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For Immediate Release

Investment Corporation:

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Notice Concerning Acquisition and Disposition of Trust Beneficiary Interests 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, for DHR to acquire the following asset (the “Anticipated Acquisition”) and dispose of the following asset (the “Anticipated Disposition”, respectively the “Acquisition” and the “Disposition”, and collectively the “Transactions”) as described below.

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)	NOI yield (Note 3)	NOI yield after depreciation (Note 4)
HO-006	MIMARU Tokyo Akasaka	Hotel	Minato Ward, Tokyo	March 23, 2023	3,116	3,330	3.9%	3.4%

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

(Note 2) Appraisal value as of February 28, 2023.

(Note 3) “NOI yield” is represented by a figure calculated by dividing the stabilized net operating income, calculated by deducting operating expenses from operating income based on a direct capitalization method, as stated in the appraisal report (as of February 28, 2023) (the “Net Operating Income” in Note 4 below), by an anticipated acquisition price.

(Note 4) “NOI yield after depreciation” is calculated by dividing the figure, calculated by deducting depreciation estimated by the Asset Manager from the Net Operating Income in the appraisal report (as of February 28, 2023), by an anticipated acquisition price.

- (1) Anticipated execution date of the sale and purchase agreement : March 23, 2023
- (2) Seller : Fuyo General Lease Co., Ltd.
- (3) Acquisition funds : Cash on hand
- (4) Method of settlement : Payment of entire amount upon transfer
- (5) Intermediary : None

2. Disposition overview

Property number	Real estate in trust (Property name)	Asset class	Anticipated date of disposition	Anticipated sale price (million yen) (Note 1)	Anticipated book value (million yen) (Note 2)	Difference between anticipated sale price and anticipated book value (million yen)	Gain or loss on sale (million yen) (Note 3)	Appraisal value (million yen) (Note 4)
RE-133	Castalia Meieki Minami	Residential	March 30, 2023	1,001	615	385	349	1,010

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

(Note 2) Anticipated book value as of the anticipated date of disposition.

(Note 3) Gain or loss on sale represents the forecast amount.

(Note 4) Appraisal value as of February 28, 2023.

- (1) Anticipated execution date of the sale and purchase agreement : March 23, 2023
- (2) Buyer : A. D. Works Co., Ltd.
- (3) Use of the proceeds from the Disposition : The proceeds will be reserved as cash on hand
- (4) Method of settlement : Payment of entire amount upon transfer
- (5) Intermediary : Yes (The intermediary does not fall under the category of an interested party, etc.)

3. Rationale for the Transactions

As part of the external growth strategy, DHR is promoting continuous portfolio rebalancing in order to improve quality of the portfolio through enhanced profitability and rejuvenation of the property age.

Based on the targets and policies prescribed in DHR's Articles of Incorporation, the Asset Manager decided the Acquisition having deemed that the Anticipated Acquisition, which is a relatively a new hotel located approximately a four-minute walk from Akasaka Station on the Tokyo Metro Chiyoda Line in central Tokyo and with stable earnings outlook backed by a long-term lease agreement, will contribute to further improve the stability of DHR's cash flow and secure long-term stable earnings. For the details of the Anticipated Acquisition, please refer to "4. Details of the Anticipated Acquisition" below.

Furthermore, based on the examination in terms of the medium- to long-term management efficiency of DHR's portfolio and the characteristics of the respective properties, the Asset Manager decided the Disposition considering such factors as the competitiveness of the Anticipated Disposition and market conditions. The Anticipated Disposition is a small-scale residential property with an acquisition price of less than 1 billion yen, and rental demand in the surrounding area has been on a weakening trend. The Asset Manager judge that it will be difficult to maintain and improve profitability of the Anticipated Disposition in the future, given the expected increase in future capital expenditures and repair costs, and has determined that it is desirable to avoid future risks by disposing of the Anticipated Disposition at the current point in a booming real estate market.

4. Details of the Anticipated Acquisition

Property number	MIMARU Tokyo Akasaka		Asset class	Hotel	
HO-006			Type	-	
Anticipated date of acquisition	March 23, 2023		Anticipated acquisition price	3,116 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		March 31, 2043			
Location	Lot number	7-458, Akasaka, Minato Ward, Tokyo			
	Residence indication	7-9-6, Akasaka, Minato Ward, Tokyo			
Land	Type of ownership	Ownership	Building	Type of ownership	Ownership
	Land area	442.19 m ²		Gross floor area	1,909.44 m ²
	Area classification	Neighborhood retail district, retail district		Use	Hotel
	Building coverage ratio	80% (Note 1)		Structure	Steel-frame building
	FAR	400%/500%		Number of floors	11F
Collateral	None		Date of construction	February 7, 2018	
Overview of building condition evaluation					
Evaluation company		Tokio Marine dR Co., Ltd.			
Urgent repair costs		0 thousand yen	Evaluation date	February 2023	
Short-term repair costs		0 thousand yen	PML	2.2%	
Long-term repair costs		58,651 thousand yen (12 years)			

Soil contamination inspector			
Inspector	Tokio Marine dR Co., Ltd.		
Designer, structural designer, contractor, inspection agency			
Designer	YENDO ASSOCIATES Inc.		
Structural designer	Goken Sekkei Inc.		
Contractor	DAIHO CORPORATION		
Inspection agency	Urban Housing Evaluation Center		
Structural calculation evaluation agency	-		
Overview of leasing			
Leasable area	1,909.44 m ² (Hotel 1,824.30 m ² , Retail 85.14 m ²) (Note 2)		
Leased area	1,909.44 m ² (Hotel 1,824.30 m ² , Retail 85.14 m ²) (Note 2)		
Occupancy rate	100.0%	Annual rent	139,338 thousand yen
Number of tenants	1	Tenant leasehold and security deposit	72,000 thousand yen
Lease term	20.0 years	Remaining lease term	17.0 years (Note 3)
Master lease company	Cosmos Initia Co., Ltd.		
Master lease type	Sublease type (Hotel), pass-through type (Retail)		
Property management company	Cosmos Initia Co., Ltd.		
Contract details of the hotel portion			
Rent revision	Rent shall be fixed for ten years from the execution date of the master lease agreement, and shall be revised every two years upon consultation based on the amount calculated in accordance with a predetermined formula.		
Contract renewal	No renewal; the lease agreement will end upon expiration of the lease period.		
Early cancellation	Neither the lessor nor the lessee may cancel the master lease agreement before the expiration of 10 years from the start date of the master lease period (“non-cancellation period”). However, the agreement shall be terminated upon expiration of six months after the cancellation request, provided that the lessor and the lessee notify in writing six months prior to the cancellation date and pay an amount equivalent to the master lease rent for the remaining period until the end of the non-cancellation period as a penalty fee.		
Special items			
None			
Property characteristics			
<p>■ Location</p> <p>The property is located approximately a four-minute walk from Akasaka Station on the Tokyo Metro Chiyoda Line, and has good visibility as it faces the commonly known Asakasaka-dori Street in front. The property is considered to have a great location advantage as a hotel, as it is located in a highly commercial area with a concentration of office buildings and condominiums, as well as restaurants and stores in the vicinity. It is also within walking distance to downtown Akasaka and Roppongi areas.</p> <p>■ Property characteristics</p> <p>“MIMARU Tokyo Akasaka” operated by Cosmos Hotel Management Co., Ltd. is the main tenant of this property. It is an apartment hotel with 40 guest rooms, all equipped with kitchens, with an average room area of approximately 41 m² and a capacity of four people per room, and is suitable for inbound and domestic leisure travelers as well as for medium- to long-term stays. A restaurant (tenant), laundromats, and vending machines are located on the first floor, with a rooftop terrace on the roof.</p> <p>■ Hotel brand description</p> <p>The hotel brand “MIMARU” is an apartment hotel with a room area of 40 m² or more, and all rooms can accommodate four or more people. Each hotel is located within a five-minute walk from major urban stations and in close proximity to commercial and tourist attractions. All guest rooms have a mini-kitchen and dining space, with dishes and cooking utensils always available. The common areas are equipped with laundry space and other facilities, making the hotel brand highly competitive for the needs of medium- to long-term guests. It is considered to have a high advantage, because its guest room area is over 40 m², which is larger than other apartment hotels, the rooms are well equipped, and the staff can respond to guests in multiple languages, as inbound guests are the main customers.</p>			

(Note 1) While the building coverage ratio of the property is essentially 80%, it is set at 100% due to application of a fire-resistant building

located in a fire-protection district.

(Note 2) The leasable area and leased area of the hotel are the leasable area and leased area under the master lease agreement minus the leasable area and leased area of the retail portion, respectively.

(Note 3) The remaining lease term as of March 23, 2023, the anticipated acquisition date, is shown.

5. Details of the Anticipated Disposition

Property number		Castalia Meieki Minami		Asset class		Residential			
RE-133				Acquisition price		720 million yen			
Type of specified asset			Trust beneficiary interest in real estate						
Trustee			Mizuho Trust & Banking Co., Ltd.						
Trust maturity date			July 31, 2031						
Location	Lot number		1-1216, Meiekiminami, Nakamura Ward, Nagoya City, Aichi						
	Residence indication		1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi						
Land	Type of ownership		Ownership		Building	Type of ownership		Ownership	
	Land area		382.85 m ²			Gross floor area		2,001.51 m ²	
	Area classification		Retail district			Use		Apartment complex	
	Building coverage ratio		80%			Structure		Reinforced concrete building	
	FAR		500%			Number of floors		15F	
Collateral			None		Date of construction		January 13, 2007		
Overview of leasing (Note)									
Leasable area			1,822.10 m ²		Number of leasable units		70		
Leased area			1,765.90 m ²		Annual rent		58 million yen		
Occupancy rate			96.9%		Tenant leasehold and security deposit		5 million yen		
Historical occupancy rate	August 2020		February 2021		August 2021		February 2022		August 2022
	89.0%		94.2%		91.3%		95.8%		95.6%
Master lease company					Daiwa Living Co., Ltd.				
Master lease type					Pass-through type				
Property management company					Daiwa Living Co., Ltd.				

(Note) Overview of leasing is based on information as of February 28, 2023.

6. Seller profile

(1)	Name	Fuyo General Lease Co., Ltd.		
(2)	Location	5-1-1, Kojimachi, Chiyoda Ward, Tokyo		
(3)	Representative	Hiroaki Oda, President and Chief Executive Officer		
(4)	Business activities	General leasing business		
(5)	Capital	10,532 million yen (as of December 31, 2022)		
(6)	Foundation date	May 1, 1969		
(7)	Net assets	406,434 million yen (as of December 31, 2022)		
(8)	Total assets	3,019,525 million yen (as of December 31, 2022)		
(9)	Major shareholder and shareholding ratio	Hulic Co., Ltd. 14.00% The Master Trust Bank of Japan, Ltd. (Trust Account) 9.11% Meiji Yasuda Life Insurance Company 8.48% (as of September 30, 2022)		
(10)	Relationships with DHR and the Asset Manager			
	Capital relationship	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the seller.		
	Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and the seller.		
	Business relationship	There is no business relationship requiring disclosure between DHR/the Asset Manager and the seller.		

Status of classification as related party	The seller is not a related party of DHR/the Asset Manager.
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7. Buyer profile

(1) Name	A. D. Works Co., Ltd.
(2) Location	2-2-3, Uchisaiwaicho, Chiyoda Ward, Tokyo
(3) Representative	Hideo Tanaka, Representative Director and President
(4) Business activities	Income real estate business, small-lot real estate product business, overseas real estate business
(5) Capital	100 million yen (as of December 31, 2021)
(6) Foundation date	May 5, 1936
(7) Net assets	13,153 million yen (as of December 31, 2021)
(8) Total assets	37,568 million yen (as of December 31, 2021)
(9) Major shareholder and shareholding ratio	A. D. Works Group (100.00%)
(10) Relationships with DHR and the Asset Manager	
Capital relationship	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the buyer.
Personnel relationship	There is no personnel relationship requiring disclosure between DHR/the Asset Manager and the buyer.
Business relationship	There is no business relationship requiring disclosure between DHR/the Asset Manager and the buyer.
Status of classification as related party	The buyer is not a related party of DHR/the Asset Manager.

8. Interested party transactions

Cosmos Initia Co., Ltd., the master lease and property management company of the Anticipated Acquisition, falls under the category of an interested party, etc. as defined in the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951, as amended). The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its voluntary rules regarding interested party transactions.

9. Acquisition and disposition schedule

Property name	Acquisition and disposition decision date	Execution date of the sale and purchase agreement	Date of payment and delivery date
MIMARU Tokyo Akasaka (Acquisition)	March 22, 2023	March 23, 2023 (planned)	March 23, 2023 (planned)
Castalia Meieki Minami (Disposition)			March 30, 2023 (planned)

10. Outlook

The impact of the Transactions will be minimal, and there are no revisions to the forecast of results for the fiscal period ending August 31, 2023 (from March 1, 2023 to August 31, 2023).

11. Overview of property appraisal of the Anticipated Acquisition

Property name	MIMARU Tokyo Akasaka
Appraisal value	3,330 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	February 28, 2023

Item	Content	Basis
Value based on income method	3,330 million yen	Assessed the value based on income method using the value based on discount cash flow method by judging it is more convincing and also by verifying the value based on direct capitalization method.
Value based on direct	3,410	

capitalization method	million yen	
Operating revenue	139 million yen	
Effective gross revenue	139 million yen	Based on estimated market rent of the hotel portion and the retail portion.
Loss from vacancy	0 million yen	Assessed vacancy rate at 0% for hotel portion and 3.0% for the retail portion.
Operating expense	17 million yen	
Maintenance	- million yen	Not recorded as borne by the lessee.
Utility cost	- million yen	Not recorded as borne by the lessee.
Repair	1 million yen	Assessed by allocating the figures based on the engineering report and comparison with similar properties to the ratio of 30% for repairs and 70% for capital expenditures.
Property management Fee	2 million yen	Based on the master lease and property management agreement.
Advertisement and other leasing cost	0 million yen	Assessed annual tenant turnover at 0 % for the hotel portion and 10% for the retail portion.
Tax	13 million yen	Assessed based on 2022 tax materials.
Insurance	0 million yen	Based on the insurance premium estimates.
Other cost	0 million yen	Based on actual income and expenses.
Net operating income (NOI)	121 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%.
Capital expenditure	3 million yen	Assessed by allocating the figures based on the engineering report and comparison with similar properties to the ratio of 30% for repairs and 70% for capital expenditures.
Net cash flow (NCF)	119 million yen	
Cap rate	3.5%	Assessed by comparing with multiple transaction yields in neighboring areas or similar areas with the same supply and demand, and also taking into account the expected future fluctuation of net cash flow, as well as the relationship with the discount rate.
Value based on Discounted Cash Flow method	3,300 million yen	
Discount rate	(from first to seventh year) 3.5% (from eighth year) 3.6%	Assessed by determining the real estate investment yield of the hotel using the accumulation method of yields of financial instruments and the case comparison method, and by taking into account the individual risk of the subject property to the base yield.
Terminal cap rate	3.7%	
Value based on cost method	3,320 million yen	Assessed based on the cap rate and by taking into account the prediction uncertainty of the future.
Proportion of land ownership	83.2%	
Proportion of building	16.8%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

12. Overview of property appraisal of the Anticipated Disposition

Property name	Castalia Meieki Minami
Appraisal value	1,010 million yen
Appraiser	JLL Morii Valuation & Advisory K.K.
Appraisal date	February 28, 2023

Item	Content	Basis
Value based on income method	1,010 million yen	Estimated the value based on income method by correlating the value based on discount cash flow method with the value based on direct capitalization method, since these two values are complementary to each other.
Value based on direct capitalization method	1,030 million yen	

Operating revenue	60 million yen	
Effective gross revenue	64 million yen	Assessed stable rent over the medium- to long-term based on current conditions and other factors.
Loss from vacancy	4 million yen	Assessed by taking into account the standard vacancy rate and individuality of the subject property.
Operating expense	16 million yen	
Maintenance	2 million yen	The contract amount is used as judged reasonable in reference to the level of similar real estate.
Utility cost	0 million yen	The actual amount is used as judged reasonable in reference to the level of similar real estate.
Repair	1 million yen	30% of the standardized amount based on the estimate in the engineering report.
Property management Fee	1 million yen	The contract amount is used as judged reasonable in reference to similar real estate.
Advertisement and other leasing cost	2 million yen	Two months' rent of new tenants
Tax	3 million yen	Assessed based on the actual amount in consideration of the volatility and depreciation over time.
Insurance	0 million yen	Recorded based on the presented materials.
Other cost	3 million yen	
Net operating income (NOI)	43 million yen	
Investment income of lump sum	0 million yen	Assessed with the investment yield set at 1.0%
Capital expenditure	3 million yen	70% of the standardized amount based on the estimate in the engineering report.
Net cash flow (NCF)	40 million yen	
Cap rate	3.9%	Assessed by adding the risk of fluctuations in revenue and principal amount to the discount rate.
Value based on Discounted Cash Flow method	992 million yen	
Discount rate	3.7%	Assessed based on the standard yield in consideration of risk factors related to the regional characteristics and individuality of the subject property, and comprehensively taking into account the trends in trading market.
Terminal cap rate	4.1%	Assessed based on the capitalization rate comprehensively taking into account the uncertainty of forecasting fluctuations in net cash flow at a future point in time, deterioration of the building and risk of sale of the property in the future.
Value based on cost method	814 million yen	
Proportion of land	79.8%	
Proportion of building	20.2%	
Items applied to adjustments in valuation approach and the determination of the appraisal value		None

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

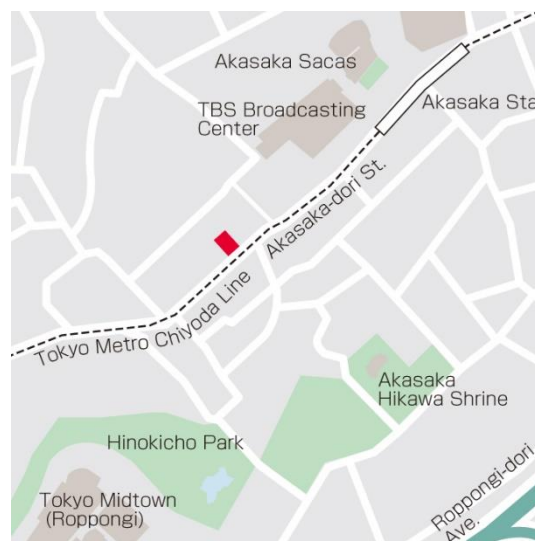
<Attachments>

1. Photograph and location map of the Anticipated Acquisition
2. Portfolio status after the Transactions

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1. Photograph and location map of the Anticipated Acquisition

HO-006 MIMARU Tokyo Akasaka



2. Portfolio status after the Transactions

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	66 properties	470,121	52.4%
Residential properties	129 properties	240,323	26.8%
Retail properties	23 properties	123,219	13.7%
Hotel properties	6 properties	22,226	2.5%
Other assets	6 properties	41,660	4.6%
Portfolio Total	230 properties	897,549	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.