

June 22, 2021

To All Concerned Parties

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Notice Concerning Acquisition of Asset (Gran Casa Itabashi EAST)

Daiwa Securities Living Investment Corporation (hereinafter referred to as the “Investment Corporation”) hereby announces that Daiwa Real Estate Asset Management Co. Ltd. (hereinafter referred to as the “Asset Manager”), the asset manager of the Investment Corporation, has resolved to acquire the asset (hereafter the “Asset to Be Acquired”) described below.

I. General Outline of the Acquisition

| Name of property | Location | Property type (Note 1) | Anticipated acquisition price (A) (JPY thousand) (Note 2) (Note 3) | Appraisal value (as of June 2021) (B) (JPY thousand) (Note 3) | Difference between anticipated acquisition price and appraisal value (B)-(A) (JPY thousand) ((A)/(B)) (Note 3) |
|----------------------------------|----------------|------------------------|--|---|--|
| Gran Casa Itabashi EAST (Note 4) | Kita-ku, Tokyo | Residence (Studio) | 955,000 | 989,000 | 34,000 (96.6%) |

(Note 1) Studio means residences with 1R, 1K, 1DK, or 1LDK.

(Note 2) Anticipated acquisition price does not include acquisition expenses, adjustments to property tax and city planning tax, and consumption tax and local consumption tax. The same applies hereinafter.

(Note 3) Amounts are rounded to the nearest unit and percentages are rounded to the first decimal place. Unless stated otherwise, the same applies hereinafter.

(Note 4) The current name of the property is not disclosed because the consent of the seller has not been obtained. The name will be changed to “Gran Casa Itabashi EAST” on June 23, 2021.

(Note 5) The intermediary of the Acquisition does not correspond to the interested party.

II. Reason for the Acquisition and Leasing

Based on the asset management objectives and policies set forth in the Investment Corporations Agreement, we have decided to acquire the Asset to Be Acquired in order to diversify and enhance the portfolio to achieve asset size growth and secure stable earnings.

III. Details of Asset to Be Acquired and Leasing

The details of the Asset to Be Acquired are summarized in the following individual property tables. The description of the items mentioned in the individual property tables is as follows.

<Description of Items>

a. Explanation of Overview of Properties

- Where residential indication is not shown under “Residential indication” for Location, the building location is shown in accordance with either the housing number indication or the registry (including the Registration Record. The same applies hereinafter).
- “Form of ownership” for both Land and Building refers the type of rights held by the Investment Corporation for real estate and by the Trustee for real estate trust beneficiary interests.
- “Zoning” for Land refers to the types of use districts stipulated by Item 1, Paragraph 1, Article 8 of the City Planning Act (Law No. 100 of 1968, including later amendments) (hereinafter referred to as the “City Planning Act”).
- “Area” for Land is shown in accordance with the registry and may not correspond to the current reality.
- “FAR” for Land refers to the ratio of the sum of the floor space of the building to the land area as stipulated in Article 52 of the Building Standards Act (Law No. 201 of 1950, including later amendments) (hereinafter referred to as the

- “Building Standards Act”), and the upper limit of floor-to-area ratio (designated floor-to-area ratio) as determined by city planning according to the use area. The designated floor-to-area ratio can be mitigated, increased, or reduced due to the width of roads connected to the site and other reasons, and may differ from the floor-to-area ratio that is actually in use.
6. “Building-to-land ratio” for Land shows the ratio of the building area to the land area as stipulated in Article 53 of the Building Standards Act, and the upper limit of building-to-land ratio (designated building-to-land ratio) as determined by city planning according to the use area. The designated building-to-land ratio can be mitigated, increased, or reduced due to fireproofed structures in a fire prevention districts and other factors, and may differ from the building-to-land ratio that is actually in use.
 7. “Use” for Building refers to the building type recorded in the registry.
 8. “Structure/Floors” for Building is based on records in the registry.
 9. “Number of leasable units” indicates the number of units that can be leased as of May 31, 2021, for the Asset to Be Acquired (only recorded for residences).
 10. “Number of leasable compartments” indicates the number of compartments of a building where a lease contract has been concluded, and includes retail stores, offices, etc., if any (only recorded for healthcare facilities).
 11. “Total floor area” for Building is based on records in the registry and does not include the floor area of annexed buildings.
 12. “Construction completion” for Building refers to the date of completion recorded in the registry.
 13. “Estimated emergency repair expenses,” “Estimated short-term repair expenses,” and “Estimated long-term repair expenses” are rounded down to the thousands, while ratios are rounded to the first decimal place.
 14. “PML” data was acquired from Tokyo Marine & Nichido Risk Consulting Co., Ltd. in May 2021.
 15. “Property manager” is the property management company entrusted with, or scheduled to be entrusted with the property management operations.
 16. “Master lessee” is the party that has, or is scheduled to enter into a master lease agreement concerning the asset in question.
 17. “Type of master lease” is either “Pass through” or “Guaranteed rent.” “Pass through” is a master lease agreement where the master lessee passes on the rent equivalent to rent paid by the end tenant, and “Guaranteed rent” is a master lease agreement in which the master lessee pays a fixed rent.
 18. “Real estate rent revenue” is the monthly rental income (rent, common service fee, parking lot income, etc.) rounded down to less than 1,000 yen based on the figures and information available as of May 31, 2021, of the Asset to Be Acquired.
 19. “Lease and guarantee deposits, etc.” are the lease or guarantee deposits (residences, retail stores, offices, parking lots, etc.) rounded down to less than 1,000 yen based on the figures and information available as of May 31, 2021, of the Asset to Be Acquired.
 20. “Leasable area” shows the leasable area of each of the Asset to Be Acquired as of May 31, 2021, excluding area used by storage spaces, parking spaces, custodian areas, signboards, vending machines, antennas and other spaces leased to the lessee in addition to their main use, or other areas leased for the maintenance and supervision of the relevant property (including loan for use). Furthermore, leasable area is calculated using the center line of the wall, and includes the meter boxes and pipe spaces allotted to each unit.
 21. “Number of tenants” shall be 1 if a master lease agreement has been concluded with a master lessee.
 22. “Total leased area” is the sum of the area leased through lease agreements with end tenants (however, in cases where properties are wholly leased to realtors through guaranteed rent agreements or where a master lessee wholly leases it to another company, lease agreements where properties are wholly leased to a lessee) at the Asset to Be Acquired that are in effect as of May 31, 2021.
 23. “Occupancy rate” is the figure obtained by dividing the total leased area by the leasable area for the Asset to Be Acquired as of May 31, 2021.
 24. The “Features” sections have been prepared based on the analyses of the Asset Manager and the appraisal reports of the real estate appraiser concerning the Asset to Be Acquired.
 25. The “Special Notes” section denotes important factors upon considering the rights, appraisal values, the impact on profitability and disposability, etc., concerning the Asset to Be Acquired.

| Overview of the Property | | | |
|--|--|----------------------------|--------------------------------------|
| Category of anticipated property for acquisition | Trust beneficiary interests | | |
| Trustee (scheduled) | Mitsubishi UFJ Trust and Banking Corporation | | |
| Trust agreement period | From January 22, 2021 to December 31, 2031 | | |
| Scheduled acquisition price | JPY 955 million | Scheduled acquisition date | June 23, 2021 |
| Appraisal value (appraisal date) | JPY 989 million (as of June 1, 2021) | Appraisal firm | DAIWA REAL ESTATE APPRAISAL CO.,LTD. |
| Location (Residential indication) | 7-20-2, Takinogawa, Kita-ku, Tokyo | | |

| | | | | |
|---|-------------------|--|--------------------------------------|-----------------------------------|
| Access | | Approximately 450 meters from Itabashi Station on the JR Saikyo Line | | |
| Land | Form of ownership | Ownership | Zoning | Neighborhood commercial districts |
| | Area | 236.70 m ² | FAR/Building-to-land ratio | 400%/80% |
| Building | Form of ownership | Ownership | Use | Condominium |
| | Structure/Floors | RC, 10-story building with flat roof | Number of leasable units | 34 units |
| | Total floor area | 1,080.22 m ² | Construction completion | January 5, 2021 |
| Building engineer | | Seiwa Corporation First-class architect office | | |
| Constructor | | Seiwa Corporation | | |
| Building inspection agency | | J Architecture Inspection Center | | |
| Estimated emergency repair expenses | | JPY 0 thousand | Estimated short-term repair expenses | JPY 0 thousand |
| Estimated long-term repair expenses | | JPY 9,173 thousand | PML | 5.6% |
| Property manager | | Tokyu Housing Lease Corporation | | |
| Master lessee | | G.K. Japan Rental Housing | Type of master lease | Pass through |
| Overview of Leasing | | | | |
| Real estate rent revenue | | JPY 823 thousand | | |
| Lease and guarantee deposits | | JPY 1,193 thousand | | |
| Total leasable area | | 934.40 m ² | Number of tenants | 1 |
| Total leased area | | 188.52 m ² | Occupancy rate | 20.2% |
| Collateral | | None | | |
| Features | | | | |
| <p>Site features: The property is a condominium completed in January 2021, located a 6-minute walk from Itabashi Station on the JR Saikyo Line. It has good access to Ikebukuro, Shinjuku, and Shibuya. It is also possible to use the Toei Subway Mita Line Nishisugamo station, located a 12-minute walk, and has excellent access to business districts such as Otemachi and Hibiya. The property is located in the good residential area with convenience facilities such as retail stores and parks. There is a stable need from single people who commute to the city center with an emphasis on transportation access and living convenience.</p> <p>Property features: The property is the 10-story reinforced concrete structure, consisting of 1K(32 units) and 2LDK(2 units). In addition to being equipped with common facilities such as an auto lock, intercom with monitor, security camera, delivery box, bathroom dryer, hot water washing toilet seat, etc., each unit is equipped with an Internet line as standard equipment. The property provides an attractive life that makes full use of IoT technology, such as a non-contact locking system compatible with smartphones and ceiling lighting with a built-in voice AI.</p> | | | | |
| Special Notes | | | | |
| None | | | | |

IV. Profile of the Counterparty

The seller of the asset to be acquired is a domestic company, whose name is not disclosed because the seller's consent has not been obtained. There are no capital, human, or business relationships between the Investment Corporation or the Asset Manager and the seller. The seller is not related party of the Investment Corporation or the Asset Manager.

The seller does not fall under the category of interested persons under the Order for Enforcement of the Act on Investment Trusts and Investment Corporations, nor does it fall under the category of interested party, etc. under the internal rules on dealings with interested parties of the Asset Manager.

V. Profile of the Property Seller

The seller of the anticipated property is not classified as a special related party of the Investment Corporation and the Asset Manager.

VI. Funds for Acquisition

Own funds

VII. Acquisition Schedule

- Decision of acquisition and conclusion of purchase agreement: June 22, 2021
- Payment and delivery: June 23, 2021

VIII. Payment Method, Etc.

Lump-sum payment at the time of transaction.

IX. Future Prospects

The Acquisition will have only a slight impact on the asset management condition in the fiscal period ending September 30, 2021 (from April 1, 2021 to September 30, 2021) and the fiscal period ending March 31, 2022 (from October 1, 2021 to March 31, 2022), and there is no change in the asset management forecast.

X. Summary of Appraisal Report

| Property name | | Gran Casa Itabashi EAST | | |
|---|---|--------------------------------------|---|---|
| Appraisal value | | 989,000,000 yen | | |
| Appraiser | | DAIWA REAL ESTATE APPRAISAL CO.,LTD. | | |
| Date of appraisal | | June 1, 2021 | | |
| Item | | Details | Outline, etc. | |
| Value indicated by income approach | | JPY thousand | 989,000 | — |
| Value indicated by the direct capitalization method | | JPY thousand | 1,030,000 | — |
| (1) Total Operating Income: (a) – (b) | | JPY thousand | 47,800 | — |
| (a) | Rental revenues including common service fees | JPY thousand | 47,904 | Taking into account mid- to long-term competitiveness of the property based on the level and movements of new rents of similar properties in the same supply-demand area, posted assumed standardized revenues from the rental units and common service fees of the property. |
| | Parking fees | JPY thousand | 21 | Taking into account assumed vacancy rates of such parking space of the property based on lease cases. |
| | Other revenues | JPY thousand | 1,312 | Posted key money and other revenues by applying the number of months for each tenant based on assessed tenants change and vacancy rates. Renewal fee revenue was assessed and recorded, based on the consideration of renewal ratios and vacancy ratios. |
| (b) | Losses from vacancies | JPY thousand | 1,437 | Posted loss from vacant units, etc. by assessing vacancy rates in relation to revenues from rental units that are deemed to be stable over a mid- to long-term period, common service fees and parking space revenues and by taking into account competitiveness, etc. of the property based on standardized vacancy rates of similar properties. |
| | Bad debt losses | JPY thousand | 0 | Not posted because bad debt losses are deemed to be secured by key money, etc. |
| (2) Total Operating Expenses | | JPY thousand | 8,989 | — |
| | Operation costs | JPY thousand | 2,472 | Posted operation costs by assessing the level of operation costs for similar properties. |
| | Utilities | JPY thousand | 340 | Posted utility costs by assessing the level of utility costs for similar properties. |
| | Repairs and maintenance expense | JPY thousand | 606 | Posted repairs and maintenance expenses by assessing the level of repairs and maintenance expenses for similar properties. Assessed and posted tenant change costs, taking into account tenant change and vacancy rates. |
| | Property management fees | JPY thousand | 697 | Posted property management fees by assessing the level of property management fees for similar properties. |
| | Tenant promotion fees, etc. | JPY thousand | 1,291 | Posted secretarial costs associated with solicitation for new tenants for rental units and parking space by assessing the portion to which the assumed tenant change rate would apply, taking into account the level of secretarial costs associated with solicitation for new tenants of similar properties. |
| | Taxes and public dues | JPY thousand | 2,553 | 【Land】Assessed and posted Taxes and public dues by the tax registered book for fiscal year 2021. 【Property】Posted taxes and public dues, by assessing from a mid- to long-term perspective the assumed amount of taxes for the year which is 11 years after construction based on the replacement value of the planned building. |
| | Nonlife insurance | JPY thousand | 63 | Assessed in reference to the level of non-life insurance premiums for similar properties. |
| Other expenses | JPY thousand | 965 | Posted internet expenses and miscellaneous expenses, etc. by assessing the level of these for similar properties. | |
| (3) Net Operating Income (NOI): (1) – (2) | | JPY thousand | 38,810 | — |
| (4) Lump-Sum Investment Return | | JPY thousand | 35 | By comprehensively taking into account the actual situation of investing lump sum paid, etc. from both investment and funding perspectives and assuming investment yields, posted an amount calculated by multiplying said assumed investment yields by an amount equivalent to assumed key money in custody, etc. |
| (5) Capital Expenditure | | JPY thousand | 811 | Posted by assessing the level of renewal expenses for similar properties with taking into account assumed CM fees. |
| (6) Net Cash Flow (NCF): (3) + (4) – (5) | | JPY thousand | 38,033 | — |

大和証券リビング投資法人

Daiwa Securities Living Investment Corporation

English Translation

The following is an English translation of the Japanese original press release and is being provided for information purposes only.

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|----------------------------------|----------------------------------|--------------|---------|--|
| | (7) Capitalization Rate | (%) | 3.7 | — |
| | Value indicated by DCF method | JPY thousand | 972,000 | — |
| | Discount rate | (%) | 3.5 | Assessed the discount rate, taking into account discount rates used in transactions of similar properties, comparison with yields from other financial instruments and so forth. |
| | Terminal capitalization rate | (%) | 3.9 | Assessed terminal capitalization rate, taking into account factors such as the marketability of the property at the maturity of the holding period in relation to capitalization rate. |
| | Value indicated by cost approach | JPY thousand | 984,000 | — |
| | Land ratio | (%) | 67.0 | — |
| | Property ratio | (%) | 33.0 | — |
| Other items of note by appraiser | | | None. | |

URL: <https://www.daiwa-securities-living.co.jp/en/>

(Reference Material) Exterior and Map of the Asset to Be Acquired



(Additional Material) Overview of Portfolio accompany the Acquisition

<Number of Properties, Etc.>

| | Properties owned as of today (a) | Asset to Be Acquired (b) | Other assets to be acquired (c) (Note) | (a) + (b) + (c) |
|--------------------------------|-------------------------------------|-----------------------------|---|---------------------------|
| Total number of properties | 229 properties | 1 property | 2 properties | 232 properties |
| Total number of leasable units | 16,658 units | 34 units | 44 units | 16,736 units |
| Total leasable area | 722,419.77 m ² | 934.40 m ² | 1,360.90 m ² | 724,715.07 m ² |

(Note) This refers to the 2 properties (Gran Casa Monzennakacho and Gran Casa Magomell) scheduled to be acquired, announced on October 21, 2020.

<Asset Size, Etc.>

| | Properties owned as of today (a) | Asset to Be Acquired (b) | Other assets to be acquired (c) | (a) + (b) + (c) |
|---|-------------------------------------|-----------------------------|------------------------------------|-------------------|
| Total (anticipated) acquisition price (Note 1) | JPY 327.3 billion | JPY 0.9 billion | JPY 1.4 billion | JPY 329.7 billion |
| Appraisal value (Note 2) | JPY 387.0 billion | JPY 0.9 billion | JPY 1.5 billion | JPY 389.5 billion |

(Note 1) Total (anticipated) acquisition price is calculated based on the (anticipated) acquisition price.

(Note 2) Among the Appraisal value of the "Properties owned as of today" is calculated based on the appraisal value as of March 31, 2021. "Asset to Be Acquired" is calculated based on the appraisal value as of June 1, 2021, and "Other assets to be acquired" are calculated based on the appraisal value as of March 21, 2021.

<Amount and Rate of Investment by Type (Based on (Anticipated) Acquisition Price)>

| | Properties owned as of today (a) | Asset to Be Acquired (b) | Other assets to be acquired (c) | (a) + (b) + (c) |
|------------|-------------------------------------|-----------------------------|------------------------------------|------------------------------|
| Studio | JPY 152.0 billion (46.5%) | JPY 0.9 billion | JPY 1.4 billion | JPY 154.5 billion (46.9%) |
| Family | JPY 79.6 billion (24.3%) | - | - | JPY 79.6 billion (24.2%) |
| Healthcare | JPY 95.5 billion (29.2%) | - | - | JPY 95.5 billion (29.0%) |