

December 23, 2020

To All Concerned Parties

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Notice Concerning Acquisition of Asset (Hulic Residence Senriyama)

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) (Note2) (Note 3)	Appraisal value (as of November 2021) (B) (JPY thousand) (Note 3)	Difference between anticipated acquisition price and appraisal value (B)-(A) (JPY thousand) ((A)/(B)) (Note 3)
Hulic Residence Senriyama (Note 4)	Toyonaka city, Osaka	Residence (Studio)	2,600,000	2,710,000	110,000 (95.9%)

(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 name of the property will be changed to “Gran Casa Ryokuchikoen” in April 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 and leasing are summarized in the following individual property tables. The following is a description of the items mentioned in the individual property tables.

<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). The “Lot number” for Location shows the parcel number assigned to each parcel of land as stipulated in Paragraph 17, Article 2 of the Real Property Registration Act (Law No. 123 of 2004, including later amendments).
- “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.
- “Area” for Land is shown in accordance with the registry and may not correspond to the current reality.
- “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”).

5. “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. “Total floor area” for Building is based on records in the registry and does not include the floor area of annexed buildings.
8. “Structure/Floors” for Building is based on records in the registry.
9. “Use” for Building refers to the building type recorded in the registry.
10. “Construction completion” for Building refers to the date of completion recorded in the registry.
11. “Number of leasable units” indicates the number of units that can be leased as of November 30, 2020, for the Asset to Be Acquired (only recorded for residences).
12. “Number of leasable compartments” indicates the number of compartments of a building where a lease contract has been concluded as of November 30, 2020, for the Asset to Be Acquired, and includes retail stores, offices, etc., if any (only recorded for healthcare facilities).
13. “Property manager” is the property management company entrusted with, or scheduled to be entrusted with the property management operations.
14. “Master lessee” is the party that has, or is scheduled to enter into a master lease agreement concerning the asset in question.
15. “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.
16. “Number of tenants” shall be 1 if a master lease agreement has been concluded with a master lessee.
17. “Leasable area” shows the leasable area of each of the Asset to Be Acquired as of November 30, 2020, 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.
18. “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 November 30, 2020.
19. “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 November 30, 2020, of the Asset to Be Acquired.
20. “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 November 30, 2020, of the Asset to Be Acquired.
21. “Occupancy rate” is the figure obtained by dividing the total leased area by the leasable area for the Asset to Be Acquired as of November 30, 2020.
22. “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.
23. “PML” data was acquired from Tokyo Marine & Nichido Risk Consulting Co., Ltd. in November 2020.
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)	Mizuho Trust & Banking Co., Ltd.		
Trust agreement period	From December 28, 2020 to December 31, 2030		
Scheduled acquisition price	JPY 2,600 million	Scheduled acquisition date	December 28, 2020

Appraisal value (appraisal date)		JPY 2,710 million (as of November 1, 2020)	Appraisal firm	Tanizawa Sogo Appraisal Co., Ltd.
Location		(Residential indication) 1-1 Higashi-Terauchi cho, Toyonaka city, Osaka		
		(Lot number) 158-6 Higashi-Terauchi cho, Toyonaka city, Osaka		
Access		Approximately 500 meters from Ryokuchi-koen Station on the Kita-Osaka Kyuko Line		
Land	Form of ownership	Ownership	Zoning	category 1 low-rise exclusive residential district
	Area	5,519.26 m ²	FAR／Building-to-land ratio	150%／60%
Building	Structure/Floors	RC, 1-floor basement, 3-story building with flat roof	Number of leasable units	192 units
	Total floor area	6,226.39 m ²	Construction completion	October 24, 2011
	Form of ownership	Ownership	Use	Condominium
Building engineer		TAISEI U-LEC corporation. First-class architect office		
Constructor		TAISEI U-LEC corporation.		
Building inspection agency		CENTER FOR INTERNATIONAL ARCHITECTURAL STANDARD		
Investigation agency or structural calculation confirmation agency		DAIWA REAL ESTATE APPRAISAL CO.,LTD.		
Estimated emergency repair expenses		JPY 0 thousand	Estimated short-term repair expenses	JPY 0 thousand
Estimated long-term repair expenses		JPY 132,954 thousand	PML	5.8%
Property manager		HASEKO LIVENET, Inc.		
Master lessee		G.K. Japan Rental Housing	Type of master lease	Pass through
Overview of Leasing				
Real estate rent revenue		JPY 14,859 thousand		
Lease and guarantee deposits		JPY 28,899 thousand		
Total leasable area		4,916.02 m ²	Number of tenants	1
Total leased area		4,916.02 m ²	Occupancy rate	100.0%
Collateral		None		
Features				
Site features: This property is a condominium that was completed in October, 2011, located 7 minutes' walk from Ryokuchi-koen Station on the Kita-Osaka Kyuko Line. The west side of Ryokuchi-koen Station has a vast Hattori Ryokuchi Park, including sports facilities, outdoor musical halls, and botanical parks, making it an attractive living environment. The area around this property is a quiet residential area where you can live calmly. It also has excellent access to central urban areas such as the Shin-Osaka, Umeda, Yodoyabashi, and Honmachi, and is expected to attract stable demand from single-person who commutes to the city center.				
Property features: This property is a 3-story reinforced-concrete structure with 1 basement and is composed of 1K・2DK. Although each unit can be leased individually, currently all units are leased as corporate housing. The building of this property has a highly designable appearance decorated with a terra cottal bar in the common building. The common area is equipped with a wide common space that can be used by residents, and the residence provides security facilities such as auto-locks, intercoms with monitors, and security cameras. The building has enough machine parking lots, which provides high-quality and comfortable living for residents.				
Special Notes				
A self-managed park (161.97 square meters) is located near the intersection on the north side of the property (part of the property's land). A part of the south side of the property (114.15 square meters) is a private road.				

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 or loans

VII. Acquisition Schedule

- Decision of acquisition and conclusion of purchase agreement: December 23, 2020
- Payment and delivery: December 28, 2020

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 March 31, 2021 (from October 1, 2020 to March 31, 2021) and the fiscal period ending September 30, 2021 (from April 1, 2021 to September 30, 2021), and there is no change in the asset management forecast.

X. Summary of Appraisal Report

Property name		Hulic Residence Senriyama	
Appraisal value		2,710,000,000 yen	
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.	
Date of appraisal		November 1, 2020	
Item		Details	Outline, etc.
Value indicated by income approach		JPY thousand	2,710,000
Value indicated by the direct capitalization method		JPY thousand	2,790,000
(1) Total Operating Income: (a) – (b)		JPY thousand	169,419
(a)	Rental revenues including common service fees	JPY thousand	165,945
	Parking fees	JPY thousand	11,772
	Other revenues	JPY thousand	3,279
	Losses from vacancies	JPY thousand	11,577
	Bad debt losses	JPY thousand	0
(2) Total Operating Expenses		JPY thousand	35,297
	Operation costs	JPY thousand	3,780
	Utilities	JPY thousand	1,769
	Repairs and maintenance expense	JPY thousand	7,567
	Property management fees	JPY thousand	3,821
	Tenant promotion fees, etc.	JPY thousand	3,551
	Taxes and public dues	JPY thousand	11,093
	Nonlife insurance	JPY thousand	325
	Other expenses	JPY thousand	3,388
(3) Net Operating Income (NOI): (1) – (2)		JPY thousand	134,122

大和証券リビング投資法人

Daiwa Securities Living Investment Corporation

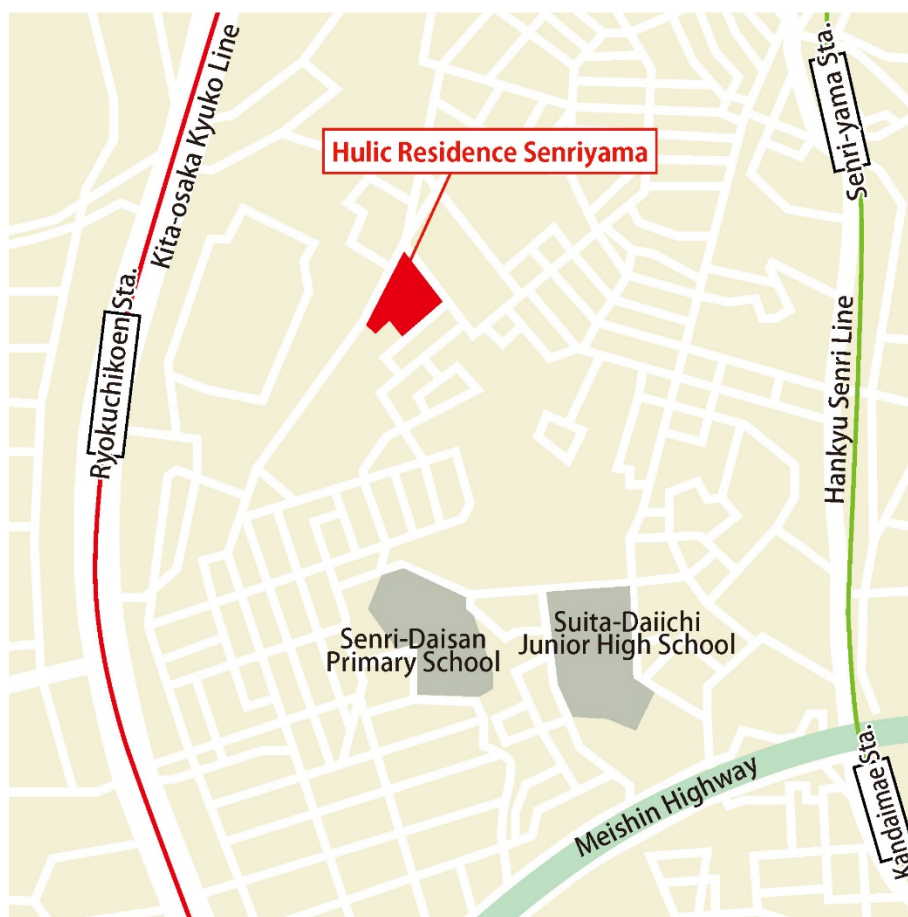
English Translation

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

	(4) Lump-Sum Investment Return	JPY thousand	121	Investment return is assumed at 1.0%
	(5) Capital Expenditure	JPY thousand	8,470	Based on figures of ER and similar cases allocated at 3:7 for Repair and Capital Expenditures
	(6) Net Cash Flow (NCF): (3) + (4) – (5)	JPY thousand	125,774	—
	(7) Capitalization Rate	(%)	4.5	Comprehensive consideration taking into account the property's location, the characteristics of the building and contractual characteristics
	Value indicated by DCF method	JPY thousand	2,670,000	—
	Discount rate	(%)	4.6	Compared with transaction cases of similar properties and investigated by taking into account the property's individuality on the yields of other financial assets
	Terminal capitalization rate	(%)	4.7	Characteristics of net income used for Capitalization Rate, future uncertainties, liquidity, market value, etc. are accounted for in the determination of the rate.
	Value indicated by cost approach	JPY thousand	2,940,000	—
	Land ratio	(%)	70.0	—
	Property ratio	(%)	30.0	—
Other items of note by appraiser				None.

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

(Reference Material 1) Exterior and Map of the Asset to Be Acquired



(Reference Material 2) Japan Habitat Evaluation and Certification Program (JHEP)

Hulic Residence Senriyama has been awarded A rank by Japan Habitat Evaluation and Certification Program (JHEP) for its efforts to contribute to the conservation and restoration of biodiversity.

* JHEP was developed and has been administrated by Ecosystem Conservation Society-Japan (ECSJ), which quantitatively values and certificates the efforts to contribute to the conservation and restoration of biodiversity.

- Installation of a self-managed park

A self-managed park is installed on the north side of the site and many trees are planted. In addition, on the south side of the building, there are hedges with mixed plants.

- Planting management aimed at improving the quality of biodiversity

Rather than pruning uniformly, planting is managed with the policy of growing trees to a height of 7 meters to 12 meters.

(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	224 properties	1 properties	6 properties	231 properties
Total number of leasable units	16,312 units	192 units	198 units	16,702 units
Total leasable area	712,958.92 m ²	4,916.02 m ²	5,905.73 m ²	723,780.67 m ²

(Note) This refers to the 6 properties 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 319.8 billion	JPY 2.6 billion	JPY 6.3 billion	JPY 328.8 billion
Appraisal value (Note 2)	JPY 374.9 billion	JPY 2.7 billion	JPY 6.6 billion	JPY 384.3 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", Gran Casa Magome I is calculated based on the appraisal value as of October 1, 2020, Splendide Nambamotomachi, Gran Casa Fujisawa, Good Time Living Osaka Bay, Sunny Life Hiyoshi, and Sunny Life Chofu are calculated based on the appraisal value as of October 1, 2020, and other properties are calculated based on the appraisal value as of September 30, 2020. "Asset to Be Acquired" is calculated based on the appraisal value as of November 1, 2020, and "Other assets to be acquired" are calculated based on the appraisal value as of October 1, 2020.

<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 144.5 billion (45.2%)	JPY 2.6 billion	JPY 6.3 billion	JPY 153.5 billion (46.7%)
Family	JPY 79.6 billion (24.9%)	-	-	JPY 79.6 billion (24.2%)
Healthcare	JPY 95.5 billion (29.9%)	-	-	JPY 95.5 billion (29.1%)