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For Immediate Release

Investment Corporation:
Daiwa House Residential Investment Corporation
7th Floor, Nissei Nagatacho Building
2-4-8 Nagatacho, Chiyoda-ku, Tokyo
Michio Taki, Executive Director
(Code Number: 8984)

Asset Manager:
Daiwa House Asset Management Co., Ltd.
Yuji Yamada, CEO & President
Inquiries:
Hirotaka Uruma, CFO & Director
Finance & Corporate Planning Department
TEL: +81-3-3595-1265

Notice Concerning Execution of “Basic Agreement on Pipeline Support, Etc.”

Daiwa House Residential Investment Corporation (“DHI”) announces that DHI and Daiwa House Asset Management Co., Ltd. (the “Asset Manager”) have today concluded the “Basic Agreement on Pipeline Support, Etc.” with Cosmos Initia Co., Ltd. (“Cosmos Initia”).

1. Background of Execution of Agreement

Daiwa House Industry Co., Ltd. (“Daiwa House Industry”), the sponsor of DHI and parent company of the Asset Manager, entered into a capital and business alliance with Cosmos Initia (the “Capital and Business Alliance”) on April 16, 2013, concluding a capital and business alliance agreement ^(Note) which specifies promotion of cooperation in condominium sales business primarily for condominiums in the Tokyo metropolitan area and Kansai area, cooperation in the conclusion of agreements for information provision on real estate, etc., business support, etc. between DHI and Cosmos Initia, implementation of third-party allotment of new shares by Cosmos Initia with Daiwa House Industry as the underwriter, etc.

DHI, the Asset Manager and Cosmos Initia have been negotiating for the conclusion of the agreement, and DHI has resolved to conclude the “Basic Agreement on Pipeline Support, Etc.” for the purpose of securing unitholder interests and promote the healthy development of business, given the Capital and Business Alliance.

(Note) Please refer to the press release “Notification of Conclusion of Capital and Business Alliance with Cosmos Initia Co., Ltd., and Inclusion of Cosmos Initia as a Subsidiary of Daiwa House Industry by a Capital Increase through Third-Party Share Allotment of New Shares” announced by Daiwa House Industry on April 16, 2013.

2. Overview of “Basic Agreement on Pipeline Support, Etc.”

(1) Details of Support

The details of the support that Cosmos Initia will conduct are as follows:

- (i) Provision of know-how and advice concerning operation and administration of Investment Real Estate necessary to aim to increase the asset value and increase the revenue of DHI’s real estate or beneficiary right in trust that places real estate in trust under ownership (collectively referred to as “Investment Real Estate”), and other investment corporation asset investment business for DHI (“Investment Business”) to the Asset Manager.
- (ii) Dispatch of sufficient and skillful personnel between the Asset Manager and Cosmos Initia.
- (iii) Provision of preferential information as well as granting of first refusal rights (to be defined below) regarding Investment Real Estate developed by Cosmos Initia (to be defined below) to the Asset Manager and DHI.
- (iv) Provision of sales and brokerage information to the Asset Manager and DHI.
- (v) Provision of warehousing functions to the Asset Manager and DHI.
- (vi) Support for redevelopment of investment real estate to the Asset Manager and DHI.

(2) Provision of Preferential Information and Granting of First Refusal Rights by Cosmos Initia

- (i) If, among properties owned or scheduled to be developed or acquired by Cosmos Initia or by corporations in which Cosmos Initia is practically in a dominant relationship with (“Cosmos Initia, etc.” collectively) (excluding properties owned, developed or acquired scheduled to be sold in lots but including properties which due to a change of plans, etc. are scheduled for bloc sale) a property which meets the investment criteria of DHI (“Investment Real Estate developed by Cosmos Initia,” including beneficiary right in trust which place such properties in trust; “Investment Real Estate” are those owned or scheduled to be developed or acquired by parties other than Cosmos Initia, etc.) is to be sold, Cosmos Initia will provide information concerning the Investment Real Estate developed by Cosmos Initia to the Asset Manager and DHI with priority over provision of the information to third parties, and Cosmos Initia, with Cosmos Initia, etc. will not provide the information to third parties for 10 business days from the day that the Asset Manager and DHI received the information.
- (ii) If the Asset Manager receives information concerning Investment Real Estate developed by Cosmos Initia from Cosmos Initia as described in (i) above, the Asset Manager will within 10 business days of receiving the information give a response to Cosmos Initia on whether it will deliberate on the acquisition of the Investment Real Estate developed by Cosmos Initia and on the amount of time required for deliberations and other information.

- (iii) If the Asset Manager responds to Cosmos Initia that it will deliberate on the acquisition of the Investment Real Estate developed by Cosmos Initia as described in (ii) above after receiving the information from Cosmos Initia on the Investment Real Estate developed by Cosmos Initia as described in (i) above, Cosmos Initia will grant rights to negotiate for transaction preferentially (“First Refusal Rights”) regarding the Investment Real Estate developed by Cosmos Initia to DHI and, after a response is given by the Asset Manager, refrain from providing information on the Investment Real Estate developed by Cosmos Initia to third parties as well as refrain from negotiations concerning transaction of the Investment Real Estate developed by Cosmos Initia with third parties for 10 business days. Also, if negotiations which assume the transaction of the Investment Real Estate developed by Cosmos Initia continue with the Asset Manager even after the 10 business days, Cosmos Initia will refrain from providing information on the Investment Real Estate developed by Cosmos Initia to third parties as well as from negotiations concerning transaction of the Investment Real Estate developed by Cosmos Initia with third parties for as long as the negotiations continue.
- (iv) The provision of information in (i), (ii) and (iii) above shall take place during the Asset Manager’s contact meetings which are attended by directors and employees of Cosmos Initia and the Asset Manager. The procedures, etc. of the management of the contact meetings will be separately determined by Cosmos Initia and the Asset Manager. If during the contact meeting the Asset Manager makes a proposal regarding a development project of an Investment Real Estate to be developed by Cosmos Initia, Cosmos Initia will deliberate in good faith on the proposal and report the result of deliberation to the Asset Manager.

(3) Provision of Sales and Brokerage Information

- (i) If Cosmos Initia, etc. obtains information on the sale or brokerage of Investment Real Estate, Cosmos Initia shall promptly notify the Asset Manager in written form, etc. In such cases, if Cosmos Initia, etc. has also obtained drawings, photographs or other materials with regard to the sales or brokerage information, such materials shall be attached to the documents and sent.
- (ii) If the changes arise in the content of Cosmos Initia’s notification to the Asset Manager or if new materials such as drawings or photographs are obtained with regard to the sales or brokerage information, Cosmos Initia shall promptly notify the Asset Manager in written form, etc. or send the materials to the Asset Manager.
- (iii) If the Asset Manager is to begin deliberating on the purchase of an Investment Real Estate concerning the sales or brokerage information it has been notified by Cosmos Initia of, it must promptly notify Cosmos Initia that it will begin deliberations and of the time required for deliberation in written form, etc. upon receiving the information. However, the notification does not prevent Cosmos Initia from providing information on the sale or brokerage of the Investment Real Estate to third parties other than the Asset Manager.
- (iv) If the Asset Manager decides that it intends to purchase the Investment Real Estate as a result of deliberations in (i), (ii) and (iii) above, it shall notify Cosmos Initia in written form. Furthermore, Cosmos Initia, DHI and the Asset Manager confirm that First Refusal Rights may not be granted to DHI or the Asset Manager even after the notification.

(4) Provision of Know-how and Advice, Mutual Dispatch of Personnel

- (i) Cosmos Initia will provide the following know-how and advice relating to Investment Business to the Asset Manager:
 - (a) Matters relating to acquisition and operation of Target Investment Real Estate (except when acquiring from Cosmos Initia)
 - (b) Matters relating to property management (except when property management is entrusted to Cosmos Initia)
 - (c) Matters relating to the renewal of Investment Real Estate
 - (d) Matters relating to construction management
- (ii) If separately agreed by Cosmos Initia and the Asset Manager, personnel required for the execution of the Investment Business will be mutually dispatched. The details regarding the mutual dispatch of personnel will be determined by a separate agreement by Cosmos Initia and the Asset Manager.

(5) Provision of Warehousing Functions

- (i) DHI and the Asset Manager may ask Cosmos Initia to acquire and temporarily own (“Warehousing”) properties owned by a third party seller other than the parties involved in the agreement (including beneficiary right in trust which place such properties in trust; “Real Estate, etc. scheduled for acquisition”) upon presenting the scheduled acquisition date and the scheduled acquisition price or method of determining the acquisition price for the purpose of the future acquisition of the property by DHI. If so, Cosmos Initia will consider the request and notify DHI or the Asset Manager within 20 business days from the day of receiving the request (including that day) of whether it will accept the request or not.
- (ii) If Cosmos Initia accepts the request in (i) above and has sent the notification, Cosmos Initia, DHI and the Asset Manager will come to an agreement in writing with regard to matters concerning the acquisition, ownership and sale to DHI of the Real Estate, etc. scheduled for acquisition associated with the request in (i) above, and Cosmos Initia will implement Warehousing with Cosmos Initia, etc. The details of Warehousing shall be determined in the agreement.
- (iii) Cosmos Initia, DHI and the Asset Manager will cooperate in good faith to ensure that the purpose of Warehousing in (5) of this document is to promote the interest of DHI’s unitholders while providing Cosmos Initia with proper business opportunities and ensuring that the interest of parties involved in the agreement and DHI’s unitholders will not be unjustly harmed.

(6) Support for Redevelopment of Investment Real Estate

- (i) If DHI and the Asset Manager desire a redevelopment of an Investment Real Estate (rebuilding,

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renewal, renovation, etc. of existing buildings), they may provide information regarding the Investment Real Estate to Cosmos Initia and ask Cosmos Initia to consider the redevelopment.

- (ii) Cosmos Initia will consider in good faith the request in (i) above if such is received. Furthermore, Cosmos Initia will consider in good faith acquiring the Investment Real Estate and realizing a redevelopment plan by implementing a redevelopment, if DHI and the Asset Manager so desire.
- (iii) If an agreement is reached upon negotiations regarding Cosmos Initia's redevelopment plan draft based on (i) and (ii) above, Cosmos Initia, DHI and the Asset Manager will come to an agreement concerning the details of the redevelopment plan and such in writing.

(7) Entrustment of Property Management Services

If Cosmos Initia, etc. makes a written proposal concerning Investment Real Estate that have been acquired from Cosmos Initia, etc., DHI and the Asset Manager will consider in good faith entrusting property management services to Cosmos Initia, etc. Furthermore, Cosmos Initia, DHI and the Asset Manager confirm that the terms for the entrustment of asset management services will be such that DHI and the Asset Manager deem to be appropriate upon comprehensive consideration to market level of fees, content of services to be provided, operational load, etc.

(8) Provision of Information by DHI

- (i) If DHI and the Asset Manager are to dispose of an Investment Real Estate (excluding Investment Real Estate for which third parties are granted preemptive rights, preferential negotiation rights, etc.) of which it is rationally judged by DHI and the Asset Manager that Cosmos Initia may be interested in investing, information concerning the Investment Real Estate will be provided to Cosmos Initia without delay and Cosmos Initia will deliberate in good faith on purchasing the Investment Real Estate.
- (ii) If DHI is to dispose of an Investment Real Estate, and if DHI and the Asset Manager wish to appoint Cosmos Initia as the mediator or if Cosmos Initia wishes for it to be appointed as the mediator, either side will notify the other in written form and if this notification is sent, Cosmos Initia, DHI and the Asset Manager will consult in good faith concerning the suitability and terms of the appointment. Cosmos Initia, DHI and the Asset Manager, if there is to be entrustment of mediation with regard to real estate, confirm that the fees for such will be within that which is permitted by the regulations in the Building Lots and Buildings Transaction Business Act and will be such that DHI and the Asset Manager deem to be appropriate upon comprehensive consideration to the transaction price level, difficulty of operations, content of services to be provided, etc. Also, if mediation for beneficiary rights in trust that place real estate in trust is to be entrusted, it is confirmed the fees will be pursuant to the remuneration regulations stipulated in the Building Lots and Buildings Transaction Business Act and that they will be such that DHI and the Asset Manager deem to be appropriate upon comprehensive consideration to the transaction price level, difficulty of operations, content of services to be provided, etc.

(9) Considerations

- (i) Fees will not be incurred for the provision of support by Cosmos Initia as described in (2) through (6) above (except for (4) (i) (c) and (d)).
- (ii) Fees for DHI's acquisition of Investment Real Estate based on mediation by Cosmos Initia and compensation for Cosmos Initia's provision of support based on (4) (i) (c) and (d) will be determined upon consultation among DHI, the Asset Manager and Cosmos Initia according to normal business practices.

(10) Effective Period

The effective period of the agreement will be from June 28, 2013 to June 28, 2014. However, if no particular gestures are made by the involved parties before six months prior to expiration, the agreement will be automatically renewed for another year with the same conditions, and the same will apply thereafter.

(11) Termination

The agreement may not be terminated during the effective period without a written agreement from DHI, the Asset Manager and Cosmos Initia. However, if the asset management agreement between DHI and the Asset Manager is terminated, the Asset Manager may terminate the agreement by sending written notifications to DHI and Cosmos Initia.

(12) Agreement Date

June 28, 2013 (scheduled)

3. Overview of "Basic Agreement on Pipeline Support, Etc."

Trade name	Cosmos Initia Co., Ltd.
Head Office Address	5-34-6, Shiba, Minato-ku, Tokyo
Representative	Yoshiyuki Takagi, President
Principal Activities	Selling, leasing and brokering real estate
Capital	¥ 5,000 million
Established	June 20, 1969
Net Asset	¥ 13,109 million
Total Asset	¥ 48,170 million
Relationship with DHI and Asset Management Company	
Capital Relationship	There is no capital relationship to describe between DHI and Cosmos Initia. Furthermore, Cosmos Initia is scheduled to become the subsidiary of Daiwa House Industry, the parent company of the Asset Manager, as of June 27, 2013.
Personnel Relationship	There is no personnel relationship to describe between DHI, asset management company and Cosmos Initia Co., Ltd.

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	Business Relationship	There is no business relationship to describe between DHI, asset management company and Cosmos Initia Co., Ltd.
	Status of Classification as Related Party	Cosmos Initia is scheduled to become the subsidiary of Daiwa House Industry, the parent company of the Asset Manager, as of June 27, 2013.
	Other	Cosmos Initia is scheduled to constitute an interested party as set forth in the bylaws of the Asset Manager as of June 27, 2013.

4. Future Prospects

Please refer to the press release “Notice Concerning Revision of Operation Status Forecasts for the 15th Fiscal Period and 16th Fiscal Period” dated today.

* This press release 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/>