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For Immediate Release

**REIT Issuer:**

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## Notice Concerning Acquisition of Trust Beneficiary Interest in Domestic Real Estate

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the decision made today by Daiwa House Asset Management Co., Ltd. (the “Asset Manager”), the asset manager to which DHR entrusts the management of its assets, to acquire the following asset (the “Asset Scheduled for Acquisition”) as described below.

The decision related to transactions with interested parties, etc. as defined in the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951, as amended, the “Investment Trust Act”) has been approved by the board of directors of DHR based on the Asset Manager’s voluntary rules concerning conflicts of interest.

### 1. Acquisition overview

Property number	Real estate in trust (Property name)	Asset class	Location	Anticipated date of acquisition	Anticipated acquisition price (million yen) (Note 1)	Appraisal value (million yen) (Note 2)	Appraisal NOI yield (Note 3)	Seller
LM-003	DPL Kitakyushu	Logistics	Kitakyushu City, Fukuoka	September 27, 2018	3,510	3,560	5.8%	Daiwa House Industry Co., Ltd.

(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) Description is based on the appraisal value as of August 31, 2018.

(Note 3) Appraisal NOI yield is calculated as NOI as estimated by the direct capitalization method in the appraisal report divided by the anticipated acquisition price.

- (1) Asset type : Trust beneficiary interest in real estate
- (2) Anticipated date of the sale and purchase agreement : September 27, 2018
- (3) Acquisition funds : Proceeds from debt financing and cash reserves
- (4) Settlement method : Payment of entire amount upon transfer

### 2. Acquisition rationale

The Asset Scheduled for Acquisition is recently constructed and has long remaining lease terms with the average remaining lease term of 8.5 years. Based on the targets and policies prescribed in DHR’s Articles of Incorporation, the Asset Manager decided the acquisition of the Asset Scheduled for Acquisition, having deemed that the acquisition would expand the asset size, further increase the stability of cash flow through increased portfolio diversification, and secure stable revenues in the long term.

### 3. Details of the Asset Scheduled for Acquisition

Overview of leasing is based on information as of August 31, 2018.

Property number		DPL Kitakyushu	Asset class		Logistics				
LM-003			Type		Multi-tenant type				
Anticipated date of acquisition		September 27, 2018		Anticipated acquisition price		3,510 million yen			
Overview of specified asset									
Type of specified asset			Trust beneficiary interest in real estate						
Trustee			Sumitomo Mitsui Trust Bank, Limited						
Trust maturity date			September 30, 2038						
Location	Lot number		2633-5, Sonekitamachi, Kokura Minami Ward, Kitakyushu City, Fukuoka						
	Residence indication		5-14, Sonekitamachi, Kokura Minami Ward, Kitakyushu City, Fukuoka						
Land	Type of ownership		Ownership		Building	Type of ownership		Ownership	
	Land area		31,460.00 m <sup>2</sup>			Gross floor area		Building A: 14,693.40 m <sup>2</sup> Building B: 12,023.35 m <sup>2</sup>	
	Area classification		Industrial district			Use		Warehouse	
	Building coverage ratio		60% (Note 1)			Structure		Steel-frame building	
	FAR		200%			Number of floors		Building A: 2F Building B: 3F	
Collateral			None		Building	Date of construction		Building A: October 21, 2015 / Building B: December 9, 2016	
Overview of building condition evaluation									
Evaluation company			Tokio Marine & Nichido Risk Consulting Co., Ltd.						
Urgent repair costs			0 thousand yen		Evaluation date		September 2018		
Short-term repair costs			0 thousand yen		PML		1.1%		
Long-term repair costs			84,977 thousand yen / 12 years						
Designer, structural designer, contractor, inspection agency									
Designer			Daiwa House Industry Co., Ltd.						
Structural designer			Daiwa House Industry Co., Ltd.						
Contractor			Daiwa House Industry Co., Ltd.						
Inspection agency			Japan ERI Co., Ltd.						
Structural calculation evaluation agency			—						
Overview of leasing									
Leasable area			26,672.98 m <sup>2</sup>		Number of tenants		1		
Leased area			26,672.98 m <sup>2</sup>		Annual rent		Not disclosed (Note 2)		
Occupancy rate			100.0%		Tenant leasehold and security deposit		Not disclosed (Note 2)		
Average lease term			10.0 years		Average remaining lease term		8.5 years (Note 3)		
Master lease company					Daiwa Information Service Co., Ltd.				
Master lease type					Pass-through type				
Property management company					Daiwa Information Service Co., Ltd.				
Lessee			YAMAE HISANO Co., Ltd., KYUSO COMPANY, LTD., ASAHI SHOKUHN Co., Ltd.						
Special items									
None									
Property characteristics									
■ Location									
This property is located in the southeastern part of Kitakyushu City and approximately 3.0km from Nagano IC on									

the Kitakyushu Urban Expressway Route 1 and Kokura-Higashi IC of the Kyushu Expressway, and has good traffic access to the entire Kitakyushu City as well as to Fukuoka City. The property offers good environment for a logistics base as it is located in an industrial area where warehouses, offices and factories concentrate and the chances of receiving claims from nearby residents appear to be low, enabling 24-hour operation and frequent deliveries. There are residential areas in nearby areas, which facilitate the hiring of employees and part-time workers.

#### ■ Specification

Building A of the property is a two-story logistics facility with gross floor area of approximately 4,445 tsubo and Building B is also a two-story logistics facility with gross floor area of approximately 3,637 tsubo. The property is leased to multi-tenants. As basic specifications, the property has the ceiling height of 5.0m or more, floor weight capacities of 2.0t/m<sup>2</sup> (1F) and 1.5t/m<sup>2</sup> (2F), pillar interval spacing of 10.5m by 10.5m for Building A and 10.5m by 11.5m for Building B, which offer versatility for tenants from a wide variety of sectors. There are three cargo elevators and three vertical carrier machines for Building A, two cargo elevators and four vertical carrier machines for Building B, which offer high capacity for internal carriage. Parking space accommodates 181 parking spaces for employees and 30 parking spaces for trucks, sufficient for the size of the property.

(Note 1) While the building coverage ratio of the property is essentially 60%, due to application of corner lot mitigation, it is set at 70%.

(Note 2) Not disclosed as consent for disclosure has not been obtained from the lessee.

(Note 3) Description is based on the average remaining lease term as of September 27, 2018, which is the anticipated acquisition date.

#### 4. Seller profile

(1)	Name	Daiwa House Industry Co., Ltd.
(2)	Location	3-3-5 Umeda, Kita Ward, Osaka City, Osaka
(3)	Representative	Keiichi Yoshii, President and COO
(4)	Business activities	General contractor
(5)	Capital	161,699 million yen (as of June 30, 2018)
(6)	Foundation date	March 4, 1947
(7)	Net assets	1,514,900 million yen (as of June 30, 2018)
(8)	Total assets	4,023,746 million yen (as of June 30, 2018)
(9)	Major shareholder and shareholding ratio	The Master Trust Bank of Japan, Ltd. (trust account) 7.20% Japan Trustee Services Bank, Ltd. (trust account) 5.99% (as of March 31, 2018)
(10)	Relationships with DHR and the Asset Manager	
	Capital relationship	The seller holds 9.6% of DHR's investment units outstanding as of August 31, 2018. The seller also holds 100.0% of shares outstanding of the Asset Manager as of today, and thus falls under the category of an interested party, etc. as defined in the Investment Trust Act.
	Personnel relationship	Of the officers and employees of the Asset Manager, 17 people have been seconded from the seller as of today.
	Business relationship	The seller is a consignee of PM and other services for DHR, and is a lessee of real estate owned by DHR. The seller has executed a new basic agreement regarding new pipeline support and other matters with DHR and the Asset Manager.
	Status of classification as related party	The seller falls under the category of a related party of DHR/the Asset Manager.

#### 5. Interested party transactions

Daiwa House Industry Co., Ltd. as the seller and Daiwa Information Service Co., Ltd. as the master lease and property management company of the Asset Scheduled for Acquisition are defined as interested parties, etc. in the Investment Trust Act. The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its voluntary rules concerning conflicts of interest.

#### 6. Status of the seller

Property acquisitions from parties with particular interests are as follows. The table below notes (1) the name of the party; (2) the relationship with the party that has a particular interest; and (3) the backgrounds and reason for the acquisition.

Property name (Location)	Previous owner / trust beneficiary	Owner before previous owner / trust beneficiary
	(1), (2), (3)	(1), (2), (3)
	Acquisition (transfer) price	Acquisition (transfer) price
	Acquisition (transfer) date	Acquisition (transfer) date
LM-003 DPL Kitakyushu (5-14, Sonokitamachi, Kokura Minami Ward, Kitakyushu City, Fukuoka)	(1) Daiwa House Industry Co., Ltd. (2) The parent company of the Asset Manager (3) Acquisition for development purposes	A party which does not have any particular interests
	Omitted as the previous owner/trust beneficiary has owned the property for over one year	—
	March 2014 (Note)	—

(Note) Description of buildings is not listed as the buildings were newly constructed.

## 7. Brokerage

None

## 8. Acquisition schedule

- (1) Acquisition decision date : September 21, 2018
- (2) Execution date of the sale and : September 27, 2018 (planned)  
purchase agreement
- (3) Date of payment : September 27, 2018 (planned)
- (4) Delivery date : September 27, 2018 (planned)

## 9. Outlook

The impact of the acquisition of the Asset Scheduled for Acquisition on the forecast of operating results for the fiscal period ending February 2019 (from September 1, 2018 to February 28, 2019) will be minimal, and there are no revisions to such forecast.

## 10. Summary of property appraisal of the Asset Scheduled for Acquisition

DPL Kitakyushu		
Appraisal value	3,560 million yen	
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.	
Appraisal date	August 31, 2018	

Item	Content	Basis
Value based on income method	3,560 million yen	Estimated value based on income method by using value based on discount cash flow method, with value based on direct capitalization method used as a reference.
Value based on direct capitalization method	3,510 million yen	Not disclosed (Note)
Operating revenue	—	
Effective gross revenue	—	
Loss from vacancy	—	
Operating expense	—	
Maintenance	—	
Utility cost	—	
Repair	—	
Property management Fee	—	
Advertisement and other leasing cost	—	
Tax	—	
Insurance	—	
Other cost	—	
Net operating income (NOI)	202 million yen	Not disclosed (Note)
Investment income of lump sum	—	

Capital expenditure	—	
Net cash flow (NCF)	196 million yen	
Cap rate	5.6%	Compared the multiple transaction yields of the logistics properties in suburbs of government-designated cities or regional core urban cities from a cross-regional standpoint, taking into account the regional and unique characteristics of the property and also considering the relationship with the discount rate
Value based on Discounted Cash Flow method	3,580 million yen	
Discount rate	Building A: (1st-5th year) 5.5% (6th-10th year) 5.6% (11th year) 5.7% Building B: (1st-3rd year) 5.5% (4th-8th year) 5.6% (from 9th year) 5.7%	Estimated the base yield of the warehouse by build-up approach based on yields of financial products, and assess by taking into account specific risks related to the property
Terminal cap rate	5.8%	Estimated on the basis of capitalization rate, in consideration of the prediction uncertainty
Value based on cost method	3,770 million yen	
Proportion of land	24.2%	
Proportion of building	75.8%	
Items applied to adjustments in valuation approach and the determination of the appraisal value	None	

(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting in claims being brought against DHR for breach of confidentiality and/or termination and endangering the long-term contractual relationship. Therefore, DHR believes that disclosure of this information could be detrimental to unitholder value, and, except in certain instances where it was deemed that no harm would result from disclosure, these items are not disclosed.

\* Distribution of this material: This material is distributed to “Kabuto Club” (a media correspondents’ club at the Tokyo Stock Exchange), the press club at the Ministry of Land, Infrastructure, Transport and Tourism and the press club for construction trade newspapers at the Ministry of Land, Infrastructure, Transport and Tourism.

\* DHR’s website: <https://www.daiwahouse-reit.co.jp/en/>

#### <Attachments>

1. Photographs and location map of the Asset Scheduled for Acquisition
2. Portfolio status after the acquisition of the Asset Scheduled for Acquisition

<Attachments>

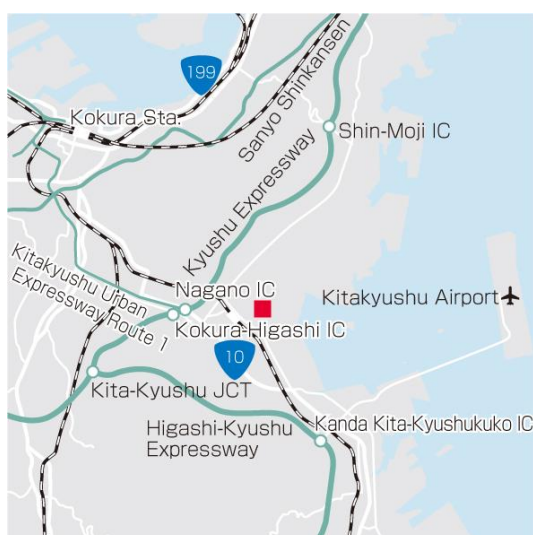
1. Photographs and location map of the Asset Scheduled for Acquisition

(Property number) LM-003 DPL Kitakyushu

Building A



Building B



2. Portfolio status after the acquisition of the Asset Scheduled for Acquisition

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	59 properties	340,009	50.4%
Residential properties	134 properties	247,444	36.6%
Retail properties	16 properties	71,530	10.6%
Hotel properties	1 property	4,800	0.7%
Other assets	4 properties	11,480	1.7%
Portfolio	214 properties	675,263	100.0%

(Note) Investment ratio indicates the ratio of the (anticipated) acquisition price for each asset to the total (anticipated) acquisition price, rounded to the nearest tenth.