

June 21, 2013

For Immediate Release

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**Notice Concerning the Proposed Acquisition of
Trust Beneficiary Rights in Real Estate**

Daiwa House Residential Investment Corporation (“DHI”) announced its decision today to acquire trust beneficiary rights in real estate as follows:

1. Acquisition Background and Rationale

DHI decided to acquire rental housing Castalia Shigahondori and fee-based home for the elderly with nursing care services Urban Living Inage (the “Acquisitions”) in order to enhance and diversify the portfolio and secure stable revenue over the medium to long term, etc. based on the investment policy set forth in DHI’s Articles of Incorporation.

2. Investment in “Properties for the Elderly”

Daiwa House Asset Management Co., Ltd., the asset manager to which DHI entrusts the management of its assets (the “Asset Manager”), made amendments to the Asset Management Guidelines on October 11, 2012 that newly added policies and standards concerning acquisition of residential properties for the elderly (properties for the elderly with services (Note 1), fee-based homes for the elderly (Note 2) and other rental residences, nursing homes, etc. dedicated to serve as a place of residence for elderly single persons or married couples by providing nursing care services, etc.), for which a certain level of demand is expected to continue as the aging of the population progresses, and considerations have been underway for acquisition.

Upon considering acquisition, with risks specific to properties for the elderly that differ to regular residential properties in mind and based on the policy of, in principle, investing in properties

believed to have limited risk in terms of operational management of properties for the elderly, such as total leasing to operators that the Asset Manager deems to have the operational management skills and creditworthiness needed or the Daiwa House Group, operational management support by the Daiwa House Group can be expected, etc., consultations have been underway with DHI's sponsor Daiwa House Industry Co., Ltd. ("Daiwa House Industry") toward acquisition.

Urban Living Inage, which is planned, designed and constructed by Daiwa House Industry, is a fee-based home for the elderly with nursing care services that is operated by member of Ginza Medical Group, Japan Life Design Corporation (Note 3) as operator and is competitive in that it can admit residents who are highly dependent on medical care.

In addition, Daiwa House Industry will also provide support in managing and operating the property as the master lease company and property management company after the property is acquired by DHI. Moreover, a rent-guaranteed-type master lease agreement is scheduled to be concluded with Daiwa House Industry, and it is a property with the support of Daiwa House Industry that can secure stable revenue over the medium to long term. These factors led to the decision to acquire the property.

Furthermore, for the asset scheduled for acquisition and the operator, DHI entrusted a company that has expertise in the analysis of properties for the elderly (Note 4) to serve as the due diligence ("DD") company for the Acquisitions in investigating the facility operational status and competitiveness as well as compliance concerning the operating of the nursing care business, etc. In addition, monitoring of operational status by the DD company will continue to be implemented even after the acquisition.

(Note 1) Of residences dedicated to serve as a place of residence for elderly single persons or married couples, "properties for the elderly with services" are those residences that plan to provide welfare services necessary for the daily life of the elderly residents.

(Note 2) "Fee-based homes for the elderly" are the fee-based homes for the elderly prescribed in the Act on Social Welfare for the Elderly (Act No. 133 of July 11, 1963, as amended).

(Note 3) Please refer to "[Reference Information] Operator Profile" below for an overview of Ginza Medical Group and Japan Life Design Corporation.

(Note 4) Please refer to "[Reference Information] DD Company Profile" below for an overview of the DD company.

3. Acquisition Details

	Property name	Acquisition price (planned) (Note 2)	Seller
Property 1	Castalia Shigahondori (Amare Wakabadori) (Note 1)	¥1,730,000,000	Limited liability company in Japan (Note 3)
Property 2	Urban Living Inage	¥930,000,000	Daiwa House Industry Co., Ltd.

(Note 1) DHI is scheduled to change the property name of the assets above. Accordingly, the name after the change is shown with the name as of today shown in parentheses.

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

(Note 3) No name, etc. is shown as the seller has not consented to such disclosure. Please note that the seller does not constitute a party with particular vested interest in DHI or the Asset Manager.

(1) Scheduled execution date of the sale and purchase agreement

Property 1: June 26, 2013

Property 2: June 24, 2013

- (2) Scheduled acquisition date
 Property 1: June 26, 2013 or on a date agreed upon by the seller and DHI.
 Property 2: June 24, 2013 or on a date agreed upon by the seller and DHI.
- (3) Acquisition funds
 The property will be acquired using cash on hand for the entire amount without financing from external funds.
- (4) Method of settlement
 Payment of entire amount upon delivery.

4. Acquisition of Castalia Shigahondori

(1) Asset Description

Name and Location, etc. of Respective Real Estate			
Type of specified asset	Beneficiary right in trust that places real estate in trust		
Present titleholder	Limited liability company in Japan (Note)		
Trustee	Sumitomo Mitsui Trust Bank, Limited		
Expiration date of trust period	June 30, 2023		
Location	Lot number	1-15-2, Wakabadori, Kita-ku, Nagoya city, Aichi Prefecture	
	Residence indication	1-15-2, Wakabadori, Kita-ku, Nagoya city, Aichi Prefecture	
Land	Form of ownership	Proprietary ownership	
	Site area	1,323.22m ²	
	Zoning	Commercial zone	
	Building coverage ratio / Floor area ratio	80% / 400%	
Building	Form of ownership	Proprietary ownership	
	Usage	Apartment complex, Retail, Office	
	Total floor area	5,306.11m ²	
	Structure / Number of floors	RC structure, 15F	
	Construction completion date	February 18, 2008	
Overview of Leasing (as of May 31, 2013)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥ 10,752 thousand
Number of leasable units	128	Deposits, guarantees, etc.	¥ 24,066 thousand
Number of leased units	119	Occupancy rate	89.6%
Leasable floor area	5,086.69m ²		
Leased floor area	4,556.43m ²	Breakdown of Residential Unit Type	
Type	As a percentage of total number of units	Property management company	Daiwa Living Co., Ltd. (planned)
Compact Type	100%	Master lease company	Daiwa Living Management Co., Ltd. (planned)
Family Type	—	Master lease type	Pass-through type
Engineering Report			
Building investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Earthquake resistance investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Report date	May 2013	Report date	May 2013
Emergency repair expenses	¥50 thousand	Earthquake probable maximum loss	2.3%
Short-term repair expenses (within 1 year)	0	Soil environment investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Long-term repair expenses (next 12 years)	¥52,615 thousand	Report date	May 2013

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Building replacement cost	¥990,100 thousand	Summary of engineering report	No matters were pointed out in particular.
Building Developer, Designer, Structural Designer, Building Contractor and Building Confirmation Agency			
Building developer	The Sumitomo Trust and Banking Co., Ltd.	Building contractor	MORIYA CORPORATION. Co., Ltd. Nagoya branch
Building designer	SPACE UP Sekkei Kobo	Building confirmation agency	Bureau Veritas Japan Co., Ltd.
Structural designer	MORIYA CORPORATION. Co., Ltd., first-class architect's office		
Other Information			
(Note) No name, etc. is shown as the seller has not consented to such disclosure. Please note that the present titleholder does not constitute a party with particular vested interest in DHI or the Asset Manager.			
Location Environment and Other Property Characteristics			
The property is located approximately 1 minute walk from Shiga-hondori Station on the Subway Meijo Line in a district where there is a mix of stores and residences lined with high-rise mixed-use apartment buildings, medium- and low-rise stores, offices, etc. along an arterial road. The surrounding area has a selection of stores selling daily necessities, etc., offering generally good convenience in terms of lifestyle.			
Matters of Special Note			
N/A			

[Explanation of Entries in Table Above (same for Urban Living Inage below)]

The summary of the respective real estate in trust is the information as of May 31, 2013, unless otherwise specified.

a. Explanation of "Name and Location, etc. of Respective Real Estate"

- (i) "Present titleholder" is the parties that sold the real estate, etc. to DHI.
- (ii) "Trustee" is the trustee or the party that is scheduled to become the trustee of the to-be-acquired asset.
- (iii) "Location (Lot number)" is the lot number as indicated in the register; and "Location (Residence indication)" is the residence indication of the asset to be acquired as indicated in the register (for properties without residence indication, the location of the building is as indicated in the register (only one location is indicated for properties that have several locations)).
- (iv) "Form of ownership" for the land and building are the kind of rights held by the trustee for the asset scheduled for acquisition.
- (v) "Site area" for the land is the area of the land recorded in the register.
- (vi) "Zoning" for the land is the zoning provided in Article 8, Paragraph 1, Item 1 of the City Planning Act.
- (vii) "Building coverage ratio" for the land is the ratio of the building area of the building to the site area as stipulated in Article 53 of the Building Standards Act and is the maximum figure of the building coverage ratio determined by city planning in accordance with the zoning, etc. (designated building coverage ratio). Designated building coverage ratios may be relaxed / increased, or decreased, since the building is a fireproof building in a fire prevention district, or for other reasons. Therefore it may differ from the actual building coverage ratio to be applied.
- (viii) "Floor area ratio" for the land is the ratio of the total floor area of the building to the site area as stipulated in Article 52 of the Building Standards Act and is the maximum figure of the floor area ratio determined by city planning in accordance with the zoning, etc. (designated floor area ratio). Designated floor area ratios may be relaxed / increased, or decreased, since the width of the road adjacent to the site, or for other reasons. Therefore it may defer from the actual floor area ratio to be applied.
- (ix) "Usage" for the building is the primary use out of the types recorded in the register.
- (x) "Total floor area" for the building is the sum total of the floor area recorded in the register.
- (xi) "Structure / Number of floors" for the building is the structure recorded in the register.
"Structure / Number of floors" entries use the following acronyms.
RC: Reinforced concrete structure SRC: Steel reinforced concrete structure S: Steel framed structure
- (xii) "Construction completion date" for the building is when construction was completed as recorded in the register.

b. Explanation of "Overview of Leasing"

- (i) "Overview of Leasing" numerical figures and information are based on information as of May 31, 2013 and have been derived based on numerical figures and information granted us from the previous owner of the asset scheduled for acquisition.
- (ii) "Total number of tenants" enters the number of tenants as 1 if there is a master lease agreement concluded with the sublessee. In the foregoing case, the number of leased units is calculated on the assumption that consent for the sublessee to become the lessor has been obtained from all end-tenants. The entry is 1 tenant when 1 party leases multiple rental units.
- (iii) "Number of leasable units" is the number of units of the asset scheduled for acquisition that is leasable as of May 31, 2013.
- (iv) "Number of leased units" is the number of units for which a lease agreement has been concluded with an end-tenant for the asset scheduled for acquisition as of May 31, 2013.
- (v) "Leasable floor area" is the floor area of the real estate in trust that is leasable based on information as of May 31, 2013.
- (vi) "Leased floor area" is the sum total of the floor area of the asset scheduled for acquisition entered in the lease contract concluded with end-tenants as of May 31, 2013. However, where there is clearly an error in the lease contract entry, that based on information received from the previous titleholder of the acquired asset, completion drawings, etc. is shown.
- (vii) "Monthly rent (incl. common area charges)" is, in principle, in the case where the master lease type is the pass-through type, the sum total amount of the monthly rent (including common area charges, but excluding the monthly use fees for parking space, trunk room and other ancillary facilities and consumption taxes etc.) entered in the lease contract, etc. concluded between the master lease company or the titleholder of the real estate / real estate in trust and end-tenants. In addition, in the case where the master lease type is the rent-guaranteed type, it is the sum total amount of the guaranteed amount of monthly rent (including common area charges, but excluding the monthly use fees for parking space, trunk room and other ancillary facilities and consumption taxes, etc.) entered in the

rent-guaranteed sublease contract concluded between the master lease company and the titleholder of the real estate / real estate in trust or the rent-guaranteed sublease contract concluded between the master lease company and the sublessee to which the master lease company is blanket subleasing. However, in the case where agreements of different master lease types are concluded, it is the sum total amount of the monthly rent of the pass-through type and monthly rent of the rent-guaranteed type. Amounts are rounded down to the nearest thousand yen.

- (viii) “Deposits, guarantees, etc.” is, in principle, in the case where the master lease type is the pass-through type, the sum total of the balance of the deposits, guarantees, etc. that must be returned to end-tenants based on the lease agreement concluded between the master lease company or the titleholder of the real estate / real estate in trust and end-tenants, rounded down to the nearest thousand yen. However, in the case where there is a portion that need not be returned due to special provisions for non-refundable deposits, amortization of deposits, etc. in lease agreements, the amount after deducting the concerned amount is shown. In addition, in the case where the master lease type is the rent-guaranteed type, it is the balance of the deposits, guarantees, etc. based on the rent-guaranteed lease contract concluded between the master lease company and the titleholder of the real estate / real estate in trust or the rent-guaranteed sublease contract concluded between the master lease company and the sublessee to which the master lease company is blanket subleasing. However, in the case where agreements of different master lease types are concluded, it is the sum total amount of the deposits, guarantees, etc. of the pass-through type and deposits, guarantees, etc. of the rent-guaranteed type. Amounts are rounded down to the nearest thousand yen.
- (ix) “Occupancy rate” is the ratio of leased floor area to leasable floor area of the asset scheduled for acquisition, rounded to one decimal place.
- (x) “Property management company” is the property management company that, as of today, is delegated property management services for the asset scheduled for acquisition.
- (xi) “Master lease company” is the lessee that has a blanket lease agreement concluded with the Present titleholder for the purpose of subleasing to third parties.
- (xii) “Master lease type” is “Pass-through type” when the master lease agreement concluded is not one based on payment of a guaranteed amount of rent, while it is “Rent-guaranteed type” when the master lease agreement concluded is one based on payment of a guaranteed amount of rent. With “Pass-through type,” rent is received only when subleasing actually takes place.

c. Explanation of “Breakdown of Residential Unit Type”

- (i) “Breakdown of Residential Unit Type” is based on the following classification.

	Exclusive-use floor area
Compact Type	60m ² or less
Family Type	More than 60m ²

- (ii) “As a percentage of total number of units” is the ratio of the number of leasable units of the residential unit type to the number of leasable units of the asset scheduled for acquisition, rounded to one decimal place. Accordingly, the sum total of the entered percentages does not necessarily add up to 100.0%.

d. Explanation of “Engineering Report”

- (i) “Engineering Report” is based on the entries in the engineering report prepared for the asset scheduled for acquisition.
- (ii) “Earthquake probable maximum loss” represent the probable maximum loss from an earthquake as being the amount of probable loss of damage that may result from an earthquake having 0.21% annual exceedance probability (475-year return period) expressed as a percentage (%) of the replacement cost (Note).

(Note) Replacement cost: Refers to the expenses that will be incurred if the existing building is to be newly constructed at the time of investigation.

e. Explanation of “Other Information”

“Other Information” provides an explanation of matters that need to be noted with respect to the entries of the items in the summary of the asset scheduled for acquisition.

f. Explanation of “Location Environment and Other Property Characteristics”

“Location Environment and Other Property Characteristics” is, in principle, based on the entries of real estate appraisal reports for the asset scheduled for acquisition.

g. Explanation of “Matters of Special Note”

“Special Notation” presents matters recognized to be of importance in terms of the rights, use, etc. of assets, as well as matters recognized to be of importance in consideration of the degree of impact on the appraised value, profitability and appropriation of assets, including the following matters.

- (i) Significant limitations or restrictions by laws, ordinances, rules and regulations
- (ii) Significant burdens or limitations pertaining to rights, etc.
- (iii) Significant cases where there are buildings, etc. crossing the boundaries of real estate in trust and cases where there are issues with boundary confirmation, etc.; and related arrangements, etc.
- (iv) Significant agreements, arrangements, etc. made with co-owners or condominium unit owners

(2) Seller Profile

The seller is a Limited liability company in Japan. No name, etc. is shown as the seller has not consented to such disclosure. Please note that the seller does not constitute a party with particular vested interest in DHI or the Asset Manager.

(3) Broker Profile

N/A

(4) Status of Property Owners, etc.

Entry is omitted since the property is not acquired from a party with particular vested interest in DHI or the Asset Manager.

(5) Relationship with Interested Party

Daiwa Living Co., Ltd. (property management company), Daiwa Living Management Co., Ltd. (master lease company) and Sumitomo Mitsui Trust Bank, Limited (trustee) constitute interested parties as set forth in the bylaws of the Asset Manager. Consequently, such transactions have undergone the procedures required by the Interested-Party Transaction Rules bylaws of the Asset Manager.

5. Acquisition of Urban Living Inage

(1) Asset Description

Name and Location, etc. of Respective Real Estate			
Type of specified asset	Beneficiary right in trust that places real estate in trust (Note 1)		
Present titleholder	Daiwa House Industry Co., Ltd.		
Trustee	Sumitomo Mitsui Trust Bank, Limited (planned) (Note 1)		
Expiration date of trust period	June 30, 2023 (Note 1)		
Location	Lot number	327-1, Sanno-cho, Aza-Sanno, Inage-ku, Chiba city, Chiba Prefecture	
	Residence indication	327-1, Sanno-cho, Inage-ku, Chiba city, Chiba Prefecture (Note 2)	
Land	Form of ownership	Proprietary ownership	
	Site area	2,176.14m ² (Note 3)	
	Zoning	Industrial zone	
	Building coverage ratio / Floor area ratio	60% / 200%	
Building	Form of ownership	Proprietary ownership	
	Usage	Nursing home	
	Total floor area	3,947.89m ²	
	Structure / Number of floors	S structure, 4F	
	Construction completion date	March 18, 2009	
Overview of Leasing (as of May 31, 2013)			
Total number of tenants	1	Monthly rent (incl. common area charges)	Non-disclosure (Note 6)
Number of leasable units	1 (Note 4)	Deposits, guarantees, etc.	Non-disclosure (Note 6)
Number of leased units	1 (Note 4)	Occupancy rate	100.0%
Leasable floor area	4,177.52m ² (Note 5)		
Leased floor area	4,177.52m ² (Note 5)	Breakdown of Residential Unit Type	
Type	As a percentage of total number of units	Property management company	Daiwa House Industry Co., Ltd. (planned)
Compact Type	—	Master lease company	Daiwa House Industry Co., Ltd. (planned)
Family Type	—	Master lease type	Rental guarantee type
Engineering Report			
Building investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Earthquake resistance investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Report date	April 2013	Report date	March 2013
Emergency repair expenses	0	Earthquake probable maximum loss	3.5%

Short-term repair expenses (within 1 year)	0	Soil environment investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.
Long-term repair expenses (next 12 years)	¥27,883 thousand	Report date	April 2013
Building replacement cost	¥686,100 thousand	Summary of engineering report	No matters were pointed out in particular.
Building Developer, Designer, Structural Designer, Building Contractor and Building Confirmation Agency			
Building developer	Daiwa House Industry Co., Ltd. Yokohama branch	Building contractor	Daiwa House Industry Co., Ltd. Yokohama branch
Building designer	Daiwa House Industry Co., Ltd. Yokohama branch, first-class architect's office		
Structural designer	Daiwa House Industry Co., Ltd. Yokohama branch, first-class architect's office	Building confirmation agency	Bureau Veritas Japan Co., Ltd.
Other Information			
<p>(Note 1) Although actual real estate as of today, plans are for the present titleholder to place the property in trust to trustee by the scheduled acquisition date and then for DHI to acquire the beneficiary right in trust.</p> <p>(Note 2) The address of the property does not comply with residence indication.</p> <p>(Note 3) The land of the property contains a private road portion shared with third party (① Co-ownership interest in 277 m² area recorded in the register (co-ownership interest of 9 out of 10) and ② Co-ownership interest in 374.42 m² area recorded in the register (co-ownership interest of 1 out of 20)), but the private road portion is not included in the site area.</p> <p>(Note 4) The number of units of the exclusive-use portion is 100 units, but the entry for the number of leasable units is 1 because of leasing in its entirety.</p> <p>(Note 5) The sum total of the exclusive-use floor area is 1,949.24 m², but the leased floor area including the common-use portion entered in the lease contract is shown because of leasing in its entirety.</p> <p>(Note 6) Not shown as the seller has not consented to such disclosure.</p>			
Location Environment and Other Property Characteristics			
The property is located approximately 5 minutes ride by bus and approximately 5 minutes walk from Yotsukaido Station on the JR Sobu Main Line and Narita Line and approximately 31 minutes ride by bus and approximately 3 minutes walk from Inage Station on the JR Sobu Line and Sobu Line (Rapid Service) in a residential district where there is a mix of low-rise general housing, fee-based homes for the elderly with nursing care services, etc. in the neighborhood.			
Matters of Special Note			
As the site of the building of the property does not pass through a public road, access to public roads is possible via use of the private road shared with third party.			

(2) Seller Profile

Trade name	Daiwa House Industry Co., Ltd.
Head office location	3-3-5, Umeda, Kita-ku, Osaka
Representative	Naotake Ohno, President and COO
Main line of business	General construction business
Capital	¥110,120million (As of March 31, 2013)
Established	March 4, 1947
Relationship with DHI and Asset Manager	
Capital Relationship	As of February 28, 2013, the Company holds 11.7% of the total number of DHI investment units issued and outstanding. As of May 31, 2013, the Company also holds 100% of the total number of Asset Manager shares issued and outstanding.
Personnel Relationship	As of May 31, 2013, of the officers and officials of the Asset Manager, fourteen are personnel dispatched from the Company.
Business Relationship	The Company executed the Support Agreement with DHI and the Asset Manager, based on which the Company provides the first refusal right, a

		warehousing function, etc. for residential properties, etc. to DHI and the Asset Manager.
	Status of Classification as Related Party	The Company constitutes a related party of DHI and the Asset Manager. The Company is also the Asset Manager's parent company.
	Other	The Company constitutes an interested party as set forth in the bylaws of the Asset Manager.

(3) Broker Profile

① Broker Profile

Trade name	Sumitomo Mitsui Trust Bank, Limited	
Head Office Address	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	
Representative	Hitoshi Tsunekage, President and CEO	
Principal Activities	Trust banking business	
Capital	¥ 342,037 million (As of March 31, 2013)	
Established	July 28, 1925	
Relationship with DHI and Asset Manager		
	Capital Relationship	As of February 28, 2013, the Company holds 0.4% of the total number of DHI investment units issued and outstanding.
	Personnel Relationship	As of May 31, 2013, of the officers and officials of the Asset Manager, one is personnel dispatched from the Company.
	Business Relationship	The Company has a basic agreement on the provision of brokerage information on properties, etc. with DHI and the Asset Manager, based on which the Company provides sale and brokerage information on income-producing real estate to DHI and the Asset Manager. The Company is also DHI's asset custodian, general administration operator, unitholder registration operator, special account managing institution, investment corporation bond manager, investment corporation bond general administration operator, trustee and lender.
	Status of Classification as Related Party	The Company does not constitute a related party of DHI or the Asset Manager. Furthermore, affiliated persons or affiliated companies of the Company do not constitute a related party of DHI or the Asset Manager.
	Other	The Company constitutes an interested party as set forth in the bylaws of the Asset Manager.

② Broker's Commission

¥ 5,000 thousand

(Note) Excluding amount equivalent to consumption taxes.

(4) Status of Property Owners, etc.

Property name	Urban Living Inage	
Status of property titleholders, etc.	Present trust beneficiary interest holder	Previous holder of leasehold interest in land
Name of company/individual	Daiwa House Industry Co., Ltd.	N/A
Relationship with party having particular vested interest	See "(2) Seller Profile" above	
Acquisition background, rationale, etc.	Self-developed property	

Acquisition value	—	
Acquisition timing	—	

(5) Relationship with Interested Party

Daiwa House Industry Co., Ltd. (seller, property management and master lease company) and Sumitomo Mitsui Trust Bank, Limited (broker and trustee) constitute interested parties as set forth in the bylaws of the Asset Manager. Consequently, such transactions have undergone the procedures required by the Interested-Party Transaction Rules bylaws of the Asset Manager.

6. Matters Concerning Earthquake Resistance, etc.

Of the to-be-acquired assets, DHI outsourced the examination/confirmation of earthquake-resistant structure content, including structural calculation documents, to a professional third party institution (Tokio Marine & Nichido Risk Consulting Co., Ltd.) and has received a statement that no willful alteration of the structural calculation documents by the building designer is suspected of the building of the to-be-acquired asset. In addition, DHI has received a statement concerning the structural design and it is judged that the design is generally in accordance with the provisions of earthquake resistance of the Building Standards Act and its ordinances for enforcement, etc.

In addition, in the course of due diligence upon property acquisition, DHI has earthquake risk analyses conducted separate to the investigation of examination/confirmation conducted by the confirmation and investigation agencies. The analyses are based on a design drawing review, ground survey, etc. using structural drawings, structural calculation documents and other materials.

7. Future Prospects

Please refer to the press release “Notice Concerning Revision of Operation Status Forecasts for the 15th Fiscal Period and 16th Fiscal Period” dated today.

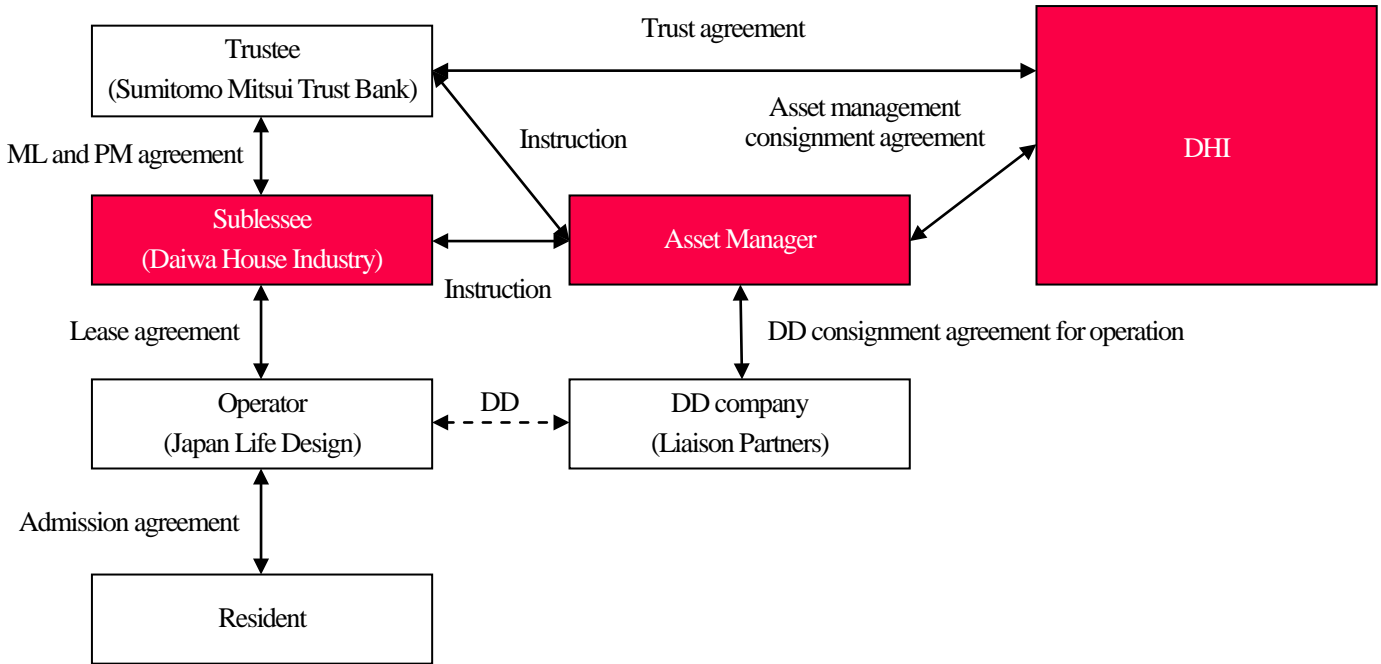
* This press release is to be distributed to the Kabuto Club (the press club of the Tokyo Stock Exchange); the Ministry of Land, Infrastructure, Transport and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.

* URL of the DHI's website: <http://daiwahouse-resi-reit.co.jp/eng/>

[Reference Information]

1. Flow Chart of Scheme after Acquisition, and Operator and DD Company Profile
Property 2) Urban Living Inage

(1) Flow Chart of Scheme after Acquisition



(2) Operator Profile

Trade name	Japan Life Design Corporation
Head Office Address	Kamipalp Kaikan 5F, 3-9-11, Ginza, Chuo-ku, Tokyo
Representative	Fumio Kato, President
Principal Activities	Operating various nursing care services, with the running of fee-based homes for the elderly at the core
Capital	¥ 188.2 million (As of March 31, 2013)
Established	May 13, 2003
Relationship with DHI and Asset Manager	
Capital Relationship	There is no capital relationship to describe between DHI, asset manager and Japan Life Design Corporation.
Personnel Relationship	There is no personnel relationship to describe between DHI, asset manager and Japan Life Design Corporation.
Business Relationship	There is no business relationship to describe between DHI, asset manager and Japan Life Design Corporation.
Status of Classification as Related Party	The Company does not constitute a related party of DHI or the Asset Manager. Furthermore, affiliated persons or affiliated companies of the Company do not constitute a related party of DHI or the Asset Manager.
Operation facilities	Fee-based home for the elderly with nursing care services: Hayama no oka (Hayama-cho, Kanagawa) Short stay, day service: Yamato Shorakuan (Yamato city, Kanagawa) Group home, day service: Yuuraku (Kawasaki city, Kanagawa) Fee-based home for the elderly with nursing care services: Aburatsubo Marina Hills (Miura city, Kanagawa) Day service facility specializing in short-stay rehabilitation: TAKE (Yokosuka city, Kanagawa)

Other	<p>< Ginza Medical Group > Ginza Medical Group have operations in nationwide with 5 companies, 32 service deposits, 42 business place with 622 employees. The Ginza Medical Corporation, established on March 30, 2012 is its parent organization. Japan Life Design Corporation is a subsidiary of Ginza Medical Group.</p>
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(3) DD Company Profile

Trade name	Liaison Partners, Inc.
Head Office Address	Kurein Tranomon 6F, 3-20-5, Tranomon, Minato-ku, Tokyo
Representative	Jiro Akimoto, President
Principal Activities	Asset Management business, Advisory business and Solution business
Capital	¥ 10 million (As of March 31, 2013)
Established	March 9, 2005
Relationship with DHI and Asset Manager	
Capital Relationship	There is no capital relationship to describe between DHI, asset manager and Liaison Partners, Inc.
Personnel Relationship	There is no personnel relationship to describe between DHI, asset manager and Liaison Partners, Inc.
Business Relationship	There is no business relationship to describe between DHI, asset manager and Liaison Partners, Inc.
Status of Classification as Related Party	The Company does not constitute a related party of DHI or the Asset Manager. Furthermore, affiliated persons or affiliated companies of the Company do not constitute a related party of DHI or the Asset Manager.

2. Summary of Real Estate Appraisal

Property 1) Castalia Shigahondori

Real estate appraiser	Japan Real Estate Institute	Date of value opinion: June 1, 2013 Date of appraisal: June 10, 2013
Final opinion of value	1,860,000,000	
A. Value indicated by the cost approach	1,490,000,000	
B. Value indicated by the income approach	1,860,000,000	
1. Value indicated by the income approach based on the direct capitalization method	1,870,000,000	
(1) Total revenue	140,156,000	①+②+③+④-⑤
① Rent income	131,986,000	
② Utilities expenses income	10,907,000	
③ Parking space income	6,000,000	
④ Other income	2,616,000	
⑤ Losses from vacancies, etc.	11,353,000	
(2) Total expenses	25,514,000	Sum total of a. to h.
a. Maintenance and management expenses	3,024,000	
b. Utilities expenses	1,350,000	
c. Repair expenses	3,721,000	Including restore expenses
d. Property management fee	4,129,000	
e. Leasing fee	3,649,000	
f. Taxes and dues	8,636,000	
g. Non-life insurance expenses	247,000	
h. Other expenses	758,000	CATV connection fee
(3) Operating income from property leasing	114,642,000	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	480,000	
(5) Capital expenditures	2,850,000	Based on an assessment (taking into consideration the engineering report)
(6) Net operating income	112,272,000	(3) + (4) - (5)
(7) Cap rate	6.0%	
2. Value indicated by the income approach based on the DCF method	1,840,000,000	
Discount rate	5.8%	
Terminal cap rate	6.2%	

Property 2) Urban Living Inage

Real estate appraiser	DAIWA REAL ESTATE APPRAISAL CO., LTD.	Date of value opinion: April 1, 2013 Date of appraisal: June 12, 2013
Final opinion of value	978,000,000	
A. Value indicated by the cost approach	703,000,000	
B. Value indicated by the income approach	978,000,000	
1. Value indicated by the income approach based on the direct capitalization method	982,000,000	
(1) Total revenue	78,120,000	①+②+③+④+⑤-⑥
① Rent income	78,120,000	
② Utilities expenses income	0	Not recorded, because leasing in its entirety is assumed
③ Parking space income	0	Not recorded, because leasing in its entirety is assumed
④ Foregift, etc.	0	Not recorded, because leasing in its entirety is assumed
⑤ Other income	0	Not recorded, because leasing in its entirety is assumed
⑥ Losses from vacancies, etc.	0	Not recorded, because leasing in its entirety is assumed
(2) Total expenses	9,155,798	Sum total of a. to h.
a. Maintenance and management expenses	0	Not recorded, because leasing in its entirety is assumed
b. Utilities expenses	0	Not recorded, because leasing in its entirety is assumed
c. Repair expenses	848,020	Tenant replacement expenses not recorded, taking into consideration lessee's restoration obligations
d. Property management fee	0	Not recorded, based on master lease and property management agreement (planned)
e. Leasing fee	0	Not recorded, because no tenant replacement is assumed
f. Taxes and dues	5,469,500	
g. Non-life insurance expenses	494,678	
h. Other expenses	2,343,600	
(3) Operating income from property leasing	68,964,202	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	838,752	
(5) Capital expenditures	2,038,073	Based on an assessment (taking into consideration the engineering report)
(6) Net operating income	67,764,881	(3) + (4) - (5)
(7) Cap rate	6.9%	
2. Value indicated by the income approach based on the DCF method	976,000,000	
Discount rate	6.7%	
Terminal cap rate	7.1%	

3. Real Estate Portfolio List after Acquisition of Property

	Area (Note 1)	Property No.	Property Name	Acquisition Date (planned) (Note 2)	Acquisition Price (planned) (Note 3)	Investment Ratio (Note 4)		
Residential	Area 1	1001	Qiz Ebisu	March 22, 2006	7,650	3.5%		
		1002	Castalia Azabujuban Shichimenzaka	March 22, 2006	4,500	2.0%		
		1003	Castalia Shibakoen	March 22, 2006	2,630	1.2%		
		1004	Castalia Ginza	March 22, 2006	2,520	1.1%		
		1005	Castalia Hiroo	March 22, 2006	2,220	1.0%		
		1006	Castalia Nihonbashi	March 22, 2006	1,200	0.5%		
		1007	Castalia Hacchobori	March 7, 2007	2,300	1.0%		
		1008	Castalia Azabujuban	June 21, 2007	2,910	1.3%		
		1009	Castalia Azabujuban II	June 21, 2007	2,690	1.2%		
		1010	Castalia Shinjuku Natsumezaka	June 21, 2007	1,865	0.8%		
		1011	Castalia Ginza II	June 21, 2007	1,800	0.8%		
		1012	Castalia Shibuya Sakuragaoka	June 21, 2007	1,400	0.6%		
		1015	Castalia Nishi Azabu Kasumicho	April 1, 2010	2,143	1.0%		
		1016	Castalia Ochanomizu	April 1, 2010	1,770	0.8%		
		1017	Castalia Sangubashi	April 1, 2010	1,393	0.6%		
		1018	Castalia Suitengu	April 1, 2010	1,279	0.6%		
		1019	Castalia Suitengu II	April 1, 2010	1,138	0.5%		
		1020	Castalia Shintomicho	April 1, 2010	932	0.4%		
		1021	Castalia Shintomicho II	April 1, 2010	825	0.4%		
		1022	Castalia Harajuku	April 1, 2010	887	0.4%		
		1023	Castalia Yoyogi Uehara	April 1, 2010	608	0.3%		
		1024	Castalia Sendagaya	April 1, 2010	555	0.3%		
		1025	Castalia Shinjuku 7 chome	April 1, 2010	464	0.2%		
		1027	Castalia Ningyocho	April 1, 2010	947	0.4%		
		1028	Castalia Ningyocho II	April 1, 2010	1,070	0.5%		
		1029	Castalia Shin-Ochanomizu	April 1, 2010	914	0.4%		
		1030	Castalia Higashi Nihonbashi II	April 1, 2010	1,370	0.6%		
		1031	Castalia Jinbocho	April 1, 2010	1,160	0.5%		
		1032	Castalia Shintomicho III	April 1, 2010	675	0.3%		
		1033	Castalia Shinjuku Gyoen	April 1, 2010	2,720	1.2%		
		1034	Castalia Takanawadai	April 1, 2010	860	0.4%		
		1035	Castalia Higashi Nihonbashi III	April 1, 2010	666	0.3%		
		1036	Castalia Shinjuku Gyoen II	April 1, 2010	486	0.2%		
		1037	Castalia Shintomicho IV	April 1, 2010	400	0.2%		
		1038	Castalia Takanawadai II	April 1, 2010	1,190	0.5%		
		1039	Castalia Minami Azabu	April 1, 2010	642	0.3%		
		1040	Castalia Ginza III	April 1, 2010	2,880	1.3%		
		1041	Castalia Kayabacho	April 1, 2010	2,707	1.2%		
		1042	Castalia Takanawa	April 1, 2010	7,430	3.4%		
		1043	Castalia Higashi Nihonbashi	April 1, 2010	3,520	1.6%		
		1045	Castalia Shinjuku	April 1, 2010	2,950	1.3%		
		1046	Castalia Ichigaya	June 29, 2010	940	0.4%		
		1047	Shibaura Island Bloom Tower	October 18, 2011	7,580	3.4%		
		1048	Castalia Hatsudai	December 19, 2011	2,030	0.9%		
				Subtotal			88,816	40.2%
			Area 2	2001	Castalia Meguro Kamurozaka	December 20, 2005	4,500	2.0%
				2002	IPSE Toritsudaigaku	March 22, 2006	648	0.3%
				2004	Castalia Yukigaya	March 7, 2007	1,110	0.5%
	2005	Castalia Yutenji		June 21, 2007	1,450	0.7%		
	2006	Castalia Otsuka		June 21, 2007	1,480	0.7%		
	2007	Castalia Kikukawa		June 21, 2007	817	0.4%		
	2008	Castalia Meguro		April 1, 2010	844	0.4%		
	2009	Castalia Otsuka II		April 1, 2010	1,040	0.5%		
	2010	Castalia Jiyugaoka		April 1, 2010	1,200	0.5%		
	2011	Castalia Mejiro		April 1, 2010	988	0.4%		

2012	Castalia Ikebukuro	April 1, 2010	2,570	1.2%	
2013	Castalia Kaname-cho	April 1, 2010	1,140	0.5%	
2014	Castalia Tower Shinagawa Seaside	April 1, 2010	7,380	3.3%	
2015	Castalia Yakumo	April 1, 2010	857	0.4%	
2016	Castalia Togoshiekimae	April 1, 2010	1,560	0.7%	
2018	Castalia Honjo Azumabashi	April 1, 2010	996	0.5%	
2019	Castalia Kitazawa	April 1, 2010	742	0.3%	
2020	Castalia Monzennakacho	April 1, 2010	503	0.2%	
2023	Castalia Kamiikedai	April 1, 2010	198	0.1%	
2024	Castalia Morishita	April 1, 2010	832	0.4%	
2025	Castalia Wakabayashi koen	April 1, 2010	776	0.4%	
2026	Castalia Asakusabashi	April 1, 2010	792	0.4%	
2027	Castalia Iriya	April 1, 2010	546	0.2%	
2028	Castalia Kita Ueno	April 1, 2010	2,641	1.2%	
2029	Castalia Morishita II	April 1, 2010	686	0.3%	
2030	Castalia Minowa	April 1, 2010	1,430	0.6%	
2031	Castalia Oyamadai	April 1, 2010	533	0.2%	
2032	Castalia Nakano	April 1, 2010	1,060	0.5%	
2033	Castalia Yoga	April 1, 2010	923	0.4%	
2034	Castalia Sumiyoshi	April 1, 2010	948	0.4%	
2035	Castalia Monzennakacho II	April 1, 2010	2,160	1.0%	
2036	Castalia Oshiage	April 1, 2010	1,100	0.5%	
2037	Castalia Kuramae	April 1, 2010	1,260	0.6%	
2038	Castalia Nakanobu	June 29, 2010	1,790	0.8%	
2039	Royal Parks Toyosu	November 1, 2010	7,360	3.3%	
2040	Castalia Togoshi	November 1, 2010	1,770	0.8%	
2041	Castalia Ooimachi	June 30, 2011	1,181	0.5%	
2042	Castalia Omori	August 2, 2011	1,500	0.7%	
2043	Castalia Mishuku	October 7, 2011	1,900	0.9%	
2044	Castalia Arakawa	March 28, 2012	1,660	0.8%	
2045	Castalia Omori II	March 29, 2012	2,370	1.1%	
2046	Castalia Nakameguro	November 29, 2012	3,800	1.7%	
Subtotal			69,041	31.2%	
Area 3	3001	Cosmo Heim Musashikosugi	March 22, 2006	1,674	0.8%
	3002	Castalia Tsurumi	June 21, 2007	666	0.3%
	3003	Castalia Funabashi	April 1, 2010	704	0.3%
	3006	Castalia Nishi Funabashi	April 1, 2010	783	0.4%
	3007	Castalia Maihama	April 1, 2010	670	0.3%
	3008	Castalia Ichikawamyoden	April 1, 2010	671	0.3%
	3010	Castalia Urayasu	April 1, 2010	592	0.3%
	3011	Castalia Minamigyotoku	April 1, 2010	543	0.2%
	3012	Castalia Minamigyotoku II	April 1, 2010	385	0.2%
	3013	Castalia Nogeiyama	April 1, 2010	325	0.1%
	3017	Castalia Ichikawa	April 1, 2010	461	0.2%
3018	Royal Parks Hanakoganei	October 7, 2011	5,300	2.4%	
Subtotal			12,774	5.8%	
Area 4	4001	Castalia Shinsakae	December 20, 2005	1,920	0.9%
	4008	Aprile Tarumi	April 1, 2010	1,340	0.6%
	4009	Crest Kusatsu	April 1, 2010	3,004	1.4%
	4010	Castalia Sakaisuji Honmachi	April 1, 2010	1,490	0.7%
	4011	Castalia Shin-Umeda	April 1, 2010	1,376	0.6%
	4012	Castalia Abeno	April 1, 2010	4,368	2.0%
	4014	Castalia Sakae	April 1, 2010	1,010	0.5%
	4015	Castalia Nipponbashi Kouzu	April 1, 2010	3,570	1.6%
	4016	Castalia Maruyama Urasando	April 1, 2010	411	0.2%
	4017	Castalia Maruyama Omotesando	April 1, 2010	1,740	0.8%
	4018	Castalia Higashi Hie	April 1, 2010	960	0.4%
	4019	Castalia Tower Nagahoribashi	April 1, 2010	3,400	1.5%
	4020	Castalia Sanmomiya	April 1, 2010	1,230	0.6%
	4021	Castalia Kotodaikoen	April 1, 2010	481	0.2%
	4022	Castalia Ichibancho	April 1, 2010	783	0.4%
4023	Castalia Omachi	April 1, 2010	656	0.3%	

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		4024	Castalia Uemachidai	April 1, 2010	2,190	1.0%
		4025	Castalia Tower Higobashi	April 1, 2010	2,670	1.2%
		4026	Big Tower Minami Sanjo	November 1, 2010	1,740	0.8%
		4027	Castalia Fushimi	January 14, 2011	2,260	1.0%
		4028	Castalia Meieki Minami	August 1, 2011	720	0.3%
		4029	Castalia Yakuin	September 26, 2011	930	0.4%
		4030	Castalia Mibu	December 22, 2011	1,193	0.5%
		4031	Castalia Tsutsujigaoka	September 3, 2012	1,209	0.5%
		4032	Castalia Ohori Bay Tower	March 25, 2013	2,910	1.3%
		4033	Royal Parks Namba	March 29, 2013	2,830	1.3%
		4034	Castalia Shigahondori	June 26, 2013 (planned)	1,730	0.8%
		Subtotal			48,121	21.8%
		Subtotal			218,752	98.9%
Residential	Area 3	6001	Urban Living Inage	June 24, 2013 (planned)	930	0.4%
(Residential properties for the elderly) Subtotal					930	0.4%
Residential Subtotal					219,682	99.4%
Retail	Area 4	8002	FOLEO TOWN Tsutsui	March 23, 2007	1,410	0.6%
Subtotal					1,410	0.6%
Total					221,092	100.0%

(Note 1) Under “Area,” “Area 1” refers to the 5 major wards of Tokyo (Chiyoda, Chuo, Minato, Shibuya and Shinjuku Wards), “Area 2” refers to the wards of Tokyo excluding “Area 1,” “Area 3” refers to the Tokyo metropolitan area (Tokyo (excluding “Areas 1” and “Area 2”), Kanagawa, Saitama and Chiba Prefectures), and “Area 4” refers to other cities (areas with populations of approximately 100,000 people or more).

(Note 2) “Acquisition Date (planned)” is entered as the effective date of the merger (April 1, 2010) for properties that were held by the former New City Residence Investment Corporation.

(Note 3) “Acquisition Price (planned)” is excluding such amounts as expenses related to acquisition, reimbursement of taxes and dues, etc., and consumption taxes. For properties that were held by the former New City Residence Investment Corporation, the price at which the properties were succeeded at the time of the merger (the appraisal value as of February 28, 2010) is shown. Amounts are rounded to the nearest million yen.

(Note 4) “Investment Share” is the ratio of the acquisition price to the total amount of acquisition prices, rounded to one decimal place.

4. Photograph of the Property Planned for Acquisition

Property 1) Castalia Shigahondori



Property 2) Urban Living Inage



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