the construction of the Extended Building has been completed and the Extended Building is in operation as of the appraisal date. The value based on income method of the Extended Building is calculated by subtracting the value based on income method of the Existing Building from the value based on income method of the entire property (the Existing Building and the Extended Building).	

#### 4. Overview of the entire property (the Existing Building and the Extended Building) after the acquisition of the Asset Scheduled for Acquisition (planned)

- |                               |                                                              |
|-------------------------------|--------------------------------------------------------------|
| (1) Location                  | : 1623-2 Aza Hasuhara, Himekata-machi, Tosu-shi, Saga        |
| (2) Use                       | : Logistics property                                         |
| (3) Planned acquisition price | : 4,700 million yen (excluding acquisition-related expenses) |
| (4) Lessee                    | : NH Foods, Ltd.                                             |
| (5) Land area                 | : 19,334.82 m <sup>2</sup>                                   |
| (6) Gross floor area          | : 17,587.61 m <sup>2</sup>                                   |
| (7) Leased area               | : 17,775.40 m <sup>2</sup>                                   |
| (8) Structure / floor         | : Steel-frame / 2 floors                                     |

【The entire property (the Existing Building and the Extended Building)】

Overview of Property Appraisal	
Appraisal value	5,630 million yen
Appraiser	The Tanizawa Sogo Appraisal Co., Ltd.
Appraisal date	September 30, 2015

Item	Content	Basis
Value based on income method	5,630 million yen	Estimate by combining the value calculated by using direct capitalization method and the value calculated by using discounted cash flow method.
Value based on direct capitalization method	5,720 million yen	
Operating revenue	—	(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)	307 million yen	
Investment income of lump sum	—	(Note)
Capital expenditure	—	
Net cash flow (NCF)	309 million yen	
Cap rate	5.4%	Compare the multiple transaction yields in the neighboring areas and the similar areas of the same supply and demand, also, assess by taking into account the change prediction of net cash flow in the future, considering the relationship with the discount rate.
Value based on discounted cash flow method	5,590 million yen	
Discount rate	1st to 9th year 5.4% 10th year and later 5.5%	Estimate base yield of the warehouse by build-up approach based on yields of the financial products, and assess taking into account specific risks related to the property.
Terminal cap rate	5.6%	In consideration of the prediction uncertainty, estimate on the basis of capitalization rate.
Value based on cost method	5,320 million yen	
Proportion of land	33.5%	
Proportion of building	66.5%	
Items applied to adjustments in approaches to the value and the determination of the appraisal value		As the construction of the Extended Building has not yet started as of the appraisal date, this property appraisal assumes that the construction of the Extended Building has been completed and the Extended Building is in operation as of the appraisal date.

(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.

## 5. Seller profile

(1) Name	Daiwa House Industry Co., Ltd.
(2) Location	3-3-5 Umeda, Kita-ku, Osaka-shi, Osaka
(3) Representative	Naotake Ohno, President and COO
(4) Business activities	General contractor
(5) Capital	161,699 million yen (as of March 31, 2015)
(6) Foundation date	March 4, 1947
(7) Net assets	1,112,817 million yen (as of March 31, 2015)
(8) Total assets	3,021,007 million yen (as of March 31, 2015)
(9) Major shareholder and shareholding ratio	The Master Trust Bank of Japan, Ltd. (trust account) 5.0% (as of March 31, 2015)
(10) Relationship with DHR and the Asset Manager	
Capital relationships	The seller holds 12.2% of DHR's investment units outstanding as of August 31, 2015. The seller also holds 100.0% of shares outstanding of the Asset Manager as of September 30, 2015.
Personal relationships	Of the officers and employees of the Asset Manager, 14 people have been dispatched from the seller as of October 29, 2015.
Business relationships	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 memorandum of understanding regarding pipeline support and other matters with DHR and the Asset Manager.
Status of classification as affiliated party	The seller falls under the category of an affiliated party of DHR/the Asset Manager.

## 6. Interested party transaction

As Daiwa House which is the seller of the Asset Scheduled for Acquisition is an interested party, etc. as defined in the Investment Trust Act, the Asset Manager has conducted necessary discussion and resolution procedures in accordance with its voluntary rules to avoid transactions with conflicts of interest.

## 7. Status of the seller

Property acquisition from the party with particular interest 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 background 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
L-B-19 D Project Tosu (Extended Building) (1623-1 Aza Hasuhara, Himekata-machi, Tosu- shi, Saga)	(Land) (1) Daiwa House Industry Co., Ltd. (2) The parent company of the Asset Manager (3) Acquisition for development purpose	A party which does not have any particular interests
	(Land) Omitted as the previous owner/trust beneficiary has owned the property for over one year	—
	(Land) June 2008	—

## 8. Brokerage

None

## 9. Acquisition schedule

(1) Acquisition decision date	:	October 29, 2015
(2) Execution date of the purchase agreement	:	October 29, 2015
(3) Start of construction of the Extended Building	:	October 30, 2015 (planned)
(4) Completion of the Extended Building	:	May 2016 (planned)
(5) Payment date	:	June 15, 2016 or the date agreed between the seller and the buyer (planned)
(6) Delivery date	:	June 15, 2016 or the date agreed between the seller and the buyer (planned)

## 10. Impact on DHR's finance in the event of failure of fulfillment of the forward commitment, etc.

The purchase agreement of the Extended Building of the Property (the "Purchase Agreement") is a "forward commitment, etc." (Note) as defined in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." established by the Financial Services Agency.

Under the Purchase Agreement, if a party breaches the Purchase Agreement, then the non-breaching party may cancel the Purchase Agreement upon notice to the breaching party, but only if the non-breaching party is no longer able to fulfill the purpose of the Purchase Agreement due to the other party's breach. In the event the Purchase Agreement is cancelled, the non-breaching party may demand the breaching party to pay a penalty in the amount equal to approximately 20% of the purchase price (as such penalty is expected to constitute damage payment, the non-breaching party may not claim for damages in the amount exceeding such penalty amount).

DHR's payment of the purchase price, however, is subject to DHR completing the financing necessary to pay the purchase price. Hence, if DHR is unable to complete the financing necessary to pay the purchase price, the Purchase Agreement will expire without DHR assuming any obligations under the Purchase Agreement, including payment of any penalty. Thus, if DHR cannot fulfill the forward commitment, etc. for failing to complete the financing, it is unlikely that such non-fulfillment will have any material impact on DHR's finance.

(Note) Forward commitment, etc. is a purchase and sale agreement signed one month or more in advance of the actual date on which the purchase price is paid and the property is transferred to the purchaser, as well as certain other similar contracts.

## 11. Outlook

Since the delivery is scheduled on June 15, 2016, this matter will have no impact on the forecast of operating results for the fiscal period ending February 2016 (from September 1, 2015 to February 29, 2016). The impact of this matter on the forecast of operating results for the fiscal period ending August 2016 (from March 1, 2016 to August 31, 2016) will be minimal, and there are no revisions to the forecast.

\* Distribution of this material: This material is distributed to "Kabuto Club" (a media correspondents' club at the Tokyo Stock Exchange), the press club at the Ministry of Land, Infrastructure, Transport and Tourism and the press club for construction trade newspapers at the Ministry of Land, Infrastructure, Transport and Tourism.

\* DHR's website: <http://www.daiwahouse-reit.jp/english>

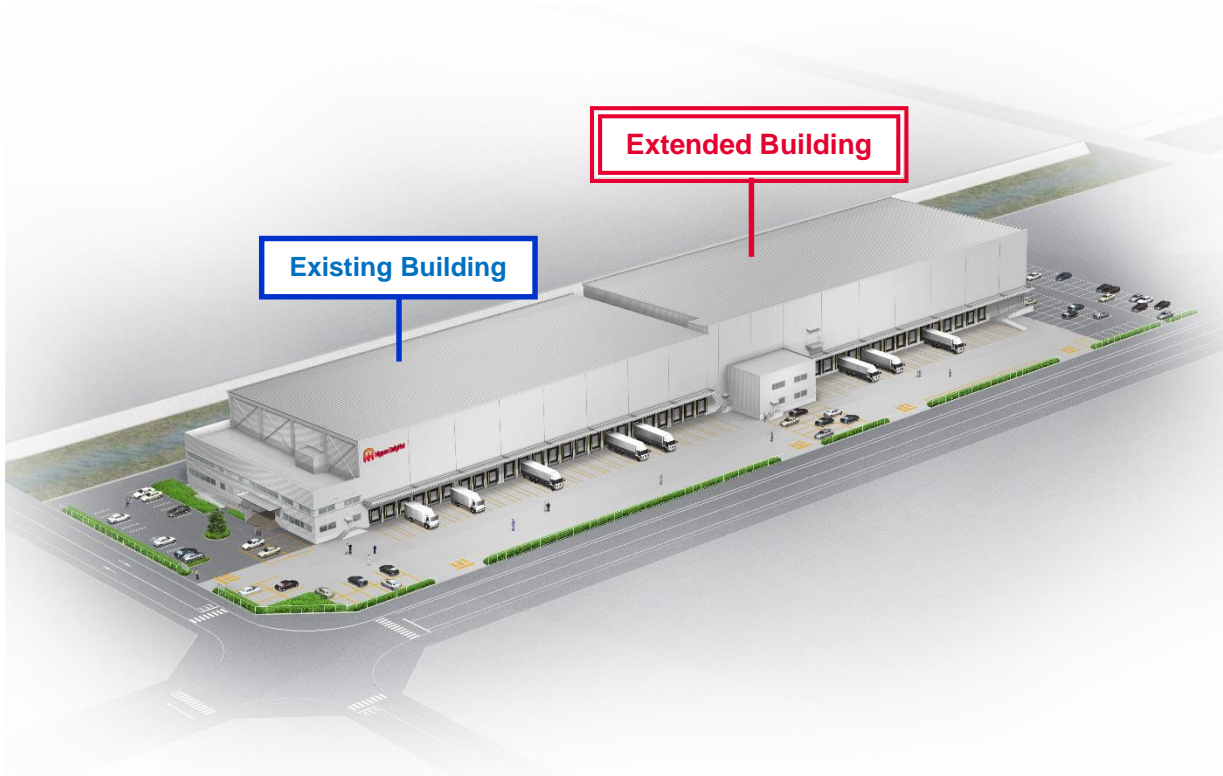
### <Attachments>

1. Architectural rendering
2. Layout plan
3. Location map
4. Property portfolio after the acquisition of the Asset Scheduled for Acquisition



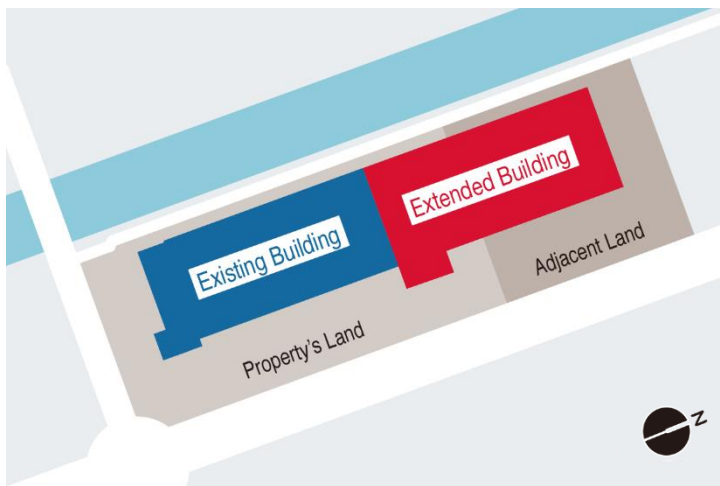
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1. Architectural rendering

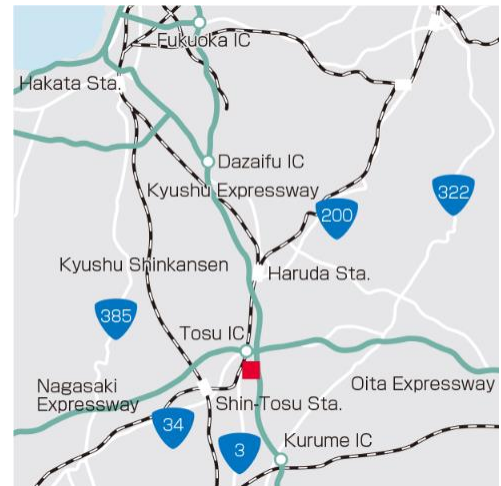


(Note) The architectural rendering shows an image of a planned-to-be completed building, thus may differ from the actual building.

2. Layout plan



3. Location map



**4. Property portfolio after the acquisition of the Asset Scheduled for Acquisition**

Property number	Property name	Acquisition price (planned) (yen in millions) (Note)	Investment ratio (%) (Note)	Acquisition Date (planned) (year/month/day)
L-B-1	D Project Machida	7,600	3.7	2012/11/29
L-B-2	D Project Hachioji	12,600	6.1	2012/11/29
L-B-3	D Project Aikawa-Machi	2,600	1.3	2012/11/28
L-B-4	D Project Shin-Misato	4,440	2.2	2012/11/29
L-B-5	D Project Urayasu I	7,700	3.7	2012/11/28
L-B-6	D Project Urayasu II	21,400	10.4	2012/11/29
L-B-7	D Project Akanehama	2,550	1.2	2012/11/28
L-B-8	D Project Noda	5,100	2.5	2012/11/28
L-B-9	D Project Inuyama	6,650	3.2	2012/11/28
L-B-10	D Project Gifu	900	0.4	2012/11/29
L-B-11	D Project Neyagawa	4,600	2.2	2012/11/28
L-B-12	D Project Sapporo Minami	600	0.3	2012/11/28
L-B-13	D Project Morioka	1,000	0.5	2012/11/29
L-B-14	D Project Sendai Minami	1,250	0.6	2012/11/28
L-B-15	D Project Tsuchiura	2,880	1.4	2012/11/29
L-B-16	D Project Gotenba	950	0.5	2012/11/28
L-B-17	D Project Nishi-Hiroshima	990	0.5	2012/11/28
L-B-18	D Project Fukuoka Umi	3,100	1.5	2012/11/29
L-B-19	D Project Tosu	4,700	2.3	2012/11/29 2016/6/15
L-B-20	D Project Kuki I	3,500	1.7	2014/4/1
L-B-21	D Project Kuki II	7,200	3.5	2014/4/1
L-B-22	D Project Kawagoe I	3,100	1.5	2014/4/1
L-B-23	D Project Kawagoe II	4,250	2.1	2014/4/1
L-B-24	DPL Inuyam	3,380	1.6	2014/4/1
L-B-25	D Project Fukuoka Hakozaki	3,700	1.8	2014/4/1
L-B-26	D Project Kuki III	7,340	3.6	2015/4/1
L-B-27	D Project Kuki IV	5,300	2.6	2015/4/1
L-B-28	D Project Kuki V	8,010	3.9	2015/4/1
L-B-29	D Project Kuki VI	4,980	2.4	2015/4/1
L-B-30	D Project Yashio	6,140	3.0	2015/4/1
L-B-31	D Project Nishiyodogawa	9,660	4.7	2015/4/1
L-B-32	D Project Matsudo	6,990	3.4	2015/6/1
32 Logistics Properties Total		165,160	80.0	—
R-M-1	ACROSSMALL Shinkamagaya	7,419	3.6	2007/12/12
R-M-2	FOLEO Hirakata	5,040	2.4	2008/12/11
R-M-3	QiZ GATE URAWA	5,360	2.6	2008/12/11
R-M-4	UNICUS Takasaki	2,570	1.2	2013/3/27
R-M-5	ACROSSPLAZA Miyoshi (land)	3,390	1.6	2014/9/30
R-M-6	DREAM TOWN ALi	7,790	3.8	2015/9/28
R-R-1	LIFE Sagamihara Wakamatsu	1,650	0.8	2008/12/11
R-R-2	FOLEO Sendai Miyanomori	6,040	2.9	2012/11/29
R-R-3	ACROSSPLAZA Inazawa (land)	1,944	0.9	2014/2/25
9 Retail Properties Total		41,203	20.0	—
Portfolio Total of 41 Properties		206,363	100.0	—

(Note) Figures of acquisition price (planned) are rounded to the nearest million yen and investment ratios are rounded to the nearest tenth.