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For Immediate Release

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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, for DHR to acquire the following asset (the “Anticipated Acquisition” or the “Property”) as described below.

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)
RE-145	Castalia Nishifunabashi II (tentative name)	Residential	Funabashi City, Chiba	February 27, 2026	2,725	2,830	4.3%

(Note 1) “Anticipated acquisition price” is based on the sale and purchase price set forth in the trust beneficiary interest sale and purchase agreement related to the acquisition of Castalia Nishifunabashi II (tentative name) (the “Purchase Agreement”). The Property is under development and scheduled to be completed in December 2025. The figure excludes such amounts as expenses related to acquisition, amounts equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes. In case the development costs, etc. of the building to be borne by the seller increases or decreases, the anticipated acquisition price may be subject to increase or decrease upon mutual consultation.

(Note 2) “Appraisal value” is as of October 31, 2024. Since the building was yet to be completed as of the date of value, an appraisal of the unfinished building in accordance with real estate appraisal standards was conducted.

(Note 3) “NOI yield” is represented by a figure calculated by dividing the net operating income, calculated by deducting operating expenses from operating revenue based on a direct capitalization method, as shown in the appraisal report (as of October 31, 2024) by an anticipated acquisition price.

- (2) Anticipated execution date of the sale and purchase agreement : November 26, 2024
- (3) Seller : Not disclosed (Note 1)
- (4) Acquisition funds : To be decided (Note 2)
- (5) Method of settlement : Payment of entire amount upon transfer
- (6) Brokerage : None

(Note 1) Not disclosed as consent for disclosure has not been obtained from the seller.

(Note 2) DHR will announce the source of acquisition funds once determined.

2. Rationale for acquisition

The Property is planned to be developed by collaboration of DHR’s sponsor, Daiwa House Industry Co., Ltd. (“Daiwa House”), and the seller. DHR and the seller will agree that the seller will sell the Property to DHR after completion of the building and conclude the Purchase Agreement. The seller has already concluded a land lease agreement with owners of the land subject to leasehold and will conclude a construction work contract with Daiwa House on the same date with the Purchase Agreement.

While being aware of the fluctuation risk of the acquisition price, the risk related to leasing after completion, and other risks, considering the seller is scheduled to conclude a construction work contract on the same date with the Purchase Agreement, DHR judged the likelihood of fluctuations in development costs was small, and tenants after completion of the building would be sufficiently secured based on the preliminary market analysis. Based on such judgements and the thorough evaluation of how to cope with various risks, DHR judged that the acquisition of the Property would not have an excessive influence on the portfolio.

The Anticipated Acquisition, located an approximately four-minute walk from Nishifunabashi Station on the JR Chuo Sobu Line, JR Keiyo Line, JR Musashino Line, Tokyo Metro Tozai Line, and Toyo Rapid Line, and being a newly built residential property closed to the station and targeted at family households, offers excellent transportation convenience, and stable rental demand with internal growth potential can be expected. Based on the targets and policies prescribed in DHR's Articles of Incorporation, DHR decided the acquisition having deemed that the decision would ensure an opportunity to acquire the property and further increase the stability of cash flow and improve portfolio diversification. For the details of the Anticipated Acquisition, please refer to "Overview of leasing" and "Property characteristics" in "3. Details of the Anticipated Acquisition" below.

3. Details of the Anticipated Acquisition

Property number		Castalia Nishifunabashi II (tentative name)		Asset class		Residential			
RE-145				Type (Note 1)		Compact type 51.9% Family type 48.1%			
Anticipated date of acquisition		February 27, 2026		Anticipated acquisition price		2,725 million yen			
Overview of specified asset									
Type of specified asset		Trust beneficiary interest in real estate (Note 2)							
Trustee		To be decided (Note 2)							
Trust maturity date		To be decided (Note 2)							
Location	Lot number		641, Innaicho, Funabashi City, Chiba						
	Residence indication		—						
Land	Type of ownership		Land lease right		Building	Type of ownership		Ownership (Note 3)	
	Land area		2,654.53 m ²			Gross floor area		5,568.08 m ² (Note 3)	
	Area classification		Category 1 residential district			Use		Apartment complex, retail, health clinic (Note 3)	
	Building coverage ratio		60%			Structure		Reinforced concrete building (Note 3)	
	FAR		200%			Number of floors		5 floors (Note 3)	
Collateral			None			Date of construction		December 2025 (planned)	
Overview of building condition evaluation (Note 4)									
Soil contamination inspector									
Inspector			Tokio Marine dR Co., Ltd.						
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		4,090.60 m ² (Note 5)		Number of leasable units		60 units (Note 3)			
Annual rent		177,893 thousand yen (Note 6)		Tenant leasehold and security deposit (Note 6)		— (Note 7)			
Master lease company				Daiwa Living Co., Ltd. (Note 8)					

Master lease type	Pass-through type
Property management company	Daiwa Living Co., Ltd. (Note 8)
Special items	
1. The ordinary land lease right is outlined as below. Owner of land subject to leasehold: Three individuals Lease period of the leased land: 60 years from December 6, 2024 (planned start date of construction) Leased land area: 2,654.53 m² 2. The Property is under development and yet to be completed. The seller of the Property has concluded the land lease agreement described in 1. above. The seller will conclude a building construction work contract with Daiwa House and agree with DHR to sell the Property to DHR after completion of the building in the Purchase Agreement.	
Property characteristics	
The Property is an approximately four-minute walk from Nishifunabashi Station on the JR Chuo Sobu Line, JR Keiyo Line, JR Musashino Line, Tokyo Metro Tozai Line, and Toyo Rapid Line, and a 14-minute walk from Keisei Nishifunabashi Station on the Keisei Main Line, enabling use of multiple lines and stations. It is approximately 29 minutes from Nishifunabashi Station to Tokyo Station on the JR Sobu Line or JR Keiyo Line, and approximately 36 minutes to Otemachi Station on the Tokyo Metro Tozai Line. The Property is located in the area with strong demand for rental residence from commuters who place an importance on commuting convenience as well as from corporates who look for company housing, and the surrounding area is convenient for daily life. The Property will be targeted at households with children, and the first floor consisted of six retail sections is planned to be occupied by restaurants and service stores catered for households with children. The second to fifth floors will be residential with 54 leasable units and average floor area at 62 m² to meet the needs of households with children who place an importance on commuting convenience.	

(Note 1) Unit types are categorized as compact-type units with leasable area of 60m² or less and family-type units of more than 60m². A ratio of units is the ratio of the units leased by type to the total number of units for lease (excluding for retail and other non-residential uses) and rounded to the nearest tenth. Therefore, the sum may not add up to 100%.

(Note 2) As of the anticipated acquisition date, the seller will entrust the building as well as the land lease right, and the seller will transfer the trust beneficiary interest to DHR as of the same date.

(Note 3) As the building is yet to be completed, descriptions are based on the application for building construction permission and certificate of confirmation.

(Note 4) As the building is yet to be completed, DHR will arrange building condition evaluation by a research company after completion and by the time DHR acquires the Property.

(Note 5) As the building is yet to be completed, “leasable area” is represented by the leasable area as shown in the appraisal report as of October 31, 2024.

(Note 6) As the building is yet to be completed, “Annual rent” is represented by operating revenue based on a direct capitalization method as shown in the appraisal report as of October 31, 2024. “Annual rent” represents the estimated figure based on the appraisal report, and actual figure may vary.

(Note 7) “Tenant leasehold and security deposit” is not shown as the building is yet to be completed.

(Note 8) A pass-through type master lease and property management agreement with the master lease and property management company is scheduled to be entered into by the time DHR acquires the property.

4. Seller profile

The seller is a domestic corporation. However, name, etc. is not disclosed as consent for disclosure has not been obtained from the seller. The seller is not an interested party of DHR and the Asset Manager or a related party of DHR and the Asset Manager.

5. Interested party transactions

Daiwa Living Co., Ltd. as the master lease and property management company of the Anticipated Acquisition is defined as the interested party, etc. 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.

6. Acquisition schedule

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|---|-------------------------------|
| (1) Acquisition decision date | : November 25, 2024 |
| (2) Execution date of the sale and purchase agreement | : November 26, 2024 (planned) |
| (3) Date of payment | : February 27, 2026 (planned) |
| (4) Delivery date | : February 27, 2026 (planned) |

7. Impact on DHR's finance in the event of failure of fulfillment of the forward commitment, etc.

DHR will enter into the sale and purchase agreement for the trust beneficiary interest in the Anticipated Acquisition

on November 26, 2024, in order to secure acquisition opportunities. The Purchase Agreement is a “forward commitment, etc.” (Note) as defined in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” established by the Financial Services Agency.

Under the Purchase Agreement, if a party breaches the Purchase Agreement, then the non-breaching party may cancel the Purchase Agreement upon notice to the breaching party, but only if the non-breaching party is no longer able to fulfill the purpose of the Purchase Agreement due to the other party’s breach. In the event the Purchase Agreement is cancelled by the seller due to DHR’s breach before the execution date of the agreement, the seller may demand DHR to pay a penalty. Details of the penalty is as follows.

(1) In case the building has been completed

The seller can sell the Property to third parties, and if such sale price deducting the expenses related to the sale falls below the anticipated sale price, DHR should compensate the seller for the difference.

(2) In case the building is yet to be completed

DHR should compensate the seller for the construction cost of the Property borne by the seller as well as the damages caused by the cancellation.

In terms of fulfillment of obligations to pay the purchase price, DHR judges it is unlikely that DHR will need to pay the penalty by failing to obtain financing for the purchase price, considering the status of cash on hand as well as the maximum borrowing limit of 25 billion yen set by the commitment line agreement.

(Note) Forward commitment, etc. is a purchase and sale agreement executed one month or more in advance of the actual date on which the purchase price is paid and the property is transferred to the purchaser, as well as certain other similar contracts.

8. Outlook

DHR is scheduled to acquire the Anticipated Acquisition on February 27, 2026 since it is under development and yet to be completed. This matter will not have an impact on the forecast of results for the fiscal period ending February 28, 2025 (from September 1, 2024 to February 28, 2025) and the fiscal period ending August 31, 2025 (from March 1, 2025 to August 31, 2025) and there are no revisions to the forecast.

9. Overview of property appraisal

Property name	Castalia Nishifunabashi II (tentative name)
Appraisal value	2,830 million yen
Appraiser	JLL Morii Valuation & Advisory K.K.
Appraisal date	October 31, 2024

Item	Content	Basis
Value based on income method	2,830 million yen	Estimated the value based on income method by giving weight to the value based on discount cash flow method, and also by comparing with the value based on capitalization method
Value based on direct capitalization method	2,930 million yen	
Operating revenue	177 million yen	
Potential gross revenue	185 million yen	Assessed the rents that can be received stably over the medium to long term
Loss from vacancies	8 million yen	Assessed in consideration of standard occupancy rates and the individuality of the property
Operating expense	60 million yen	
Maintenance	7 million yen	Judged the estimates as appropriate with reference to the level of similar properties
Utility cost	2 million yen	Assessed with reference to the level of similar properties
Repair	3 million yen	Assessed with reference to the actual results of similar properties
Property management fee	4 million yen	Assessed with reference to similar properties
Advertisement and other leasing cost	4 million yen	Assessed in consideration of local customs and move-out rates
Tax	11 million yen	Assessed in consideration of age-related depreciation

	Insurance	0 million yen	Assessed with reference to the level of similar properties
	Other cost	24 million yen	Recorded land rent
	Net operating income (NOI)	116 million yen	
	Investment income of lump sum	0 million yen	Assessed with an investment yield set at 1.0%
	Capital expenditure	3 million yen	Assessed with reference to the actual results of similar properties
	Net cash flow (NCF)	114 million yen	
	Cap rate	3.9%	Assessed in consideration of the discount rate and fluctuation risk of revenue and principal
	Value based on discounted cash flow method	2,790 million yen	
	Discount rate	3.7%	Assessed based on the standard yields by considering the risk factors related to local characteristics and individuality of the property and also comprehensively considering the market trends, etc.
	Terminal cap rate	4.1%	Assessed based on the cap rate by considering the forecast uncertainty of the changes in NCF in the future, deterioration of the property over time and the risks related to sale of the property in the future
	Value based on cost method	2,870 million yen	
	Proportion of land	48.4%	
	Proportion of building	51.6%	
	Items applied to adjustments in approaches to the value and the determination of the appraisal value		None

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

<Attachments>

1. Illustration and map of the Anticipated Acquisition

RE-145 Castalia Nishifunabashi II (tentative name)



(Note) The above image is a rendering of the Anticipated Acquisition as of today, and the actual outlook of the building after completion may differ from the image.

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	65 properties	482,219	52.6%
Residential properties	130 properties	243,048	26.5%
Retail properties	23 properties	123,217	13.4%
Hotel properties	7 properties	27,340	3.0%
Other assets	6 properties	41,660	4.5%
Portfolio Total	231 properties	917,484	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.