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For Immediate Release

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Notice Concerning the Proposed Acquisition of
Real Estate (Morino Tonari) and
Trust Beneficiary Rights in Real Estate (Castalia Meguro Tairamachi)

Daiwa House Residential Investment Corporation (“DHI”) announces Daiwa House Asset Management Co., Ltd., the asset manager to which DHI entrusts the management of its assets (the “Asset Manager”), decided today to acquire real estate and trust beneficiary rights in real estate as follows:

1. Acquisition Background and Rationale

DHI decided to acquire Morino Tonari and Castalia Meguro Tairamachi (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.

In addition, of the Acquisitions, “Castalia Meguro Tairamachi” is a property in which DHI’s support company Cosmos Initia Co., Ltd. (“Cosmos Initia”) has been involved in such areas as providing the project owner with advice concerning planning and design from the planning stage of the project, and marks the first case of acquisition based on the “Basic Agreement on Pipeline Support, Etc.” concluded between DHI and Cosmos Initia (Note).

Cosmos Initia is a developer boasting a substantial track record and experience in the development of condominiums for sale in lots and condominiums for leasing, etc. mainly in the Tokyo metropolitan area. DHI will continue to collaborate with Cosmos Initia to increase acquisition opportunities in an aim to secure stable portfolio revenue, etc.

(Note) Please refer to the press releases “Notice Concerning Execution of Basic Agreement on Pipeline Support, Etc.” dated June 21, 2013.

2. Acquisition Details

	Property name	Acquisition price (planned) (Note 2)	Seller
Property 1	Morino Tonari	¥1,020,000,000	Daiichi Koutsu Sangyo Co., Ltd.
Property 2	Castalia Meguro Tairamachi (EL GRACIA Toritsudaigaku) (Note 1)	¥1,165,000,000	Company engaged in general business in Japan (Note 3)

(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	July 1, 2014
Property 2	June 24, 2014

(2) Scheduled acquisition date

Property 1	July 1, 2014 or on a date agreed upon by the seller and DHI.
Property 2	September 26, 2014 or on a date agreed upon by the seller and DHI.

(Note) Sale and purchase agreement for Castalia Meguro Tairamachi constitute forward commitment. Please refer to the following “5. Matters Concerning Forward Commitment, etc.”.

(3) Acquisition funds

Property 1	Cash on hand
Property 2	Cash on hand and funds from debt financing (Note)

(Note) For details for the debt financing will be announced once determined.

(4) Method of settlement

Payment of entire amount upon delivery.

3. Acquisition of Morino Tonari

(1) Asset Description

Name and Location, etc. of Respective Real Estate		
Type of specified asset	Real estate	
Present titleholder	Daiichi Koutsu Sangyo Co., Ltd.	
Trustee	N/A	
Location	Lot number	1-95-9, Koyamadai, Shinagawa-ku, Tokyo
	Residence indication	1-1-5, Koyamadai, Shinagawa-ku, Tokyo
Land	Form of ownership	Proprietary ownership
	Site area	800.89m ²
	Zoning	Class 1 medium- to high-rise exclusive residential district
	Building coverage ratio / Floor area ratio	60% / 200%
Building	Form of ownership	Proprietary ownership
	Usage	Apartment complex
	Total floor area	1,611.63m ² (Note)
	Structure / Number of floors	RC structure, 3F / B1F
	Construction completion date	June 30, 2008

Overview of Leasing (as of May 31, 2014)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥4,751 thousand
Number of leasable units	28	Deposits, guarantees, etc.	¥9,627 thousand
Number of leased units	26	Occupancy rate	93.2%
Leasable floor area	1,668.24m ²		
Leased floor area	1,555.62m 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	46%	Master lease company	Daiwa Living Management Co., Ltd. (planned)
Family Type	54%	Master lease type	Pass-through type (planned)
Collateral	N/A		
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	June 2014	Report date	June 2014
Emergency repair expenses	0	Earthquake probable maximum loss	4.6%
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)	¥17,778 thousand	Report date	June 2014
Building replacement cost	¥353,600 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	Daiichi Koutsu Sangyo Co., Ltd., Urban Design System Co., Ltd.	Building contractor	SATOHIDE CORPORATION
Building designer	Urban Design System Co., Ltd.	Building confirmation agency	Bureau Veritas Japan
Structural designer	AS associates		
Other Information			
(Note) In addition to the total floor area indicated, there is a registered annex building (type: garbage disposal area; structure: RC structure with flat roof, 1F; floor area: 7.40m ²), but the area of the registered annex building is not included.			
Location Environment and Other Property Characteristics			
The property is located approximately an eight-minute walk from Musashi-koyama Station on the Tokyu Meguro Line and approximately a ten-minute walk from Fudo-mae Station on the Tokyu Meguro Line, and is a designer condominium of high design features with a characteristic façade. The neighborhood is a residential district lined with detached housing and apartment buildings. The nearest station as well as supermarkets, Musashi-koyama Shopping Street and other facilities offering convenience in terms of lifestyle are also within a ten-minute walk, making convenience also favorable. The area is thus one that can expect strong residential demand. In addition, adjacent to Rinshi no Mori Park, the area is rich in nature and has an outstanding landscape.			
Matters of Special Note			
N/A			

[Explanation of Entries in Table Above (same for Castalia Meguro Tairamachi below)]

The summary of the respective real estate is the information as of May 31, 2014, 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 differ 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, 2014 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, 2014.
- (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, 2014.
- (v) "Leasable floor area" is the floor area of the real estate in trust that is leasable based on information as of May 31, 2014.
- (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, 2014. 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 or planned to conclude is not one based on payment of a guaranteed amount of rent, while it is "Rent-guaranteed type" when the master lease agreement concluded or planned to conclude 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

Trade name	Daiichi Koutsu Sangyo Co., Ltd.	
Head Office Address	2-6-8, Bashaku, Kokura kita-ku, Kitakyushu City, Fukuoka Prefecture	
Representative	Ryoichiro Tanaka, President	
Principal Activities	Selling real estate in lots, leasing real estate, and managing and overseeing Group subsidiaries (taxi, bus, financial, etc.)	
Capital	¥ 2,027 million (As of March 31, 2013)	
Established	September 10, 1964	
Net assets	¥ 23,291 million (As of March 31, 2013)	
Total assets	¥ 99,847 million (As of March 31, 2013)	
Major stockholder and ratio (March 31, 2013)	Stockholder	Ratio
	DAIICHI Management	51.21%
	THE NISHI-NIPPON CITY BANK, LTD	4.77%
	The Bank of Fukuoka	3.94%
Relationship with DHI and Asset Manager		
Capital Relationship	There is no capital relationship to describe between DHI, Asset Manager and Daiichi Koutsu Sangyo Co., Ltd.	
Personnel Relationship	There is no personnel relationship to describe between DHI, Asset Manager and Daiichi Koutsu Sangyo Co., Ltd.	
Business Relationship	There is no business relationship to describe between DHI, Asset Manager and Daiichi Koutsu Sangyo Co., Ltd.	

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 does not constitute an interested party as set forth in the bylaws of the Asset Manager.

(3) Broker Profile

① Broker Profile

Trade name	Sumitomo Real Estate Sales Co., Ltd.
Head Office Address	2-4-1, Nishi-shinjuku, Shinjuku-ku, Tokyo
Representative	Toshikazu Tanaka, President
Principal Activities	Sales, Brokerage, Consignment sales, Leasing property etc.
Capital	¥ 2,970 million (As of March 31, 2013)
Established	March 1, 1975
Relationship with DHI and Asset Manager	
Capital Relationship	There is no capital relationship to describe between DHI, Asset Manager and Sumitomo Real Estate Sales Co., Ltd.
Personnel Relationship	There is no personnel relationship to describe between DHI, Asset Manager and Sumitomo Real Estate Sales Co., Ltd.
Business Relationship	There is no business relationship to describe between DHI, Asset Manager and Sumitomo Real Estate Sales Co., Ltd.
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 does not constitute an interested party as set forth in the bylaws of the Asset Manager.

② Broker's Commission

Commission is not shown as the broker has not consented to such disclosure.

(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. (planned property management), Daiwa Living Management Co., Ltd. (planned master lease company) 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.

4. Acquisition of Castalia Meguro Tairamachi

(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	Company engaged in general business in Japan (Note)		
Trustee	Mitsubishi UFJ Trust and Banking Corporation		
Expiration date of trust period	September 30, 2024		
Location	Lot number	1-205-1, Tairamachi, Meguro-ku, Tokyo	
	Residence indication	1-23-8, Tairamachi, Meguro-ku, Tokyo	
Land	Form of ownership	Proprietary ownership	
	Site area	678.03m ²	
	Zoning	Class 1 medium- to high-rise exclusive residential district	
	Building coverage ratio / Floor area ratio	60% / 200%	
Building	Form of ownership	Proprietary ownership	
	Usage	Apartment complex	
	Total floor area	1,464.49m ²	
	Structure / Number of floors	RC structure, 5F	
	Construction completion date	March 5, 2014	
Overview of Leasing (as of May 31, 2014)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥ 5,035 thousand
Number of leasable units	38	Deposits, guarantees, etc.	¥ 9,527 thousand
Number of leased units	38	Occupancy rate	100.0%
Leasable floor area	1,278.52m ²		
Leased floor area	1,278.52m 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	97%	Master lease company	Daiwa Living Management Co., Ltd. (planned)
Family Type	3%	Master lease type	Pass-through type (planned)
Collateral	N/A		
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	June 2014	Report date	May 2014
Emergency repair expenses	0	Earthquake probable maximum loss	6.2%
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)	¥9,010 thousand	Report date	June 2014
Building replacement cost	¥342,400 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	Cosmos Initia Co., Ltd., Company engaged in general business in Japan (Note)	Building contractor	DAIHO CORPORATION tokyo branch
Building designer	Cosmos Initia Co., Ltd. first-class architect office Cosmos Design	Building confirmation agency	Japan Constructive Inspect Association
Structural designer	CROSS Factory first-class architect office		
Other Information			
(Note) No name, etc. is shown as the company has not consented to such disclosure. Please note that the company 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 a four-minute walk from Toritsu-daigaku Station on the Tokyu Toyoko Line. From the nearest station, the terminal station Shibuya Station is accessible in approximately ten minutes and, by transferring to the Hibiya Line at the third station Naka-meguro Station, Roppongi Station is accessible in approximately 15 minutes and Ginza Station is accessible in approximately 25 minutes. Proximity to downtown Tokyo is thus favorable. The areas along the Tokyu Toyoko Line have a good reputation as residential districts and a favorable residential environment in place. In addition, with Tairamachi Shopping Street, which is a commercial district in the station vicinity, the neighborhood is an area offering high convenience in terms of lifestyle.
Matters of Special Note
N/A

(2) Seller Profile

The seller is a company engaged in general business 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

① Broker Profile

Trade name	Cosmos Initia Co., Ltd.
Head Office Address	Shintamachi building, 5-34-6, Shiba, Minato-ku, Tokyo
Representative	Yoshiyuki Takagi, President
Principal Activities	Real estate sales, Real estate rental, Real estate brokerage
Capital	¥ 5 billion (As of March 31, 2014)
Established	June 20, 1969
Relationship with DHI and Asset Manager	
Capital Relationship	There is no capital relationship to describe between DHI, Asset Manager and Cosmos Initia Co., Ltd. The Company is subsidiary of Daiwa House Industry Co., Ltd., which is a parent company of Asset Manager.
Personnel Relationship	There is no personnel relationship to describe between DHI, Asset Manager and Cosmos Initia Co., Ltd.
Business Relationship	The Company has a 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 Asset Manager.
Status of Classification as Related Party	The Company is subsidiary of Daiwa House Industry Co., Ltd., which is a parent company of Asset Manager.
Other	The Company constitutes an interested party as set forth in the bylaws of the Asset Manager.

② Broker's Commission

¥ 34,950 thousand

(Note) Excluding amount equivalent to consumption taxes.

(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. (planned property management), Daiwa Living Management Co., Ltd. (planned master lease company) and Cosmos Initia Co., Ltd. (broker) 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. Matters Concerning Forward Commitment, etc.

(1) To-be-Acquired Property Constituting Forward Commitment, Etc. (Note)

Property name	Execution date of the sale and purchase agreement (planned)	Acquisition date (planned)
Castalia Meguro Tairamachi	June 24, 2014	September 26, 2014

(Note) Forward Commitment, etc. is defined as “a sale and purchase agreement binding for forward and future transactions, with respect to which the settlement and delivery take place one or more months after the signing of the date of agreement; or other similar agreements.” in the “Guidelines for Financial Instruments Business Supervision” by the Financial Services Agency.

(2) Financial Impact, Etc. on DHI in the Event of Failure to Fulfill Forward Commitment, Etc.

The sale and purchase agreement for Castalia Meguro Tairamachi provides that a penalty equivalent to 20% of the transaction price shall be paid to the seller in the event that the agreement is cancelled due to DHI’s violation of contractual obligations. However, the agreement provides that an amount in excess of the penalty may not be charged even if damages in excess of the penalty arise from cancellation of the agreement, and the amount of the penalty (233 million yen) is within the range of the net income in the operation status forecasts for the fiscal period ending August 2014 of DHI. Therefore, the possibility of serious financial impact on DHI is thought to be low.

6. Matters Concerning Earthquake Resistance, etc.

Of the to-be-acquired asset, for Morino Tonari, 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.

Of the to-be-acquired asset, for Castalia Meguro Tairamachi, has not undergone investigation concerning seismic resistance performance, etc. by a third party institution since structural calculation conformity judgment has been performed by a designated structural calculation conformity judgment institution in accordance with the Building Standards Act.

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

The Acquisition will have only a minor impact on operating status forecasts for the fiscal period ending in August 31, 2014 (17th Fiscal Period: from March 1, 2014 to August 31, 2014) and February 28, 2015 (18th Fiscal Period: from September 1, 2014 to February 28, 2015), there is no revision to the operating status forecasts.

* This press release (original Japanese version) 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://daiwhouse-resi-reit.co.jp/eng/>

[Reference]

1. Summary of Real Estate Appraisal

Property 1) Morino Tonari

Real estate appraiser	Japan Real Estate Institute	Date of value opinion: June 1, 2014 Date of appraisal: June 11, 2014
Final opinion of value	1,100,000,000	
A. Value indicated by the cost approach	1,020,000,000	
B. Value indicated by the income approach	1,100,000,000	
1. Value indicated by the income approach based on the direct capitalization method	1,110,000,000	
(1) Total revenue	63,065,000	①+②+③+④+⑤-⑥
① Rent income	61,578,000	
② Common area charges income	—	
③ Utilities income	—	
④ Parking space income	1,177,000	
⑤ Other income	3,073,000	
⑥ Losses from vacancies, etc.	2,763,000	
(2) Total expenses	10,141,000	Sum total of a. to h.
a. Maintenance and management expenses	1,211,000	
b. Utilities expenses	350,000	
c. Repair expenses	866,000	Including restore expenses
d. Property management fee	1,743,000	
e. Leasing fee	2,459,000	
f. Taxes and dues	3,263,000	
g. Non-life insurance expenses	81,000	
h. Other expenses	168,000	CATVconnection fee
(3) Operating income from property leasing	52,924,000	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	199,000	
(5) Capital expenditures	1,050,000	Based on an assessment (taking into consideration the engineering report)
(6) Net operating income	52,073,000	(3) + (4) - (5)
(7) Cap rate	4.7%	
2. Value indicated by the income approach based on the DCF method	1,080,000,000	
Discount rate	4.5%	
Terminal cap rate	4.9%	

Property 2) Castalia Meguro Tairamachi

Real estate appraiser	Morii Appraisal & Investment Consulting, Inc.	Date of value opinion: June 1, 2014 Date of appraisal: June 4, 2014
Final opinion of value	1,220,000,000	
A. Value indicated by the cost approach	1,190,000,000	
B. Value indicated by the income approach	1,220,000,000	
1. Value indicated by the income approach based on the direct capitalization method	1,260,000,000	
(1) Total revenue	70,517,000	①+②+③+④-⑤
① Rent income	67,723,000	
② Utilities income	—	
③ Parking space income	2,520,000	
④ Other income	3,621,000	
⑤ Losses from vacancies, etc.	3,347,000	
(2) Total expenses	13,376,000	Sum total of a. to h.
a. Maintenance and management expenses	2,916,000	
b. Utilities expenses	696,000	
c. Repair expenses	804,000	Including restore expenses
d. Property management fee	1,946,000	
e. Leasing fee	2,721,000	
f. Taxes and dues	4,097,000	
g. Non-life insurance expenses	79,000	
h. Other expenses	117,000	Neighborhood association fee, CATVconnection fee
(3) Operating income from property leasing	57,141,000	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	210,000	
(5) Capital expenditures	526,000	Based on an assessment (taking into consideration the engineering report)
(6) Net operating income	56,825,000	(3) + (4) - (5)
(7) Cap rate	4.5%	
2. Value indicated by the income approach based on the DCF method	1,200,000,000	
Discount rate	4.3%	
Terminal cap rate	4.7%	

2. 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	3.2%
		1002	Castalia Azabujuban Shichimenzaka	March 22, 2006	4,500	1.9%
		1003	Castalia Shibakoen	March 22, 2006	2,630	1.1%
		1004	Castalia Ginza	March 22, 2006	2,520	1.1%
		1005	Castalia Hiroo	March 22, 2006	2,220	0.9%
		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	1.2%
		1009	Castalia Azabujuban II	June 21, 2007	2,690	1.1%
		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	0.9%
		1016	Castalia Ochanomizu	April 1, 2010	1,770	0.7%
		1017	Castalia Sangubashi	April 1, 2010	1,393	0.6%
		1018	Castalia Suitengu	April 1, 2010	1,279	0.5%
		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	0.3%
		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	0.2%
		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	1.1%
		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	1.2%	
	1041	Castalia Kayabacho	April 1, 2010	2,707	1.1%	
	1042	Castalia Takanawa	April 1, 2010	7,430	3.1%	
	1043	Castalia Higashi Nihonbashi	April 1, 2010	3,520	1.5%	
	1045	Castalia Shinjuku	April 1, 2010	2,950	1.2%	
	1046	Castalia Ichigaya	June 29, 2010	940	0.4%	
	1047	Shibaura Island Bloom Tower	October 18, 2011	7,580	3.2%	
	1048	Castalia Hatsudai	December 19, 2011	2,030	0.9%	
	1049	Castalia Hatsudai II	September 27, 2013	1,900	0.8%	
	1050	Castalia Ebisu	September 27, 2013	1,420	0.6%	
			Subtotal			92,136
	Area 2	2001	Castalia Meguro Kamurozaka	December 20, 2005	4,500	1.9%
		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	0.6%
		2006	Castalia Otsuka	June 21, 2007	1,480	0.6%
		2007	Castalia Kikukawa	June 21, 2007	817	0.3%
		2008	Castalia Meguro	April 1, 2010	844	0.4%
	2009	Castalia Otsuka II	April 1, 2010	1,040	0.4%	
	2010	Castalia Jiyugaoka	April 1, 2010	1,200	0.5%	
	2011	Castalia Mejiro	April 1, 2010	988	0.4%	

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2012	Castalia Ikekukuro	April 1, 2010	2,570	1.1%	
2013	Castalia Kaname-cho	April 1, 2010	1,140	0.5%	
2014	Castalia Tower Shinagawa Seaside	April 1, 2010	7,380	3.1%	
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	0.4%	
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	0.3%	
2026	Castalia Asakusabashi	April 1, 2010	792	0.3%	
2027	Castalia Iriya	April 1, 2010	546	0.2%	
2028	Castalia Kita Ueno	April 1, 2010	2,641	1.1%	
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	0.4%	
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	0.9%	
2036	Castalia Oshiage	April 1, 2010	1,100	0.5%	
2037	Castalia Kuramae	April 1, 2010	1,260	0.5%	
2038	Castalia Nakanobu	June 29, 2010	1,790	0.8%	
2039	Royal Parks Toyosu	November 1, 2010	7,360	3.1%	
2040	Castalia Togoshi	November 1, 2010	1,770	0.7%	
2041	Castalia Ooimachi	June 30, 2011	1,181	0.5%	
2042	Castalia Omori	August 2, 2011	1,500	0.6%	
2043	Castalia Mishuku	October 7, 2011	1,900	0.8%	
2044	Castalia Arakawa	March 28, 2012	1,660	0.7%	
2045	Castalia Omori II	March 29, 2012	2,370	1.0%	
2046	Castalia Nakameguro	November 29, 2012	3,800	1.6%	
2047	Castalia Meguro Chojyamaru	September 27, 2013	2,030	0.9%	
2048	Castalia Meguro Takaban	September 27, 2013	1,750	0.7%	
2049	Castalia Omori III	September 27, 2013	1,520	0.6%	
2050	Morino Tonari	July 1, 2014 (planned)	1,020	0.4%	
2051	Castalia Meguro Tairamachi	September 26, 2014 (planned)	1,165	0.5%	
Subtotal			76,526	32.4%	
Area 3	3001	Cosmo Heim Musashikosugi	March 22, 2006	1,674	0.7%
	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	0.3%
	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 Nogeeyama	April 1, 2010	325	0.1%
	3017	Castalia Ichikawa	April 1, 2010	461	0.2%
	3018	Royal Parks Hanakoganei	October 7, 2011	5,300	2.2%
	3019	Castalia Musashikosugi	September 27, 2013	1,680	0.7%
	3020	Royal Parks Wakabadai	March 28, 2014	4,360	1.8%
Subtotal			18,814	8.0%	
Area 4	4001	Castalia Shinsakae	December 20, 2005	1,920	0.8%
	4008	Aprile Tarumi	April 1, 2010	1,340	0.6%
	4009	Crest Kusatsu	April 1, 2010	3,004	1.3%
	4010	Castalia Sakaisuji Honmachi	April 1, 2010	1,490	0.6%
	4011	Castalia Shin-Umeda	April 1, 2010	1,376	0.6%
	4012	Castalia Abeno	April 1, 2010	4,368	1.8%
	4014	Castalia Sakae	April 1, 2010	1,010	0.4%

4015	Castalia Nipponbashi Kouzu	April 1, 2010	3,570	1.5%		
4016	Castalia Maruyama Urasando	April 1, 2010	411	0.2%		
4017	Castalia Maruyama Omotesando	April 1, 2010	1,740	0.7%		
4018	Castalia Higashi Hie	April 1, 2010	960	0.4%		
4019	Castalia Tower Nagahoribashi	April 1, 2010	3,400	1.4%		
4020	Castalia Sannomiya	April 1, 2010	1,230	0.5%		
4021	Castalia Kotodaikoen	April 1, 2010	481	0.2%		
4022	Castalia Ichibancho	April 1, 2010	783	0.3%		
4023	Castalia Omachi	April 1, 2010	656	0.3%		
4024	Castalia Uemachidai	April 1, 2010	2,190	0.9%		
4025	Castalia Tower Higobashi	April 1, 2010	2,670	1.1%		
4026	Big Tower Minami Sanjo	November 1, 2010	1,740	0.7%		
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	1.2%		
4033	Royal Parks Namba	March 29, 2013	2,830	1.2%		
4034	Castalia Shigahondori	June 26, 2013	1,730	0.7%		
Subtotal			48,120	20.3%		
Subtotal			235,596	99.6%		
Residential	Area 3	6001	Urban Living Inage	June 24, 2013	930	0.4%
(Residential properties for the elderly)			Subtotal	930	0.4%	
			Total	236,526	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 down 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.

3. Photograph of the Property Planned for Acquisition

Property 1) Morino Tonari



Property 2) Castalia Meguro Tairamachi

