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For Immediate Release

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Notice Concerning Proposal to Modify Asset Management Fee System

Daiwa House Residential Investment Corporation (“DHI”) announces that it has resolved to propose modification of the fee base and the fee rate (the “Modification”), which are the basis for calculating the asset management fee paid to the asset manager, Daiwa House Asset Management Co., Ltd. (the “Asset Manager”), at the 9th General Meeting of Unitholders to be held on November 25, 2015. (Note) This is to modify the current asset management fee system so that it will become more closely linked to unitholders’ benefits compared to the current system.

(Note) Please refer to “Notice Concerning Amendments to the Articles of Incorporation and Appointment of Directors of the Investment Corporation” dated today.

1. Main Purpose and Outline of the Modification

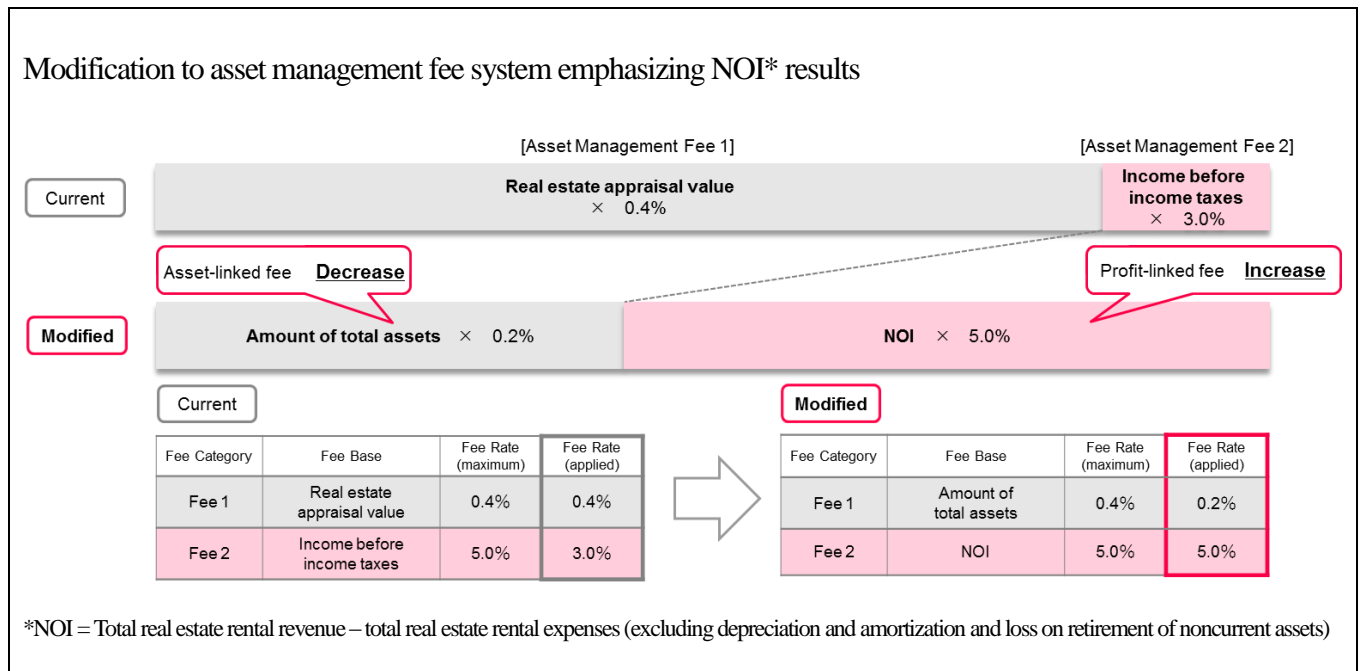
The current asset management fee system is mainly composed of the asset management fee 1, which is linked to the real estate appraisal values, and the asset management fee 2, which is linked to income before income taxes, with the asset management fee 1 accounting for a large part of the asset management fee.

The Modification will change the fee base of the asset management fee 1 from real estate appraisal value to the amount of total assets of DHI and lower the fee rate linked to it. It will also change the fee base of the asset management fee 2 from income before income taxes to NOI (real estate rental income before depreciation) and raise its fee rate.

The Modification will establish an asset management fee system that emphasizes NOI, which is more closely linked to unitholders’ benefits, contributing to DHI’s growth over a medium- to long-term.

The actual amount of asset management fee for the 19th fiscal period (fiscal period ended August 2015) was approximately 620 million yen as it was based on the current asset management fee system. However, if calculated based on the asset management fee system after the Modification, it would be approximately 590 million yen, down by almost 30 million yen.

The outline of the Modification is as follows.



The Modification is an item to be resolved at the 9th General Meeting of Unitholders to be held on November 25, 2015. If it is approved and passed at the meeting, it will be applied from the fiscal period ending August 2016, which starts on March 1, 2016.

2. Future Prospects

For the impact of the Modification on operating results, etc., please refer to “Financial Report for the 19th Fiscal Period” announced today.

* 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/>