

March 9, 2015

**For Immediate Release**

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**Notice Concerning the Proposed Acquisition and Leasing of Domestic Assets**  
**(Pacific Royal Court Minatomirai Urban Tower and Four other Properties)**

Daiwa House Residential Investment Corporation (“DHI”) announced a decision today by Daiwa House Asset Management Co., Ltd., the asset manager to which DHI entrusts the management of its assets (the “Asset Manager”), to acquire and lease assets (“Assets Scheduled for Acquisition”) as follows. Pursuant to the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “Investment Trusts Act”) and the Interested-Party Transaction Rules bylaws of the Asset Manager, the decision to acquire the Assets Scheduled for Acquisition was consented by DHI upon the approval of DHI’s board of directors meeting.

1. Acquisition and Leasing Details

(1) Assets Scheduled for Acquisition

	Type of specified asset	Property name	Acquisition price (planned) (thousand yen) (Note 1)
Property 1	Trust beneficiary rights in real estate	Pacific Royal Court Minatomirai Urban Tower	¥9,100,000
Property 2	Trust beneficiary rights in real estate	Royal Parks SEASIR	¥4,350,000
Property 3	Trust beneficiary rights in real estate	Royal Parks Musasikosugi	¥1,060,000
Property 4	Trust beneficiary rights in real estate (Note 2)	Castalia Honkomagome	¥1,520,000
Property 5	Trust beneficiary rights in real estate (Note 2)	L-Place Shinkoyasu	¥1,720,000
Total			¥17,750,000

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(Note 1) Excluding such amounts as expenses related to acquisition, amount equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.

(Note 2) 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.

(2) Scheduled execution date of the sale and purchase agreement  
March 9, 2015

(3) Scheduled acquisition date  
April 1, 2015 or on a date agreed upon by the seller and DHI.

(4) Seller  
Daiwa House Industry Co., Ltd.

(5) Acquisition funds  
The property will be bought using proceeds from the issuance of new investment units through Public Offering outlined in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” separately announced today, debt financing and cash on hands.

(6) Method of settlement  
Payment of entire amount upon delivery

(7) Lessees  
Please refer to “3. Assets Scheduled for Acquisition and Scheduled Lease Details.”

(8) Lease Agreement Conclusion Date  
March 9, 2015

## 2. Acquisition and Lease Background

Based on the targets and policies of asset management stipulated in DHI’s Articles of Incorporation, the acquisitions and leasing of the Assets Scheduled for Acquisition were determined in an aim to secure the steady growth of the portfolio and stable income. Furthermore, the tenants of the Assets Scheduled for Acquisition are deemed to comply with the tenant selection standards indicated in the “Report on Operating Systems, etc. of Issuers of Real Estate Investment Trust Securities, etc.” submitted on November 25, 2014.

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### 3. Assets Scheduled for Acquisition and Scheduled Lease Details

#### (1) Pacific Royal Court Minatomirai Urban Tower

Name and Location, etc. of Respective Real Estate			
Type of specified asset		Beneficiary right in trust that places real estate in trust	
Present titleholder		Daiwa House Industry Co., Ltd.	
Trustee		Sumitomo Mitsui Trust Bank, Limited	
Expiration date of trust period		March 31, 2025	
Location	Lot number	5-3-1, Minatomirai, Nishi-ku, Yokohama city, Kanagawa Prefecture	
	Residence indication	5-3-3, Minatomirai, Nishi-ku, Yokohama city, Kanagawa Prefecture	
Land	Form of ownership	Fixed-term leasehold	
	Site area	4,990.36m <sup>2</sup>	
	Zoning	Commercial zone	
	Building coverage ratio / Floor area ratio	80% / 600%	
Building	Form of ownership	Proprietary ownership	
	Usage	Apartment complex, Retail and Garage	
	Total floor area	41,015.97m <sup>2</sup>	
	Structure / Number of floors	S, RC structure, B1F / 29F	
	Construction completion date	May 15, 2008	
Overview of Leasing (as of December 31, 2014)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥ 81,143 thousand
Number of leasable units	418	Deposits, guarantees, etc.	¥ 16,091 thousand
Number of leased units	384	Occupancy rate	91.5%
Leasable floor area	26,294.49m <sup>2</sup>		
Leased floor area	24,061.89m <sup>2</sup>	Breakdown of Residential Unit Type	
Type	As a percentage of total number of units	Property management company	Daiwa Living Co., Ltd.
Compact Type	62%	Master lease company	Daiwa Living Co., Ltd.
Family Type	38%	Master lease type	Rental guarantee type (residence) and pass-through type (other)
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	February 2015	Report date	January 2015
Emergency repair expenses	0	Earthquake probable maximum loss	3.9%
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)	¥438,587 thousand	Report date	February 2015
Building replacement cost	¥9,980,400 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	Special Purpose Corporation PD Minatomirai	Building contractor	Daiwa House Industry Co., Ltd., Tokyo head branch
Building designer	Institute of New Architecture.	Building confirmation agency	JAPAN ERI CO.,LTD.
Structural designer	Institute of New Architecture.		
Other Information			
N/A			

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<b>Location Environment and Other Property Characteristics</b>
<p>The property is located an approx. seven-minute walk from Shin-Takashima Station on the Minatomirai Line of Yokohama Minatomirai Railway and an approx. eight-minute walk from Minatomirai Station on the same line. In the past few years, the Minato Mirai 21 district has undergone a major transformation from a costal industrial zone to a mixed residential and commercial area with the construction through redevelopment of many retail facilities, headquarters of major companies, high-rise condominiums and such. With tourist spots such as Yokohama Landmark Tower and the Red Brick Warehouse, large retail facilities such as Queen's Square Yokohama and MARK IS Minatomirai as well as Pacifico Yokohama where international conferences and such are held, a water front-type urban redevelopment is underway in the area. The property is located in a large-scale development that is within walking distance from Shin-Takashima Station, the nearest station to the property. In addition, the surrounding area features large-scale retail facilities, parks, etc. amongst a refined townscape. Therefore living convenience is excellent and locational conditions are superior.</p>
<b>Matters of Special Note</b>
<p>1. The following is an overview of the leasehold interest in land.  Holder of the leased fee interest in land: Urban Renaissance Agency;  Land leasehold period: 65 years from March 31, 2005  (1) Approval is required from the holder in the event of disposition of the property, in the event of subleasing of all or part of the leased land, in the event of disposition of the leasehold interest in land or buildings, etc. on the leased land, in the event of pledging of buildings, etc. on the leased land or right to claim repayment of deposits as collateral, in the event of reconstruction or renovation and expansion of the buildings on the leased land, in the event of subleasing of the buildings, etc. on the leased land newly to a third party engaged in the business of subleasing, in the event of execution of a new periodic building lease agreement or property management agreement, in the event of change of the business structure of the master lease company and such, or in the event of amendments to the asset management agreement between DHI and the Asset Management Company, etc.  (2) In the event that the holder of the leased fee interest in land cancels the land leasehold agreement for such reasons as breach of the land leasehold agreement by the holder of the leasehold interest in land, the holder of the leasehold interest in land shall be liable to pay a 391 million yen penalty (however, the concerned penalty amount is subject to adjustment depending on changes in the Consumer Price Index).</p> <p>2. Due to an agreement between the trustee and Advance Residence Investment Corporation, the owner of Pacific Royal Court Minatomirai Ocean Tower on the site adjacent to Pacific Royal Court Minatomirai Urban Tower on the east side, the entrance of parties related to the trustee and Advance Residence Investment Corporation (limited to parties which both have approved) as well as the use of facilities on the sites of Pacific Royal Court Minatomirai Urban Tower and Pacific Royal Court Minatomirai Ocean Tower by the tenants is mutually excused without charge.</p>

[Explanation of Entries in Table Above (Same for properties below.)]

The summary of the respective real estate in trust is the information as of December 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 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.

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- b. Explanation of "Overview of Leasing"
- (i) "Overview of Leasing" numerical figures and information are based on information as of December 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 December 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 December 31, 2014.
  - (v) "Leasable floor area" is the floor area of the real estate in trust that is leasable based on information as of December 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 December 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 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 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<sup>2</sup> or less  
 Family Type     More than 60m<sup>2</sup>
  - (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. The pointed matters that will be resolved until acquisition are excluded from "Matters of Special Note".
  - (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.

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- 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) Royal Parks SEASIR

Name and Location, etc. of Respective Real Estate			
Type of specified asset		Beneficiary right in trust that places real estate in trust	
Present titleholder		Daiwa House Industry Co., Ltd.	
Trustee		Sumitomo Mitsui Trust Bank, Limited	
Expiration date of trust period		March 31, 2025	
Location	Lot number	1-369-28, Sakae-chou, Nishiarai, Adachi-ku, Tokyo	
	Residence indication	1-16-2, Sakae-chou, Nishiarai, Adachi-ku, Tokyo	
Land	Form of ownership	Fixed-term leasehold	
	Site area	7,650.62m <sup>2</sup>	
	Zoning	Class 1 residential zone	
	Building coverage ratio / Floor area ratio	60% / 300%	
Building	Form of ownership	Proprietary ownership	
	Usage	Apartment complex, Retail and Office	
	Total floor area	18,559.28m <sup>2</sup>	
	Structure / Number of floors	RC structure, 14F	
	Construction completion date	June 12, 2009	
Overview of Leasing (as of December 31, 2014)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥ 37,869 thousand
Number of leasable units	260	Deposits, guarantees, etc.	¥ 4,396 thousand
Number of leased units	228	Occupancy rate	90.2%
Leasable floor area	17,269.74m <sup>2</sup>		
Leased floor area	15,584.68m <sup>2</sup>	Breakdown of Residential Unit Type	
Type	As a percentage of total number of units	Property management company	Daiwa Living Co., Ltd.
Compact Type	29%	Master lease company	Daiwa Living Co., Ltd.
Family Type	71%	Master lease type	Rental guarantee type (residence) and pass-through type (other)
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	February 2015	Report date	January 2015
Emergency repair expenses	0	Earthquake probable maximum loss	3.6%
Short-term repair expenses (within 1 year)	0	Soil environment investigation agency	Tokio Marine & Nichido Risk Consulting Co., Ltd.

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Long-term repair expenses (next 12 years)	¥222,002 thousand	Report date	February 2015
Building replacement cost	¥4,693,600 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	DH Kaihatsu SEASIR Nishiarai Limited Liability Company	Building contractor	Daiwa House Industry Co., Ltd., Tokyo head branch
Building designer	Daiwa House Industry Co., Ltd., Tokyo mid-to-high housing first-class architect's office	Building confirmation agency	Jyutaku Kinyu Fukyu Association
Structural designer	Daiwa House Industry Co., Ltd., Tokyo mid-to-high housing first-class architect's office		
Other Information			
N/A			
Location Environment and Other Property Characteristics			
The property is located an approx. five-minute walk from Nishiarai Station on the Tobu Skytree Line. The nearby area is a residential district established by the Nishiarai Station West Exit Area District Plan. Furthermore, since the area is extremely convenient for living due to the large-scale condominiums, multiple large retail facilities, large park and such, it has an established residential environment that is especially good for families. As indicated by the name "SEASIR," the building has an exterior that has Okinawa in mind. It is highly visible, the entrance is characteristic and it even features an assembly room, kids' garden and barbeque space.			
Matters of Special Note			
The following is an overview of the leasehold interest in land. Holder of the leased fee interest in land: Urban Renaissance Agency; Land leasehold period: 63 years from March 9, 2007 (1) Approval is required from the holder in the event of disposition of the property, in the event of subleasing of all or part of the leased land, in the event of disposition of the leasehold interest in land or buildings, etc. on the leased land, in the event of pledging of buildings, etc. on the leased land or right to claim repayment of deposits as collateral, in the event of reconstruction or renovation and expansion of the buildings on the leased land, in the event of subleasing of the buildings, etc. on the leased land newly to a third party, in the event of execution of a new periodic building lease agreement or property management agreement, in the event of change of the business structure of the master lease company and such, or in the event of amendments to the asset management agreement between DHI and the Asset Management Company, etc. (2) In the event that the holder of the leased fee interest in land cancels the land leasehold agreement for such reasons as breach of the land leasehold agreement by the holder of the leasehold interest in land, the holder of the leasehold interest in land shall be liable to pay a 255 million yen penalty (however, the concerned penalty amount is subject to adjustment depending on changes in the Consumer Price Index).			

### (3) Royal Parks Musasikosugi

<b>Name and Location, etc. of Respective Real Estate</b>		
Type of specified asset	Beneficiary right in trust that places real estate in trust	
Present titleholder	Daiwa House Industry Co., Ltd.	
Trustee	Sumitomo Mitsui Trust Bank, Limited	
Expiration date of trust period	March 31, 2025	
Location	Lot number	13-8, Shinjuku-kochi, Nakamaruko-aza, Nakahara-ku, Kawasaki city, Kanagawa Prefecture
	Residence indication	13-8, Shinjuku-kochi, Nakamaruko-aza, Nakahara-ku, Kawasaki city, Kanagawa Prefecture (Note)
Land	Form of ownership	Fixed-term leasehold
	Site area	2,042.19m <sup>2</sup>
	Zoning	Industrial zone
	Building coverage ratio / Floor area ratio	60% / 200%

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Building	Form of ownership		Proprietary ownership			
	Usage		Apartment complex, Retail			
	Total floor area		4,223.85m <sup>2</sup>			
	Structure / Number of floors		RC structure, 6F			
	Construction completion date		October 8, 2009			
Overview of Leasing (as of December 31, 2014)						
Total number of tenants		1	Monthly rent (incl. common area charges)		¥ 10,826 thousand	
Number of leasable units		56	Deposits, guarantees, etc.		¥ 15,000 thousand	
Number of leased units		53	Occupancy rate		96.1%	
Leasable floor area		3,808.97m <sup>2</sup>				
Leased floor area		3,659.08m <sup>2</sup>	Breakdown of Residential Unit Type			
Type		As a percentage of total number of units	Property management company		Daiwa Living Co., Ltd.	
Compact Type		29%	Master lease company		Daiwa Living Co., Ltd.	
Family Type		71%	Master lease type		Rental guarantee type (residence) and pass-through type (other)	
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		January 2015	Report date		January 2015	
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)		¥56,442 thousand	Report date		January 2015	
Building replacement cost		¥994,000 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., Tokyo head branch		Building contractor		Daiwa House Industry Co., Ltd., Tokyo head branch
Building designer		Daiwa House Industry Co., Ltd., Tokyo mid-to-high housing first-class architect's office		Building confirmation agency		Jyutaku Kinyu Fukyu Association
Structural designer		Daiwa House Industry Co., Ltd., Tokyo mid-to-high housing first-class architect's office				
Other Information						
(Note) The address of the property does not comply with residence indication.						
Location Environment and Other Property Characteristics						
The property is located an approx. nine-minute walk from Musashi-Kosugi Station on the Tokyu Toyoko Line and JR Nambu Line and an approx. four-minute walk from Musashi-Kosugi Station on the JR Yokosuka Line. The area had excellent access to Shibuya and Yokohama, but the popularity as a residential district increased greatly with the supply of much new residential space through redevelopment and, furthermore, through the opening of the JR Yokosuka Line Musashi-Kosugi Station in 2010 which significantly improved access in the Shinagawa and Tokyo directions. The property is located within walking distance from Musashi-Kosugi Station on the respective lines and the surrounding townscape is orderly due to redevelopment and has large-scale retail facilities and parks, so living convenience is excellent and locational conditions are superior.						

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### Matters of Special Note

The following is an overview of the leasehold interest in land.

Holder of the leased fee interest in land: Urban Renaissance Agency;

Land leasehold period: 60 years from January 31, 2008

(1) Approval is required from the holder in the event of disposition of the property, in the event of subleasing of all or part of the leased land, in the event of disposition of the leasehold interest in land or buildings, etc. on the leased land, in the event of pledging of buildings, etc. on the leased land or right to claim repayment of deposits as collateral, in the event of reconstruction or renovation and expansion of the buildings on the leased land, in the event of subleasing of the buildings, etc. on the leased land newly to a third party, in the event of execution of a new periodic building lease agreement or property management agreement, in the event of change of the business structure of the master lease company and such, or in the event of amendments to the asset management agreement between DHI and the Asset Management Company, etc.

(2) In the event that the holder of the leased fee interest in land cancels the land leasehold agreement for such reasons as breach of the land leasehold agreement by the holder of the leasehold interest in land, the holder of the leasehold interest in land shall be liable to pay a 68 million yen penalty (however, the concerned penalty amount is subject to adjustment depending on changes in the Consumer Price Index).

#### (4) Castalia Honkomagome

Name and Location, etc. of Respective Real Estate			
Type of specified asset		Beneficiary right in trust that places real estate in trust (Note)	
Present titleholder		Daiwa House Industry Co., Ltd.	
Trustee		Mitsubishi UFJ Trust and Banking Corporation (planned) (Note)	
Expiration date of trust period		March 31, 2025	
Location	Lot number	6-361-1, Honkomagome, Bunkyo-ku, Tokyo	
	Residence indication	6-21-2, Honkomagome, Bunkyo-ku, Tokyo	
Land	Form of ownership	Proprietary ownership	
	Site area	1,011.99m <sup>2</sup>	
	Zoning	Class 1 residential zone	
	Building coverage ratio / Floor area ratio	60% / 300%	
Building	Form of ownership	Proprietary ownership	
	Usage	Apartment complex	
	Total floor area	2,793.28m <sup>2</sup>	
	Structure / Number of floors	RC structure, B1F / 5F	
	Construction completion date	March 5, 2014	
Overview of Leasing (as of December 31, 2014)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥ 7,940 thousand
Number of leasable units	67	Deposits, guarantees, etc.	¥ 10,985 thousand
Number of leased units	64	Occupancy rate	94.1%
Leasable floor area	2,224.41m <sup>2</sup>		
Leased floor area	2,093.08m <sup>2</sup>	Breakdown of Residential Unit Type	
Type	As a percentage of total number of units	Property management company	Daiwa Living Co., Ltd.
Compact Type	100%	Master lease company	Daiwa Living Management Co., Ltd.
Family Type	0%	Master lease type	Pass-through type
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	February 2015	Report date	December 2014

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Emergency repair expenses	0	Earthquake probable maximum loss	6.6%
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)	¥15,112 thousand	Report date	February 2015
Building replacement cost	¥624,800 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., Tokyo head branch	Building contractor	Daiwa House Industry Co., Ltd., Tokyo head office
Building designer	Daiwa House Industry Co., Ltd., Tokyo architecture first-class architect's office	Building confirmation agency	Tokyo Bldg-Tech Center Co.,Ltd
Structural designer	Daiwa House Industry Co., Ltd., Tokyo structure first-class architect's office		
Other Information			
(Note) 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.			
Location Environment and Other Property Characteristics			
The property is located an approx. five-minute walk from Sugamo Station on the JR Yamanote Line and Toei Mita Line, and an approx. seven-minute walk from Komagome Station on the JR Yamanote Line and Tokyo Metro Namboku Line. It comes with the advantage of being near the central Tokyo with multiple stations and lines available for use, and the area has high demand from singles and families who place importance on living close to work. Nearby is Rikugi-en, a Japanese garden opened in 1938 and the property's surrounding area is a highly convenient residential district with various lifestyle facilities situated within a 10-minute walking distance.			
Matters of Special Note			
N/A			

#### (5) L-Place Shinkoyasu

<b>Name and Location, etc. of Respective Real Estate</b>		
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	March 31, 2025	
Location	Lot number	3-298-1, Koyasu-dori, Kangawa-ku, Yokohama city, Kanagawa Prefecture
	Residence indication	3-298-1, Koyasu-dori, Kangawa-ku, Yokohama city, Kanagawa Prefecture (Note 2)
Land	Form of ownership	Proprietary ownership
	Site area	805.24m <sup>2</sup>
	Zoning	Commercial zone
	Building coverage ratio / Floor area ratio	80% / 400%
Building	Form of ownership	Proprietary ownership
	Usage	Apartment complex, Retail and Parking
	Total floor area	3,810.44m <sup>2</sup>
	Structure / Number of floors	RC structure, 10F
	Construction completion date	August 29, 2014

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Overview of Leasing (as of December 31, 2014)			
Total number of tenants	1	Monthly rent (incl. common area charges)	¥ 9,161 thousand
Number of leasable units	115	Deposits, guarantees, etc.	¥ 30,862 thousand
Number of leased units	115	Occupancy rate	100.0%
Leasable floor area	3,009.74m <sup>2</sup>		
Leased floor area	3,009.74m <sup>2</sup>	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.
Family Type	0%	Master lease type	Pass-through type
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	February 2015	Report date	January 2015
Emergency repair expenses	0	Earthquake probable maximum loss	3.0%
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)	¥20,575 thousand	Report date	February 2015
Building replacement cost	¥886,200 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	Mabuchi Construction Co., Ltd.
Building designer	Daiwa House Industry Co., Ltd., Eastern Japan mid-to-high housing technical center first-class architect's office	Building confirmation agency	JAPAN ERI CO., LTD.
Structural designer	Daiwa House Industry Co., Ltd., Kanto structure first-class architect's office, Kyushaku Sekkei K.K.		
Other Information			
(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.			
(Note 2) The address of the property does not comply with residence indication.			
Location Environment and Other Property Characteristics			
The property is located an approx. three-minute walk from Shin-Koyasu Station on the JR Keihin-Tohoku Line and an approx. two-minute walk from Keikyu Shin-Koyasu Station on the Keikyu Main Line. The building was designed and constructed to be used mainly by companies as a dorm for singles. Besides the dorm units there is a cafeteria, lounge and caretakers' room. Other than leasing the entire property to a single tenant which is currently the case, the dormitory rooms may be leased individually. As such, the property has sufficient marketability even in comparison to other rental condominiums, and a corresponding competitiveness is expected.			
Matters of Special Note			
The prefectural road on the southeast side of the property is designated as a city planning road and part of the land of the property (area of approx. 248.08m <sup>2</sup> ) is land planned for the city planning road. If this land is handed over, the building of the property may become kizon futekikaku (structures that conformed to the law when constructed but no longer conform to the law as a result of subsequent laws or amendments, but are not categorized as illegal structures).			

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#### 4. 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	¥161,699 million (March 31, 2014)	
Established	March 4, 1947	
Net assets	¥820,683 million (March 31, 2014)	
Total assets	¥1,798,797 million (March 31, 2014)	
Major stockholder and ratio (March 31, 2014)	Stockholder	Ratio
	The Master Trust Bank of Japan, Ltd. (trust account)	5.25%
	Japan Trustee Services Bank, Ltd. (trust account)	4.48%
	Sumitomo Mitsui Banking Corporation	2.44%
Relationship with DHI and Asset Management Company		
Capital Relationship	As of August 31, 2014, the Company holds 10.08% of the total number of DHI investment units issued and outstanding. As of February 28, 2015, the Company also holds 100% of the total number of Asset Management Company shares issued and outstanding.	
Personnel Relationship	As of February 28, 2015, of the officers and officials of the Asset Management Company, thirteen are personnel dispatched from the Company.	
Business Relationship	The Company has a support agreement with DHI and the Asset Management Company, based on which the Company provides the first refusal right, a warehousing function, etc. for residential properties, etc. to DHI and the Asset Management Company. In addition, the Company is the property management company and lessee (master lease company) for real estate, etc. held by DHI.	
Status of Classification as Related Party	The Company constitutes a related party of DHI and the Asset Management Company. The Company is also the Asset Management Company's parent company.	
Other	The Company constitutes an interested party as set forth in the bylaws of the Asset Management Company.	

#### 5. Broker Profile

The profiles of the broker for the acquisitions of Pacific Royal Court Minatomirai Urban Tower, Royal Parks SEASIR, Royal Parks Musasikosugi, Castalia Honkomagome and L-Place Shinkoyasu are as follows.

##### 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, 2014)
Established	July 28, 1925

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Relationship with DHI and Asset Manager		
Capital Relationship		As of January 31, 2015, there is no capital relationship to describe between DHI, Asset Manager and Sumitomo Mitsui Trust Bank, Limited.
Personnel Relationship		As of February 28, 2015, 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

¥ 25,000 thousand (¥ 5,000 thousand for each property)

(Note) Excluding amount equivalent to consumption taxes.

## 6. Status of Property Owners, etc.

### (1) Pacific Royal Court Minatomirai Urban Tower

Status of property titleholders, etc.	Present trust beneficiary interest holder	Previous owner
Name of company/individual	Daiwa House Industry Co., Ltd.	N/A
Relationship with party having particular vested interest	See "4. Seller Profile" above	
Acquisition background, rationale, etc.	For investment purposes	
Acquisition value	Entry is omitted since ownership by the previous titleholder exceeded 1 year.	
Acquisition timing	May 2009	

### (2) Royal Parks SEASIR

Status of property titleholders, etc.	Present trust beneficiary interest holder	Previous owner
Name of company/individual	Daiwa House Industry Co., Ltd.	N/A
Relationship with party having particular vested interest	See "4. Seller Profile" above	
Acquisition background, rationale, etc.	For investment purposes	
Acquisition value	Entry is omitted since ownership by the previous titleholder exceeded 1 year.	
Acquisition timing	December 2011	

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### (3) Royal Parks Musasikosugi

Status of property titleholders, etc.	Present trust beneficiary interest holder	Previous owner
Name of company/individual	Daiwa House Industry Co., Ltd.	N/A
Relationship with party having particular vested interest	See “4. Seller Profile” above	
Acquisition background, rationale, etc.	For development purposes	
Acquisition value	—	
Acquisition timing	—	

### (4) Castalia Honkomagome

Status of property titleholders, etc.	Present trust beneficiary interest holder	Previous owner
Name of company/individual	Daiwa House Industry Co., Ltd.	N/A
Relationship with party having particular vested interest	See “4. Seller Profile” above	
Acquisition background, rationale, etc.	For development purposes	
Acquisition value	—	
Acquisition timing	—	

### (5) L-Place Shinkoyasu

Status of property titleholders, etc.	Present trust beneficiary interest holder	Previous owner
Name of company/individual	Daiwa House Industry Co., Ltd.	N/A
Relationship with party having particular vested interest	See “4. Seller Profile” above	
Acquisition background, rationale, etc.	For development purposes	
Acquisition value	—	
Acquisition timing	—	

## 7. Relationship with Interested Party

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

## 8. Matters Concerning Earthquake Resistance, etc.

Of the to-be-acquired assets, in the case of Royal Parks SEASIR, 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

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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. Pacific Royal Court Minatomirai Urban Tower has not undergone investigation concerning seismic resistance performance, etc. by a third party institution since it has acquired certification (Minister of Land, Infrastructure, Transport and Tourism Certification No.: No. 3740 issued by the Head of the Building Guidance Division, Housing Bureau, Ministry of Land, Infrastructure, Transport and Tourism) on January 30, 2008 pursuant to the Building Standards Act.

Royal Parks Musasikosugi, Castalia Honkomagome and L-Place Shinkoyasu have 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.

## 9. Future Prospects

Please refer to the press release “Notice Concerning Revision of Operation Status Forecasts for the 19th Fiscal Period and Operation Status Forecasts for the 20th Fiscal Period” dated today.

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## 10. Summary of Real Estate Appraisal

### (1) Pacific Royal Court Minatomirai Urban Tower

Real estate appraiser	Morii Appraisal & Investment Consulting, Inc.	Date of value opinion: February 1, 2015 Date of appraisal: February 19, 2015
Final opinion of value	10,200,000,000 yen	
A. Value indicated by the cost approach	8,550,000,000 yen	
Land ratio	10.2%	
Building ratio	89.8%	
B. Value indicated by the income approach	10,200,000,000 yen	
1. Value indicated by the income approach based on the direct capitalization method (Inwood method of capitalization over a definite term)	10,400,000,000 yen	
(1) Total revenue	1,033,169,000 yen	①+②+③+④+⑤-⑥
① Rent income	979,108,000 yen	
② Common area charges income	4,663,000 yen	
③ Utilities expenses income	—	
④ Parking space income	86,112,000 yen	
⑤ Other income	13,048,000 yen	
⑥ Losses from vacancies, etc.	49,762,000 yen	
(2) Total expenses	403,606,000 yen	Sum total of a. to h.
a. Maintenance and management expenses	88,548,000 yen	
b. Utilities expenses	—	
c. Repair expenses	23,999,000 yen	Including restore expenses
d. Property management fee	4,538,000 yen	
e. Leasing fee	—	
f. Taxes and dues	63,407,000 yen	
g. Non-life insurance expenses	2,158,000 yen	
h. Other expenses	220,956,000 yen	Land rent etc.
(3) Operating income from property leasing	629,563,000 yen	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	1,902,000 yen	
(5) Loss on investment of leasehold guarantee deposits	14,871,000 yen	
(6) Capital expenditures	25,584,000 yen	Based on an assessment (taking into consideration the engineering report)
(7) Net operating income	591,010,000 yen	(3) + (4) - (5) - (6)
(8) Discount rate based on the Inwood method	5.3%	
2. Value indicated by the income approach based on the DCF method	10,200,000,000 yen	
Discount rate (during period from 1st year to 10th year)	5.1%	
Discount rate at resale (from 11th year to expiration of the land leasehold agreement)	5.5%	
Other matters the real estate appraiser considered for appraisal	After considering the characteristics of the approaches applied, the contents in the processes of application, etc. the final opinion of value was decided by employing the value indicated by the income approach and using the value indicated by the cost approach as reference.	

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## (2) Royal Parks SEASIR

Real estate appraiser	Morii Appraisal & Investment Consulting, Inc.	Date of value opinion: February 1, 2015 Date of appraisal: February 19, 2015
Final opinion of value	4,730,000,000 yen	
A. Value indicated by the cost approach	4,860,000,000 yen	
Land ratio	16.8%	
Building ratio	83.2%	
B. Value indicated by the income approach	4,730,000,000 yen	
1. Value indicated by the income approach based on the direct capitalization method (Inwood method of capitalization over a definite term)	4,810,000,000 yen	
(1) Total revenue	484,986,000 yen	①+②+③+④+⑤-⑥
① Rent income	452,375,000 yen	
② Common area charges income	2,060,000 yen	
③ Utilities expenses income	—	
④ Parking space income	35,640,000 yen	
⑤ Other income	9,636,000 yen	
⑥ Losses from vacancies, etc.	14,725,000 yen	
(2) Total expenses	170,732,000 yen	Sum total of a. to h.
a. Maintenance and management expenses	12,091,000 yen	
b. Utilities expenses	—	
c. Repair expenses	15,018,000 yen	Including restore expenses
d. Property management fee	2,407,000 yen	
e. Leasing fee	—	
f. Taxes and dues	25,179,000 yen	
g. Non-life insurance expenses	1,029,000 yen	
h. Other expenses	115,008,000 yen	Land rent etc.
(3) Operating income from property leasing	314,254,000 yen	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	822,000 yen	
(5) Loss on investment of leasehold guarantee deposits	7,458,000 yen	
(6) Capital expenditures	12,950,000 yen	Based on an assessment (taking into consideration the engineering report)
(7) Net operating income	294,668,000 yen	(3) + (4) - (5) - (6)
(8) Discount rate based on the Inwood method	5.8%	
2. Value indicated by the income approach based on the DCF method	4,730,000,000 yen	
Discount rate (during period from 1st year to 10th year)	5.6%	
Discount rate at resale (from 11th year to expiration of the land leasehold agreement)	6.0%	
Other matters the real estate appraiser considered for appraisal	After considering the characteristics of the approaches applied, the contents in the processes of application, etc. the final opinion of value was decided by employing the value indicated by the income approach and using the value indicated by the cost approach as reference.	

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### (3) Royal Parks Musasikosugi

Real estate appraiser	Morii Appraisal & Investment Consulting, Inc.	Date of value opinion: February 1, 2015 Date of appraisal: February 19, 2015
Final opinion of value	1,260,000,000 yen	
A. Value indicated by the cost approach	1,330,000,000 yen	
Land ratio	33.6%	
Building ratio	66.4%	
B. Value indicated by the income approach	1,260,000,000 yen	
1. Value indicated by the income approach based on the direct capitalization method (Inwood method of capitalization over a definite term)	1,280,000,000 yen	
(1) Total revenue	136,111,000 yen	①+②+③+④+⑤-⑥
① Rent income	129,917,000 yen	
② Common area charges income	—	
③ Utilities expenses income	—	
④ Parking space income	9,143,000 yen	
⑤ Other income	448,000 yen	
⑥ Losses from vacancies, etc.	3,397,000 yen	
(2) Total expenses	58,187,000 yen	Sum total of a. to h.
a. Maintenance and management expenses	4,089,000 yen	
b. Utilities expenses	—	
c. Repair expenses	2,716,000 yen	Including restore expenses
d. Property management fee	1,313,000 yen	
e. Leasing fee	—	
f. Taxes and dues	6,086,000 yen	
g. Non-life insurance expenses	219,000 yen	
h. Other expenses	43,764,000 yen	Land rent etc.
(3) Operating income from property leasing	77,924,000 yen	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	476,000 yen	
(5) Loss on investment of leasehold guarantee deposits	1,582,000 yen	
(6) Capital expenditures	3,292,000 yen	Based on an assessment (taking into consideration the engineering report)
(7) Net operating income	73,526,000 yen	(3) + (4) - (5) - (6)
(8) Discount rate based on the Inwood method	5.3%	
2. Value indicated by the income approach based on the DCF method	1,260,000,000 yen	
Discount rate (during period from 1st year to 10th year)	5.1%	
Discount rate at resale (from 11th year to expiration of the land leasehold agreement)	5.5%	
Other matters the real estate appraiser considered for appraisal	After considering the characteristics of the approaches applied, the contents in the processes of application, etc. the final opinion of value was decided by employing the value indicated by the income approach and using the value indicated by the cost approach as reference.	

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#### (4) Castalia Honkomagome

Real estate appraiser	Morii Appraisal & Investment Consulting, Inc.	Date of value opinion: February 1, 2015 Date of appraisal: February 13, 2015
Final opinion of value	1,580,000,000 yen	
A. Value indicated by the cost approach	2,020,000,000 yen	
Land ratio	65.9%	
Building ratio	34.1%	
B. Value indicated by the income approach	1,580,000,000 yen	
1. Value indicated by the income approach based on the direct capitalization method	1,600,000,000 yen	
(1) Total revenue	97,645,000 yen	①+②+③+④+⑤-⑥
① Rent income	93,532,000 yen	
② Common area charges income	6,891,000 yen	
③ Utilities expenses income	—	
④ Parking space income	—	
⑤ Other income	2,419,000 yen	
⑥ Losses from vacancies, etc.	5,197,000 yen	
(2) Total expenses	19,929,000 yen	Sum total of a. to h.
a. Maintenance and management expenses	4,654,000 yen	
b. Utilities expenses	1,050,000 yen	
c. Repair expenses	1,316,000 yen	Including restore expenses
d. Property management fee	2,769,000 yen	
e. Leasing fee	3,486,000 yen	
f. Taxes and dues	5,431,000 yen	
g. Non-life insurance expenses	139,000 yen	
h. Other expenses	1,084,000 yen	
(3) Operating income from property leasing	77,716,000 yen	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	148,000 yen	
(5) Capital expenditures	882,000 yen	Based on an assessment (taking into consideration the engineering report)
(6) Net operating income	76,982,000 yen	(3) + (4) - (5)
(7) Cap rate	4.8%	
2. Value indicated by the income approach based on the DCF method	1,560,000,000 yen	
Discount rate	4.6%	
Terminal cap rate	5.0%	
Other matters the real estate appraiser considered for appraisal	After considering the characteristics of the approaches applied, the contents in the processes of application, etc. the final opinion of value was decided by employing the value indicated by the income approach and using the value indicated by the cost approach as reference.	

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# (5) L-Place Shinkoyasu

Real estate appraiser	Japan Real Estate Institute	Date of value opinion: February 1, 2015 Date of appraisal: February 19, 2015
Final opinion of value	1,870,000,000 yen	
A. Value indicated by the cost approach	1,560,000,000 yen	
Land ratio	27.6%	
Building ratio	72.4%	
B. Value indicated by the income approach	1,870,000,000 yen	
1. Value indicated by the income approach based on the direct capitalization method	1,890,000,000 yen	
(1) Total revenue	114,192,000 yen	①+②+③+④-⑤
① Rent income	111,837,000 yen	
② Utilities expenses income	—	
③ Parking space income	5,796,000 yen	
④ Other income	57,000 yen	
⑤ Losses from vacancies, etc.	3,498,000 yen	
(2) Total expenses	11,500,000 yen	Sum total of a. to h.
a. Maintenance and management expenses	200,000 yen	
b. Utilities expenses	—	
c. Repair expenses	515,000 yen	
d. Property management fee	2,283,000 yen	
e. Leasing fee	95,000 yen	
f. Taxes and dues	8,208,000 yen	
g. Non-life insurance expenses	199,000 yen	
h. Other expenses	—	
(3) Operating income from property leasing	102,692,000 yen	(1) - (2)
(4) Operating revenue from deposits/guarantees, etc.	528,000 yen	
(5) Capital expenditures	1,240,000 yen	Based on an assessment (taking into consideration the engineering report)
(6) Net operating income	101,980,000 yen	(3) + (4) - (5)
(7) Cap rate	5.4%	
2. Value indicated by the income approach based on the DCF method	1,850,000,000 yen	
Discount rate	5.2%	
Terminal cap rate	5.6%	
Other matters the real estate appraiser considered for appraisal	Having judged that the value indicated by the income approach, which faithfully reproduces the price formation process from an income point of view, was more convincing, the final opinion of value was decided by employing the value indicated by the income approach and using the value indicated by the cost approach just as reference.	

\* 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://daiwahouse-resi-reit.co.jp/eng/>

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[Reference Information]

1. 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	3.0%
		1002	Castalia Azabujuban Shichimenzaka	March 22, 2006	4,500	1.8%
		1003	Castalia Shibakoen	March 22, 2006	2,630	1.0%
		1004	Castalia Ginza	March 22, 2006	2,520	1.0%
		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	0.9%
		1008	Castalia Azabujuban	June 21, 2007	2,910	1.1%
		1009	Castalia Azabujuban II	June 21, 2007	2,690	1.1%
		1010	Castalia Shinjuku Natsumezaka	June 21, 2007	1,865	0.7%
		1011	Castalia Ginza II	June 21, 2007	1,800	0.7%
		1012	Castalia Shibuya Sakuragaoka	June 21, 2007	1,400	0.5%
		1015	Castalia Nishi Azabu Kasumicho	April 1, 2010	2,143	0.8%
		1016	Castalia Ochanomizu	April 1, 2010	1,770	0.7%
		1017	Castalia Sangubashi	April 1, 2010	1,393	0.5%
		1018	Castalia Suitengu	April 1, 2010	1,279	0.5%
		1019	Castalia Suitengu II	April 1, 2010	1,138	0.4%
		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	0.3%
		1023	Castalia Yoyogi Uehara	April 1, 2010	608	0.2%
		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	0.4%
		1029	Castalia Shin-Ochanomizu	April 1, 2010	914	0.4%
		1030	Castalia Higashi Nihonbashi II	April 1, 2010	1,370	0.5%
		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	0.3%
		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	1.1%
		1041	Castalia Kayabacho	April 1, 2010	2,707	1.1%
		1042	Castalia Takanawa	April 1, 2010	7,430	2.9%
		1043	Castalia Higashi Nihonbashi	April 1, 2010	3,520	1.4%
		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	3.0%
		1048	Castalia Hatsudai	December 19, 2011	2,030	0.8%
		1049	Castalia Hatsudai II	September 27, 2013	1,900	0.7%
		1050	Castalia Ebisu	September 27, 2013	1,420	0.6%
		Subtotal			92,136	36.1%
	Area 2	2001	Castalia Meguro Kamurozaka	December 20, 2005	4,500	1.8%
		2002	IPSE Toritsudaigaku	March 22, 2006	648	0.3%
		2004	Castalia Yukigaya	March 7, 2007	1,110	0.4%
		2005	Castalia Yutenji	June 21, 2007	1,450	0.6%
		2006	Castalia Otsuka	June 21, 2007	1,480	0.6%

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	2007	Castalia Kikukawa	June 21, 2007	817	0.3%
	2008	Castalia Meguro	April 1, 2010	844	0.3%
	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%
	2012	Castalia Ikebukuro	April 1, 2010	2,570	1.0%
	2013	Castalia Kaname-cho	April 1, 2010	1,140	0.4%
	2014	Castalia Tower Shinagawa Seaside	April 1, 2010	7,380	2.9%
	2015	Castalia Yakumo	April 1, 2010	857	0.3%
	2016	Castalia Togoshiekimae	April 1, 2010	1,560	0.6%
	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	0.3%
	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	1.0%
	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	0.8%
	2036	Castalia Oshiage	April 1, 2010	1,100	0.4%
	2037	Castalia Kuramae	April 1, 2010	1,260	0.5%
	2038	Castalia Nakanobu	June 29, 2010	1,790	0.7%
	2039	Royal Parks Toyosu	November 1, 2010	7,360	2.9%
	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	0.7%
	2044	Castalia Arakawa	March 28, 2012	1,660	0.7%
	2045	Castalia Omori II	March 29, 2012	2,370	0.9%
	2046	Castalia Nakameguro	November 29, 2012	3,800	1.5%
	2047	Castalia Meguro Chojyamaru	September 27, 2013	2,030	0.8%
	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	1,020	0.4%
	2051	Castalia Meguro Tairamachi	September 26, 2014	1,165	0.5%
	2052	Royal Parks SEASIR	April 1, 2015 (planned)	4,350	1.7%
	2053	Castalia Honkomagome	April 1, 2015 (planned)	1,520	0.6%
	Subtotal			82,396	32.3%
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	0.2%
	3011	Castalia Minamigyotoku	April 1, 2010	543	0.2%
	3012	Castalia Minamigyotoku II	April 1, 2010	385	0.2%
	3013	Castalia Nozeyama	April 1, 2010	325	0.1%
	3017	Castalia Ichikawa	April 1, 2010	461	0.2%
	3018	Royal Parks Hanakoganei	October 7, 2011	5,300	2.1%

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		3019	Castalia Musashikosugi	September 27, 2013	1,680	0.7%
		3020	Royal Parks Wakabadai	March 28, 2014	4,360	1.7%
		3021	Pacific Royal Court Minatomirai Urban Tower	April 1, 2015 (planned)	9,100	3.6%
		3022	L-Place Shinkoyasu	April 1, 2015 (planned)	1,720	0.7%
		3023	Royal Parks Musasikosugi	April 1, 2015 (planned)	1,060	0.4%
	Subtotal				30,694	12.0%
	Area 4	4001	Castalia Shinsakae	December 20, 2005	1,920	0.8%
		4008	Aprile Tarumi	April 1, 2010	1,340	0.5%
		4009	Crest Kusatsu	April 1, 2010	3,004	1.2%
		4010	Castalia Sakaisuji Honmachi	April 1, 2010	1,490	0.6%
		4011	Castalia Shin-Umeda	April 1, 2010	1,376	0.5%
		4012	Castalia Abeno	April 1, 2010	4,368	1.7%
		4014	Castalia Sakae	April 1, 2010	1,010	0.4%
		4015	Castalia Nipponbashi Kouzu	April 1, 2010	3,570	1.4%
		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	1.3%
		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	1.0%
		4026	Big Tower Minami Sanjo	November 1, 2010	1,740	0.7%
		4027	Castalia Fushimi	January 14, 2011	2,260	0.9%
		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	1.1%
		4033	Royal Parks Namba	March 29, 2013	2,830	1.1%
		4034	Castalia Shigahondori	June 26, 2013	1,730	0.7%
	Subtotal				48,120	18.8%
	Subtotal				253,346	99.2%
Residential	Area 3	6001	Urban Living Inage	June 24, 2013	930	0.4%
		6002	Aburatsubo Marina HILLS	September 1, 2014	1,100	0.4%
(Residential properties for the elderly)				Subtotal	2,030	0.8%
Total				255,376	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.

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2. Photograph of the Property Planned for Acquisition

(1) Pacific Royal Court Minatomirai Urban Tower



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(2) Royal Parks SEASIR



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(3) Royal Parks Musasikosugi



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(4) Castalia Honkomagome



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(5) L-Place Shinkoyasu



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