

February 22, 2024

For Immediate Release

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Notice Concerning Acquisition 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”) as described below (the “Transaction”).

The decision on the Transaction has been approved by the board of directors of DHR based on the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951, as amended, the “Investment Trust Act”) and the Asset Manager’s voluntary rules regarding interested-party transactions.

1. Acquisition overview

(1) Anticipated Acquisition

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)
LM-007	DPL Urayasu III	Logistics	Urayasu City, Chiba	March 1, 2024	30,000	31,100	3.5%	2.7%

(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 December 31, 2023.

(Note 3) “NOI yield” is represented by a figure calculated by dividing the 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 December 31, 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 December 31, 2023), by an anticipated acquisition price.

- (2) Planned date of execution of the sale and purchase agreement : March 1, 2024
- (3) Seller : Urayasu Facility Development Tokutei Mokuteki Kaisha
- (4) Acquisition funds : Cash reserves and debt financing (Note)
- (5) Method of settlement : Payment of entire amount upon transfer
- (6) Brokerage : None

(Note) Please refer to the press release “Notice Concerning Debt Financing (Including Green Loan)” announced today.

2. Rationale for acquisition

Based on the targets and policies prescribed in DHR’s Articles of Incorporation, the Asset Manager decided the Transaction 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. The Anticipated Acquisition is a recently built logistics facility located in a prime location in the Greater Tokyo Area with property

age of 1.5 years, and has received environmental certifications of “5 Stars” for BELS (Note 1) and “A” Rating for CASBEE (Note 2) for Buildings (New Construction). The Anticipated Acquisition will be acquired through the pipeline of Daiwa House Group. For the details of the Anticipated Acquisition, please refer to “3. Details of the Anticipated Acquisition”.

DHR will acquire the quality property in advance as part of the property replacement strategy, while continuing sales activities of existing properties in the portfolio with the aim to improve portfolio quality.

(Note 1) BELS refers to Building-Housing Energy-efficiency Labelling System.

(Note 2) CASBEE refers to Comprehensive Assessment System for Built Environment Efficiency.

(Note 3) Please refer to “Supplementary Material for Press Releases Announced Today” announced today for details.

3. Details of the Anticipated Acquisition

Property number	DPL Urayasu III		Asset class	Logistics	
LM-007			Type	Multi-tenant type	
Anticipated date of acquisition	March 1, 2024		Anticipated acquisition price	30,000 million yen	
Overview of specified asset					
Type of specified asset		Trust beneficiary interest in real estate (Note 1)			
Trustee		Sumitomo Mitsui Trust Bank, Limited			
Trust maturity date		March 31, 2044			
Location	Lot number	77-3, Minato, Urayasu City, Chiba			
	Residence indication	77-3, Minato, Urayasu City, Chiba			
Land	Type of ownership	Ownership	Building	Type of ownership	Ownership
	Land area	30,723.71 m ²		Gross floor area	60,845.80 m ²
	Area classification	Quasi-industrial district		Use	Warehouse, office
	Building coverage ratio	60%		Structure	Reinforced concrete and steel-frame building
	FAR	200%		Number of floors	5F
Collateral	None		Date of construction	September 9, 2022	
Overview of building condition evaluation					
Evaluation company		Tokio Marine dR Co., Ltd.			
Urgent repair costs		0 thousand yen	Evaluation date	January 2024	
Short-term repair costs		0 thousand yen	PML	1.0%	
Long-term repair costs		220,329 thousand yen / 12 years			
Soil contamination inspector					
Inspector		Tokio Marine dR Co., Ltd.			
Designer, structural designer, contractor, inspection agency					
Designer		Taisei Corporation			
Structural designer		Taisei Corporation			
Contractor		Taisei Corporation			
Inspection agency		JAPAN ERI CO., LTD.			
Structural calculation evaluation agency		-			
Overview of leasing (Note 3)					
Leasable area		57,235.33 m ²	Number of tenants	4	
Leased area		57,235.33 m ²	Annual rent	Not disclosed (Note 2)	
Occupancy rate		100.0%	Tenant leasehold and security deposit	Not disclosed (Note 2)	

Average lease term	4.7 years	Average remaining lease term	3.6 years
Master lease company	Daiwa House Property Management Co., Ltd.		
Master lease type	Pass-through type		
Property management company	Daiwa House Property Management Co., Ltd.		
Lessee	Seino Transportation Co., Ltd., Nakano Shokai Co., Ltd., Nichirei Logistics Group Inc., NIHON BISOH CO., LTD.		
Other leases	<p>The following contract for the lease of the rooftop, etc. of this property for the purpose of installing a solar power system has been executed, and installment of a solar power system is planned.</p> <p>Counterparty: Daiwa House Industry Co., Ltd. Initial contract date: September 27, 2023 Contract start date: March 11, 2024 (planned) Contract expiration date: The date on which 20 years have elapsed from the start date of electricity sales and electricity sales are terminated. Annual rental fees: 250,000 yen (consumption taxes excluded)</p>		
Special items			
Some findings are pointed out in the report on the building condition evaluation, etc., and DHR has agreed with the seller that such findings shall be rectified at the responsibility and expense of the seller.			
Property characteristics			
<p>■ Located in a large-scale distribution hub covering the entire greater Tokyo area The property is located approximately 3km from Urayasu Interchange on the Metropolitan Expressway Wangan Route, a major arterial road leading to Central Tokyo, and National Route 357 along the Wangan Route, making this property highly convenient for covering the entire greater Tokyo area centered on central Tokyo and Chiba. It also has a potential as a wide-area distribution hub, as distribution to Saitama area and even nationwide is possible by using the Tokyo Gaikan Expressway from the Koya Junction.</p> <p>■ Securing workforce The property is located in the leading area concentrated with large-scale logistics facilities and factories within the prefecture with low-potential claims from residents, and can operate 24 hours a day over the long-term. The location offers an environment that makes it easy to secure employees as it is adjacent to residential areas of Urayasu City as well as neighboring cities of Ichikawa, Funabashi, and Edogawa Ward of Tokyo, where commuting by car or bus is common.</p> <p>■ Seismic isolated building to support business continuity of tenants It is a five-story logistics facility with gross floor area of approximately 18,405 <i>tsubo</i>, leased to several tenants including a logistics company. As for basic specifications, the property has ceiling heights of 5.53m (1F), 5.55m (2-4F) and 5.655m (5F), a floor weight capacity of 1.5t/m², and a pillar interval spacing of 11.5m by 10.5m, which offers versatility for a wide variety of tenants with various business needs. There are ramp ways allowing trucks direct access to each floor and approximately 150 large trucks can access the facility at the same time, which facilitates high-frequency warehousing and shipping and enhances operational efficiency for logistics uses. There are refrigerating facilities on the first floor. 144 parking lots for ordinary vehicles in the premise offer convenience for car commuters. The building is a seismic isolated building to support business continuity of tenants.</p>			

(Note 1) DHR has agreed in the sale and purchase agreement with the seller that, as of the same date with the acquisition date of the property, the seller will entrust the property to the above trustee, and the seller will transfer the trust beneficiary interest to DHR as of the same date.

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

(Note 3) Overview of leasing is based on information as of March 1, 2024, which is the anticipated acquisition date.

4. Seller profile

(1) Name	Urayasu Facility Development Tokutei Mokuteki Kaisha
(2) Location	1-4-1, Nihonbashi, Chuo Ward, Tokyo
(3) Representative	Yasuharu Tabuchi, Director
(4) Business activities	<p>(a) Acquisition of specified assets according to an asset liquidation plan based on the act on the securitization of assets, and management and disposal of such assets</p> <p>(b) All other businesses incidental or related to the above business</p>
(5) Capital	10 million yen (as of February 28, 2023)
(6) Foundation date	March 16, 2015

(7)	Net assets	349 million yen (as of February 28, 2023)
(8)	Total assets	22,939 million yen (as of February 28, 2023)
(9)	Major shareholder and shareholding ratio	Daiwa House Industry Co., Ltd. 100% (as of February 28, 2023)
(10)	Relationships with DHR and the Asset Manager	
	Capital relationships	There is no capital relationship requiring disclosure between DHR/the Asset Manager and the seller. The seller is a subsidiary of Daiwa House Industry Co., Ltd., which is a parent company of the Asset Manager and thus falls under the category of an interested party, etc. as defined in the Investment Trust Act.
	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 seller is a subsidiary of Daiwa House Industry Co., Ltd. and thus falls under the category of a related party of the Asset Manager.

5. Interested party transactions

The following companies are defined as interested parties, etc. in the Investment Trust Act: Urayasu Facility Development Tokutei Mokuteki Kaisha as the seller; Daiwa House Property Management Co., Ltd. as the master lease and property management company; Daiwa House Industry Co., Ltd. as the counterparty to a contract for installation of solar power system for the purpose of leasing the roofs, etc.

The Asset Manager has gone through the necessary discussion and resolution procedures including the approval of the board of directors of DHR in accordance with Article 201-2 of the Investment Trust Act (Note) as well as its voluntary rules regarding interested-party transactions.

(Note) This refers to the article stipulated in Article 201-2 of the Investment Trust Act.

“If an asset management company invests assets as entrusted by a registered investment corporation, before dealings as referred to in Article 193, paragraph (1), item (i) through item (iv) (other than those that Cabinet Office Order prescribes as having only a minor influence on the assets of the registered investment corporation) come to be entered into between the registered investment corporation and an interested person or other close affiliate of the asset management company, the asset management company must first obtain the consent of the registered investment corporation.”

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 price	Acquisition price
	Acquisition date	Acquisition date
LM-007 DPL Urayasu III (77-3, Minato, Urayasu City, Chiba)	(Land) (1) Urayasu Facility Development Tokutei Mokuteki Kaisha (2) Subsidiary of the parent company of the Asset Manager (3) Acquisition for development purposes	(Land) A party which does not have any particular interests
	(Building) (1) Urayasu Facility Development Tokutei Mokuteki Kaisha (2) Subsidiary of the parent company of the Asset Manager (3) Development	
	(Land) Omitted as the previous owner has owned the property for over one year	—
	(Building) Omitted as the building was developed by the previous owner	
	(Land) March 2017 (Building) September 2022 (Newly built)	—

7. Acquisition schedule

- | | | |
|--|---|-------------------------|
| (1) Acquisition decision date | : | February 22, 2024 |
| (2) Date of execution of the sale and purchase agreement | : | March 1, 2024 (planned) |
| (3) Date of payment | : | March 1, 2024 (planned) |
| (4) Delivery date | : | March 1, 2024 (planned) |

8. Outlook

For the forecasts of results for the fiscal period ending August 31, 2024 (from March 1, 2024 to August 31, 2024) with the Transaction factored in, please refer to the press release “Notice Concerning Revision to Forecast of Results for the Fiscal Period Ending August 31, 2024” announced today.

9. Overview of property appraisal

Property name	DPL Urayasu III
Appraisal value	31,100 million yen
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.
Appraisal date	December 31, 2023

Item	Content	Basis
Value based on income method	31,100 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	31,600 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)	1,059 million yen	
Investment income of lump sum	-	Not disclosed (Note)
Capital expenditure	-	
Net cash flow (NCF)	1,042 million yen	
Cap rate	3.3%	Estimated by comparing with the multiple transaction yields in the neighboring areas or the similar areas of the same supply and demand, and also by taking into account the volatility of net cash flow in the future, considering the relationship with the discount rate
Value based on Discounted Cash Flow method	30,900 million yen	Estimated by the base yield of the warehouse, which is determined by build-up approach based on yields of financial products, and by taking into account specific risks related to the property
Discount rate	(from first to third year) 3.3% (from fourth year) 3.4%	
Terminal cap rate	3.5%	

Value based on cost method	29,900 million yen	
Proportion of land	61.2%	
Proportion of building	38.8%	
Items applied to adjustments in valuation approach and the determination of the appraisal value	None	

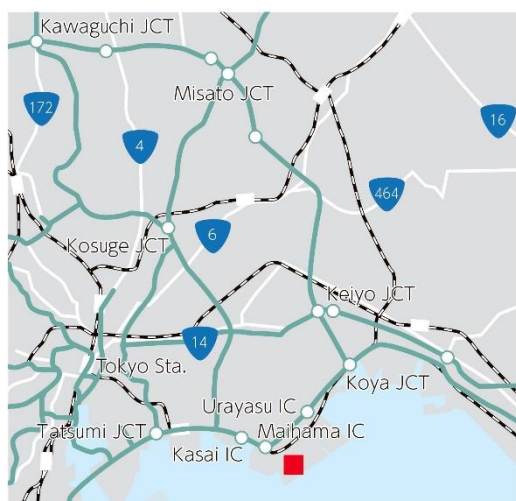
(Note) Consent has not been obtained from the lessee for disclosure of certain figures in relation to the direct capitalization method, including information that could be used to deduce these amounts. Disclosure of this information could damage the relationship with the lessee, potentially resulting 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.

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

<Attachments>

1. Photograph, location map, and environmental certification of the Anticipated Acquisition

LM-007 DPL Urayasu III (BELS ★★★★★, CASBEE for Buildings (New Construction) “A” rating)



2. Portfolio status after the acquisition of the Anticipated Acquisition

Asset class	Number of properties	(Anticipated) acquisition price (million yen)	Investment ratio (Note)
Logistics properties	68 properties	503,241	53.8%
Residential properties	129 properties	240,323	25.7%
Retail properties	23 properties	123,219	13.2%
Hotel properties	7 properties	27,340	2.9%
Other assets	6 properties	41,660	4.5%
Portfolio Total	233 properties	935,783	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.