

October 11, 2012

For Immediate Release

Investment Corporation:
Daiwa House Residential Investment Corporation
7th Floor, Nissei Nagatacho Building
2-4-8 Nagatacho, Chiyoda-ku, Tokyo
Michio Taki, Executive Director
(Code Number: 8984)

Asset Manager:
Daiwa House Asset Management Co., Ltd.
Yuji Yamada, CEO & President
Inquiries:
Hirotaka Uruma, CFO & Director
Finance & Corporate Planning Department
TEL: +81-3-3595-1265

Notice Concerning Amendments to Asset Management **Guidelines of Asset Manager**

Daiwa House Residential Investment Corporation (“DHI”) announces that Daiwa House Asset Management Co., Ltd., the asset manager to which DHI entrusts the management of its assets (the “Asset Manager”), today decided to make amendments to the Asset Management Guidelines pertaining to the management of DHI’s assets, which are internal rules of the Asset Manager. The amendments are to change the classification of investment ratio by area and investment ratio by type, and to newly add policies and standards concerning residential properties for the elderly to properly manage the risk of investing in residential properties for the elderly.

1. Overview of Amendments

- (1) Investment ratio by area and investment ratio by type in the formation of DHI’s portfolio were reviewed, and the ratio of Area 1 (five major wards of Tokyo (Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards)) and Area 2 (wards of Tokyo excluding Area 1) together in investment ratio by area was changed to 60% or more and the ratio of Area 3 (Tokyo metropolitan area (Tokyo (excluding Area 1 and Area 2) and Kanagawa, Saitama and Chiba prefectures) and Area 4 (other cities with populations of approximately 100,000 or more) together was changed to an upper limit of 30% from 20%. Furthermore, classification of investment ratio by type was simplified by changing the four-type classification of Single,

This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. DHI makes no warranties as to its accuracy or completeness.

DINKS, Family and Large to a two-type classification of Compact and Family.

- (2) The investment target of DHI is limited to residential properties (referring to real estate, etc. primarily used as a residence (rental residences); the same follows) and while among these residential properties there is expected to be a certain level of demand in properties for the elderly, in view of the risks involved in investment in properties for the elderly which differ from standard rental residences, policies and standards concerning residential properties for the elderly were newly added.

2. Amendment Date

October 11, 2012

3. Other

An extraordinary report was submitted today to the Director-General of the Kanto Local Finance Bureau pursuant to the provisions of the Financial Instruments and Exchange Act for this matter.

[Reference]

Extraordinary Report Dated October 11, 2012

* 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]

Extraordinary Report Dated October 11, 2012

[Cover]

[Submitted material] Extraordinary report

[Submitted to] Director-General of the Kanto Finance Bureau

[Submission date] October 11, 2012

[Issuer] Daiwa House Residential Investment Corporation

[Name and title of representative] Michio Taki, Executive Director

[Location of head office] 7th Floor, Nissei Nagatacho Building, 2-4-8 Nagatacho, Chiyoda-ku, Tokyo

[Office contact] Daiwa House Asset Management Co., Ltd.

Hiroataka Uruma, CFO & Director,

Finance & Corporate Planning Department

[Contact address] 7th Floor, Nissei Nagatacho Building, 2-4-8 Nagatacho, Chiyoda-ku, Tokyo

[Telephone number] +81-3-3595-1265

[Location where available for public inspection] Tokyo Stock Exchange, Inc.

(2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

1. [Reason for Submission]

Daiwa House Residential Investment Corporation (“DHI”) made the following amendments in its policy of investment management. Accordingly, DHI is submitting this extraordinary report pursuant to the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 29, Paragraph 1 and Article 29, Paragraph 2, Item 3 of the Cabinet Office Ordinance on Disclosure of Information of Specified Securities, etc.

2. [Content of Report]

(1) Summary of Content of Amendments

As of October 11, 2012, Daiwa House Asset Management Co., Ltd., the asset manager to which DHI entrusts the management of its assets (the “Asset Manager”) reviewed the investment ratio by area and investment ratio by type in the formation of DHI’s portfolio, and the ratio of Area 1 (five major wards of Tokyo (Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards)) and Area 2 (wards of Tokyo excluding Area 1) together in investment ratio by area was changed to 60% or more and the ratio of Area 3 (Tokyo metropolitan area (Tokyo (excluding Area 1 and Area 2) and Kanagawa, Saitama and Chiba prefectures) and Area 4 (other cities with populations of around 100,000) together was changed to an upper limit of 30%. Also, classification of investment ratio by type was simplified by changing the four-type classification of Single, DINKS, Family and Large to a two-type classification of Compact and Family.

The investment target of DHI is limited to residential properties (referring to real estate, etc. primarily used as a residence (rental residences)) and while among these residential properties there is expected to be a certain level of demand for properties for the elderly, in view of the risks involved in investment in properties for the elderly which differ from standard rental residences, policies and standards concerning residential properties for the elderly were newly added.

Accordingly, amendments will be made in “(A) Portfolio Management Policy,” “(B) Acquisition Policy” and “(C) Asset Management Policy” of “Section I. Fund Information; Part 1. Status of Fund; 2. Investment Policy; (1) Investment Policy; (3) Portfolio Formation Policy” of the Securities Report submitted on May 25, 2012 as follows.

Unless otherwise noted, the terms defined in the Securities Report submitted on May 25, 2012 shall have the same meaning in this report as well. The underlined portions indicate changes.

Section I. Fund Information

Part 1. Status of Fund

2. Investment Policy

(1) Investment Policy

(3) Portfolio Formation Policy

(A) Portfolio Management Policy

(Portion in between is omitted)

b. Investment Ratio by Area

In principle, investment ratio by area is as follows.

Area	Location	<u>Investment ratio</u>
Area 1	Five major wards of Tokyo (Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards)	<u>60% or more</u>
Area 2	Wards of Tokyo excluding Area 1	
Area 3	Tokyo metropolitan area (Tokyo (excluding Area 1 and Area 2) and Kanagawa, Saitama and Chiba prefectures)	<u>30% or less</u>
Area 4	Other cities (areas with populations of around 100,000)	<u>30% or less</u>
Total		100%

(*) Elimination in investment ratio by type

c. Investment ratio by type

In principle, investment ratio by type is as follows.

<User base>

Type	<u>Compact (C)</u>	<u>Family (F)</u>
Overview	<u>Residences aimed at singles and DINKs and designed for their life styles, etc.</u>	<u>Residences aimed at families and designed for their life styles, etc.</u>
Location	<ul style="list-style-type: none"> <u>• Proximity to the nearest train station</u> <u>• Strong variety of options available regarding life style (i.e. proximity to business districts, parks, cultural facilities, broad commercial center, amusement areas, etc.)</u> 	<ul style="list-style-type: none"> <u>• Located in a quiet residential area</u> <u>• A full array of cultural facilities</u> <u>• Lifestyle convenience (proximity to neighboring retail properties, cultural facilities, sports facilities, etc.)</u>
Dedicated area	<u>60m² or less</u>	<u>More than 60m²</u>
Ratio of units	<u>70% or more</u>	<u>30% or less</u>

(*) The 4-type classification of Singles (S), DINKs (D), Family (F) and Large (L) was changed to a 2-type classification of Compact (C) and Family (F).

d. Investment in properties for the elderly

Regardless of b. and c. above, DHI will be able to invest in 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. The same follows.)

In view of the fact that, with regard to residences for the elderly, the provision of necessary services, etc. requires know-how concerning proper management, etc., In principle, DHI will invest in properties believed to have limited risk in terms of management of properties for the elderly, such as total leasing to operators (Note 3) that are deemed to have management skills and creditworthiness needed, properties where management support by the Daiwa House Group can be expected, etc.

In order to adequately manage the impact that management risk for properties for the elderly will have on the portfolio, DHI will keep investment in properties for the elderly to a limited scope.

When investing in properties for the elderly, the properties will not be included in the calculation of investment ratio by area and investment ratio by type.

(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. The same shall apply hereinafter.

(Note 2) “Fee-based homes for the elderly” are the fee-based homes for the elderly prescribed in the Welfare Act for the Elderly (Law No. 133, came into effect on July 11, 1963; includes subsequent amendments). The same shall apply hereinafter.

(Note 3) “Operators” refer to parties that provided necessary services, etc. for properties for the elderly. The same shall apply hereinafter.

(B) Acquisition Policy

(Portion in between is omitted)

- a. In selecting investment target properties, DHI will adhere to the following investment criteria, implement sufficient surveys and analysis, and conduct comprehensive deliberation.

<Selection criteria for investment target properties >

Location	As residents of residential properties tend to be firmly oriented towards their communities and form different rental markets depending on their residential type, surveys and analysis concerning future supply and demand trends, etc. will be conducted by the established residential types (<u>by the assumed customer base in the case of properties for the elderly</u>) as necessary.
(Portion in between is omitted)	
Facilities	Given that the lifestyles of targeted residents differ according to residential type (<u>the assumed customer base in the case of properties for the elderly</u>) with regard to factors of functionality, etc. such as design of exterior, entrance, inter walls, interior, etc., comfort of floor height, lighting, sound insulation, etc. security and convenience of baths, sinks, cooking, etc., DHI will conduct comprehensive deliberations and decide whether or not the residential properties can be deemed to be of high quality or not.

(Portion in between is omitted)

- b. Detailed surveys (due diligence) will be conducted as outlined in the following items for incorporation of properties into the portfolio. During the survey the properties' investment value will be comprehensively assessed after deliberating the impact on the entire portfolio and expected contribution to its value, etc. with an unfair real estate appraisal provided by a third party with sufficient ability and experience as reference.

<Specific survey items>

Item	Content of survey
Economic survey	(Portion in between is omitted)
	<u>m. Management skills and creditworthiness of operators in the case of properties for the elderly</u> <u>n. Existence, possibility of securing, management skills and creditworthiness of backup operators in the case of properties for the elderly</u>
(Portion in between is omitted)	
Legal survey	(Portion in between is omitted)
	<u>i. In the case of properties for the elderly</u> <u>• Survey of content of consignment agreement with operator and backup operator</u> <u>• Survey of legal basis for installation such as permissions and licenses</u>

(Portion that follows has been omitted)

(C) Asset Management Policy

- a. With regard to the formed property portfolio, as a basic rule, the best PM companies will be selected based on the location, seller, etc. of each individual property and the business will be wholly entrusted by DHI or via the trustee so that the portfolio can be appropriately and effectively operated and managed. The policy of operation and management to be entrusted will be indicated to the PM company based on business aspects such as tenant business management, facility maintenance and management and asset conservation and management, and the items will in principle be as described below. However, in cases for where it has been deemed that there is no need to entrust business to a PM company such as in the case of properties for the elderly where part or all of the business is entrusted to an operator, part or all of what is described in the following items may not be entrusted to a PM company.

(Portion in between is omitted)

- b. In principle, PM companies will be comprehensively selected after surveys and deliberations on each of the following items. However, in cases where it has been deemed that part or all of the following items are not appropriate such as in the case of properties for the elderly for which entrusted business of PM companies is limited, surveys and deliberations on part or all of the following items may not be conducted. In principle, when entrusting PM business to PM companies, the PM company's operation and management will be assessed from the aspects of

tenant business management, facility maintenance and management and asset conservation and management, and improvement instructions, etc. will be given to the PM company as needed. If improvement of operation and management cannot be seen even after the instructions, etc., then DHI will consider further measures for improvement including replacement of PM companies.

(Portion in between is omitted)

- d. For residential properties, as a basic rule master lease agreements where rent, etc. is in principle directly received from the sublessee (pass-through type) will be concluded with PM companies. However, in the case of properties for the elderly, the necessity, method, etc. of master lease agreements will be carefully deliberated and decided with consideration to smoothness of management of the lease agreement with the operator. With regard to the sublease agreement, DHI will be allowed to instruct the PM company to not collect deposit and key money, considering the content of the agreement, features of the property, creditworthiness of tenants and features of the market.

Master lease agreements for the purpose of subleasing to third parties will be concluded with PM companies by DHI or via the trustee for retail facilities as well, but regardless of whether the agreement is a type where rent, etc. is in principle directly received from the sublessee (pass-through type) and regardless of the fluctuation of sublease occupancy rate, of the types where a fixed amount of rent is received (sublease type), as a basic rule the most effective type will be selected in light of the features of the market and the property.

(Portion in between is omitted)

- e. In principle, a process whereby tenants for sublease agreements will be comprehensively selected by the PM company after it examines that which is described in the following items will be secured. However, as the form of agreement with tenants differs in the case of properties for the elderly by features of such properties, management policy of the operator, etc., in principle DHI will carefully select tenants considering various factors such as the feature of the property for the elderly, the operator's ability and creditworthiness, such as by entrusting the decision to the operator.

(Portion in between is omitted)

- f. The following will be the basic rules with regard to the handling of rent, deposit and agreement period of sublease agreements. However, as the form of agreement with tenants differs significantly in the case of properties for the elderly by features of such properties, management policy of the operator, etc., DHI will carefully deliberate and decide the adequate content of agreement after considering various factors.

(Portion that follows is omitted)

(2) Amendment Date
October 11, 2012