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For Immediate Release

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Notice Concerning Debt Financing

Daiwa House Residential Investment Corporation (“DHI”) announces its decision to undertake debt financing. The details are as follows:

1. Purpose of Debt Financing

DHI decided to undertake the Debt Financing for use as part of funds for acquisition of trust beneficiary rights in real estate (Pacific Royal Court Minatomirai Urban Tower, Royal Parks SEASIR, Royal Parks Musashikosugi, Castalia Honkomagome and L-Place Shinkoyasu) (the “Beneficiary Rights”). (Note)

Please refer to the press release “Notice Concerning the Proposed Acquisition and Leasing of Domestic Assets (Pacific Royal Court Minatomirai Urban Tower and Four Other Properties)” dated today for details of the Beneficiary Rights.

(Note) However, the loan agreements concerning the Debt Financing shall be concluded after completion of the approval under the procedures of examination of loan applications by the financial institutions.

<Disclaimer> This document is a press release to make a public announcement of the debt financing of Daiwa House Residential Investment Corporation, and has not been prepared as a solicitation for investment. DHI cautions investors to ensure that they refer to the prospectus for notification of the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by DHI (if such have been prepared) before undertaking investments and investments be made at their own discretion and responsibility.

2. Details of Debt Financing

(1) Term Loan Agreement (Syndication)

Term Loan XI	
Use	Funds for acquisition of trust beneficiary rights and related expenses (Note 1) (Note 2)
Lenders	Loan syndicate with Sumitomo Mitsui Trust Bank, Limited (Note 3) and Sumitomo Mitsui Banking Corporation as arrangers (Note 4)
Amount (planned)	¥7,000,000,000
Interest Rate (Note 5)	Basic interest rate (Japanese Bankers Association 1month yen TIBOR + 0.30%) (Variable interest rate)
Loan Date (planned)	March 31, 2015
Repayment date	March 31, 2022 (or last business day of the months)
Repayment method	Principal repayment in full on the maturity date
Collateral	Unsecured, Unguaranteed

(2) Term Loan Agreement (Negotiated)

Use	Funds for acquisition of trust beneficiary rights and related expenses (Note 1) (Note 2)
Lenders	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Amount (planned)	¥1,500,000,000
Interest Rate (Note 5)	Basic interest rate (Japanese Bankers Association 1month yen TIBOR + 0.175%) (Variable interest rate)
Loan Date (planned)	March 31, 2015
Repayment date	March 31, 2016 (or last business day of the months)
Repayment method	Principal repayment in full on the maturity date
Collateral	Unsecured, Unguaranteed

(3) Term Loan Agreement (Negotiated)

Use	Funds for acquisition of trust beneficiary rights and related expenses (Note 1) (Note 2)
Lenders	Mizuho Bank, Ltd.
Amount (planned)	¥1,500,000,000
Interest Rate (Note 5)	Basic interest rate (Japanese Bankers Association 1month yen TIBOR + 0.175%) (Variable interest rate)
Loan Date (planned)	March 31, 2015
Repayment date	March 31, 2016 (or last business day of the months)
Repayment method	Principal repayment in full on the maturity date
Collateral	Unsecured, Unguaranteed

(Note 1) Please refer to the press release “Notice Concerning the Proposed Acquisition and Leasing of Domestic Assets (Pacific Royal Court Minatomirai Urban Tower and Four Other Properties)” announced today.

(Note 2) The funds for acquisition of the trust beneficiary rights and related expenses is scheduled to include, aside from the Debt Financing, the use of the funds to be procured from issuance of new investment units (“primary offering”) stated in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” dated today. The amount planned for the Debt Financing is the amount planned as of today on the basis of several factors, which include with regard to the concerned issuance of new investment units, the estimated amount of proceeds from the primary offering calculated based on the closing price in regular trading of DHI investment units on the Tokyo Stock Exchange, Inc. as of February 27, 2015 (Friday). Accordingly, the final amount of the Debt Financing may be changed before the drawdown in light of the amount of proceeds from the primary offering and other factors.

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- (Note 3) Sumitomo Mitsui Trust Bank, Limited, constitutes an interested party 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.
- (Note 4) Details will be announced once determined.
- (Note 5) Interest payment dates are last business day of every months, and the principal repayment date (or last business day of the month). JBA 1 month yen TIBOR rate of two business days prior to the latest interest payment date will be use as the base rate to calculate the applicable interest rate for the current calculation period.
Please refer to JBA website (<http://www.zenginkyo.or.jp/en/tibor/>) for the yen TIBOR.

3. 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.

4. Other

For the risks concerning Debt Financing, there are no significant changes from the security registration statement (submitted on today).

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[Reference]

Status of Balance of Interest-bearing Liabilities after Debt Financing (planned)

(Unit: million yen; rounded under million yen)

		Before Debt Financing and the Repayment (as of March 9, 2015)	After Debt Financing and the Repayment (planned) (as of March 31, 2015)	Increase (Decrease)
Short-term loans (Note 1)	Commitment Line I-7	800	800	—
	The Bank of Tokyo-Mitsubishi UFJ-2	—	1,500	1,500 (Note 2)
	Mizuho Bank, Ltd. -1	—	1,500	1,500 (Note 2)
Long-term loans (Note 1)	Term loan III	10,500	10,500	—
	Term loan IV	31,800	31,800	—
	Resona Bank-1	1,095	1,095	—
	Term loan V	7,000	7,000	—
	Term loan VI	7,000	7,000	—
	The Bank of Tokyo-Mitsubishi UFJ-1	4,000	4,000	—
	Term loan VII	12,400	12,400	—
	Term loan VIII	7,600	7,600	—
	Term loan IX	17,410	17,410	—
	Development Bank of Japan Inc.-1	1,500	1,500	—
	The Norinchukin Bank-1	3,500	3,500	—
	Term loan X	6,858	6,858	—
	Development Bank of Japan Inc.-2	2,000	2,000	—
	Term Loan XI	—	7,000	7,000 (Note 2)
Total loans		113,463	123,463	10,000
Investment corporation bonds		9,000	9,000	—
Total interest-bearing liabilities		122,463	132,463	10,000

(Note 1) Short-term loans are loans with maturity periods of one year or less and long-term loans are loans with maturity periods of over one year.

(Note 2) Increase attributable to debt financing announced today.

* This press release is (original Japanese version) 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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