

September 18, 2020

To All Concerned Parties

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Notice Concerning Acquisition of Assets (Reone Nihonbashi Hamacho)

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

I. General Outline of the Acquisition

Name of Property	Region	Property Type (Note1)	Anticipated Acquisition Price (JPY thousand) (Note2)	Appraisal Value (as of September 2020) (B) (JPY thousand)	Difference Between Anticipated Acquisition Price and Appraisal Value (B)-(A) (JPY thousand) ((A)/(B))
Reone Nihonbashi Hamacho (Note3)	23 wards of Tokyo (Chuo, Tokyo)	Residence (Studio)	930,000	1,030,000	100,000 (90.3%)

(Note1) Studio type means the residence with 1R, 1K, 1DK and 1LDK

(Note2) 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.

(Note3) The Name of Property will be changed to “Gran Casa Nihonbashi Hamacho” at the end of October, 2020.

(Note4) The broker of the Acquisition does not correspond to the interested party.

(Note5) The ratio shown with bracket in “Difference between Anticipated Acquisition Price and Appraisal Value” shows the result of dividing the anticipated acquisition price by the appraisal value (rounded off to the first decimal).

II. Reason for the Acquisition

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

III. Details of Anticipated Property

Overview of the Property				
Category of anticipated property for acquisition		Real Estate		
Acquisition price		JPY 930 million	Scheduled acquisition date	September 30, 2020
Appraisal value (Appraisal date)		JPY 1,030 million (As of September 1, 2020)	Appraisal firm	Tanizawa Sogo Appraisal Co., Ltd.
Location (Note1)		(Residential indication) 12-10, Nihonbashinakasu, Chuo-ku, Tokyo (Lot number) 13-4, Nihonbashinakasu, Chuo-ku, Tokyo		
Access		Approximately 550 meters from Hamacho Station on Toei Shinjuku Line Approximately 650 meters from Suitengumae Station on Tokyo Metro Hanzomon Line		
Land	Form of ownership	Ownership	Zoning (Note2)	Commercial Districts

	Area(Note1)	184.14 m ²	FAR / Building-to-land ratio (Note3)	500% / 80%
Building	Structure/Floors (Note1)	RC, 8-story building	Number of leasable units	22 units
	Total floor area (Note1)	887.23 m ²	Construction completion (Note1)	November 22, 2019
	Form of ownership	Ownership	Use (Note1)	Condominium
Building engineer		Takamatsu Corporation Co., Ltd.		
Constructor		Takamatsu Corporation Co., Ltd.		
Building inspection agency		Urban Housing Evaluation Center Co., Ltd.		
Investigation agency or structural calculation confirmation agency		Daiwa Real Estate Appraisal Co., Ltd.		
Estimated emergency repair expenses(Note4)		-	Estimated short-term repair expenses(Note4)	-
Estimated long-term repair expenses(Note4)		JPY 9,732 thousand	PML(Note4)	6.2%
Property manager		J-REX Corporation Co., Ltd.		
Master lessee		G.K. Japan Rental Housing	Type of master lease	Pass through
Overview of leasing (Note5)				
Real estate rent revenue (Note6)		JPY 2,398 thousand		
Lease and guarantee Deposits		JPY 716 thousand		
Total leasable area (Note7)		774.16 m ²	Number of tenants (Note8)	1
Total leased area		472.82 m ²	Occupancy rate	61.1%
Collateral		None		
Features				
<p>Site Features: The property is the new compact type condominium, located 9 minutes' walk from Suitengumae Station on Tokyo Metro Hanzomon Line and 7 minutes' walk from Hamacho Station on Toei Shinjuku Line. It is located within walking distance to the Ningyocho, where is the busy area with a historical atmosphere. Because of the excellent access to business districts such as Marunouchi, Otemachi and Nihonbashi, stable demand is expected from singles commuting to the city center.</p> <p>Property Features: The property is the 8-story reinforced concrete building with 1K and 1LDK floor plans. The floors and fittings in each room have a wood-grained design, which creates a relaxed atmosphere. Some of the rooms are accented with stylish modern wallpaper, and each room has a free Internet service and a storage room, which may provide residents with a high quality and comfortable lifestyle.</p>				
Special Note				
None				

(Note 1) In the Location, Area, Floor space, Structure type, Use, and Completion date fields, information is based on the registry and engineering report. In the Structure type field, the following abbreviations are used: SRC (steel reinforced concrete), RC (reinforced concrete), S (steel construction).

(Note 2) In the "Use Area" column, the class of Use Area under Article 8, Paragraph 1, Item 1 of the City Planning Act (Law No. 100, 1968, including later amendments) is listed.

(Note 3) Figures for "FAR" in the "FAR/Building coverage ratio" column show, as indicated in Article 52 of the Building Standards Act (Law No. 201 of 1950, including later amendments) (hereafter the "Building Standards Act"), the ratio of the sum of the floor space of the building to the land area, and the upper limit as determined by city planning according to the use area. Figures for "building coverage ratio" show, as indicated in Article 53 of the Building Standards Act, the ratio of the building area to the land area, and the upper limit as determined by city planning according to the use area.

(Note 4) The figures are rounded down to the thousands, and the ratios are rounded to the first decimal. Furthermore, earthquake PML data was acquired from Tokyo Marine & Nichido Risk Consulting Co., Ltd. in August 2020.

(Note 5) The figures and information in the "Overview of Leasing" column is based on the rental contract information as of September 4, 2020.

(Note 6) Monthly rental income (rent and common area charge) is based on the rental contract information as of September 4, 2020.

(Note 7) "Leasable area" shows the leasable area of the anticipated properties as of September 4, 2020, excluding area used by storage spaces, parking spaces, custodian's 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.

(Note 8) If a master lease agreement is planned to be concluded with a master lease company, the number of tenants is 1.

IV. Profile of the Counterparty

(1)	Company Name	J-REX Corporation Co., Ltd.
(2)	Location	1-23-7, Nishi-Shinjuku, Shinjuku-ku, Tokyo
(3)	Title and Name of Representative	Representative Director: Hideki Haruta
(4)	Description of Business	1. Development of condominiums 2. Real estate services
(5)	Amount of Capital	JPY 485.88 million
(6)	Date of Incorporation	October 8, 2002
(7)	Net Assets	The amount of net assets is not disclosed as consent for disclosure has not been obtained from the seller.
(8)	Total Assets	The amount of total assets is not disclosed as consent for disclosure has not been obtained from the seller.
(9)	Major Shareholders	The major shareholders are not disclosed as consent for disclosure has not been obtained from the seller.
(10)	Relationship between the seller and the Investment Corporation/Asset Manager	
	Capital Relationship	There is no capital relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no capital relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Personnel Relationship	There is no personnel relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no personnel relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Business Relationship	There is no business relationship required to be disclosed between the Investment Corporation/Asset Manager and the seller. In addition, there is no business relationship required to be disclosed between the affiliated parties and the affiliated companies of the Investment Corporation/Asset Manager and the affiliated parties and the affiliated companies of the seller.
	Status of Classification as Related Party	The seller is not classified as related party with Investment Corporation/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 : September 18, 2020
- Payment and Delivery : September 30, 2020

VIII. Settlement Method

For the asset to be acquired, Lump-sum settlement at the time of acquisition.

IX. Forecasts

The Acquisition will have only a slight impact on the asset management condition in the fiscal period ending September 30, 2020 (from April 1, 2020 to September 30, 2020) and the fiscal period ending March 31, 2021 (from October 1, 2020 to March 31, 2021), and there is no change in the asset management forecast.

X. Property Appraisal Summary

Property Name	Reone Nihonbashi Hamacho
Appraisal Value	JPY 1,030,000
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
Date of Appraisal	September 1, 2020

Item	Details	Overview, etc.	
Value indicated by income approach	JPY thousand	1,030,000	Based on DCF method with reference/verification to direct capitalization value
Value indicated by the Direct Capitalization Method	JPY thousand	1,050,000	Based on the capitalization rate for standardized net income recognized to be stable over the medium to long term
(1) Total Operating Income: (a)-(b)	JPY thousand	47,691	-
(a)			
Rental revenues including common service fees	JPY thousand	47,211	Rental revenues: Recurring revenues from renting, or outsourcing the management of, the entire property or its rooms (full occupancy is assumed) Revenues from common service fees: Revenues from collecting fees under agreements with tenants to cover expenses related to the common use space in recurring expenses for the operation and maintenance of the property (full occupancy is assumed)
Parking fees	JPY thousand	50	Revenues from renting out the parking space of the property to the tenants etc. and revenues from renting out parking space by the hour (full occupancy is assumed)
Other revenues	JPY thousand	1,871	Revenues from fees for the installation of facilities, including signs, antennas, vending machines, revenues from one-time payments that do not need to be returned, including key money and renewal fees, and other revenues
(b)			
Losses from vacancies	JPY thousand	1,441	Reductions in revenues based on predictions of vacancies, intervals due to changes of tenants, etc.
Bad debt losses	JPY thousand	0	Reductions in revenues based on predictions of bad debt
(2) Total Operating Expenses	JPY thousand	8,253	-
Operation costs	JPY thousand	1,464	Recurring expenses incurred for the maintenance of the property, including the management of the building and facilities, security, and cleaning
Utilities	JPY thousand	278	Expenses for electricity, waters, gas, local air-conditioning heat sources, etc. in property management
Repairs and maintenance expense	JPY thousand	819	Of expenses for repairs, improvements, etc. of the building and facilities, etc. of the property, recurring expenses for the usual maintenance and management of the building and facilities, etc. and for the restoration of the building and facilities, etc. that have been damaged.
Property management fees	JPY thousand	824	Expenses related to the management of the property
Tenant promotion fees, etc.	JPY thousand	1,110	Expenses for intermediation, advertising, etc. while looking for new tenants and expenses incurred for renewals and extensions of rental contracts with tenants, etc.
Taxes and public dues	JPY thousand	2,642	Property tax (land, building, depreciation assets), city planning tax (land, building)
Nonlife insurance	JPY thousand	64	Expenses for fire insurance for the property, expenses for liability insurance that covers losses incurred by damage done to a third party etc. due to defects of the property and accidents in property management, etc.
Other expenses	JPY thousand	1,049	Expenses including land rent and exclusive road use fees.
(3) Net Operating Income (NOI): (1)-(2)	JPY thousand	39,438	-
(4) Lump-sum Investment Return	JPY thousand	36	Investment return is assumed at 1.0%.
(5) Capital Expenditure	JPY thousand	585	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	38,889	-
(7) Capitalization Rate	(%)	3.7	Comprehensive consideration taking into account the property's location, the characteristics of the building and contractual characteristics
Value Indicated by DCF Method	JPY thousand	1,020,000	-
Discount Rate	(%)	3.8	Compared with transaction cases of similar properties and investigated by taking into account the property's unique characteristics on the yields of other financial assets.
Terminal Capitalization Rate	(%)	3.9	Characteristics of the net revenue 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	984,000	-
Land Ratio	(%)	68.3	-

大和証券リビング投資法人

Daiwa Securities Living Investment Corporation

English Translation

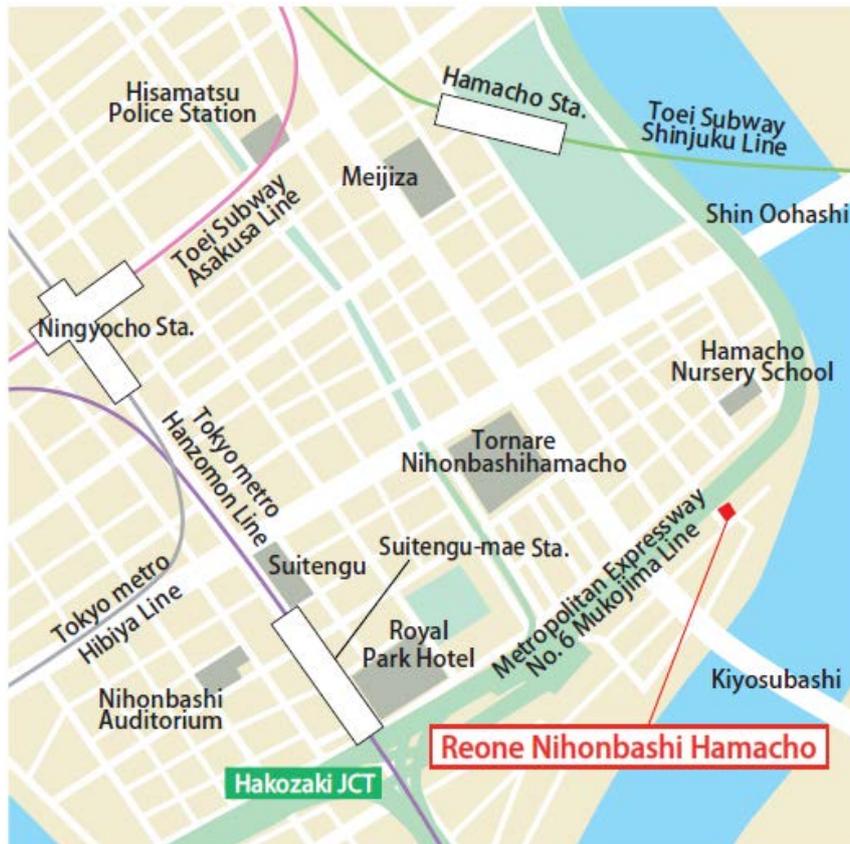
The following is an English translation of the Japanese original press release and is being provided for information purposes only.

Property Ratio	(%)	31.7	-
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Other items of note by appraiser	None
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URL: <https://www.daiwa-securities-living.co.jp/en/>

(Reference Material) Photographs and maps of Assets to be acquired



(Additional Material) Overview of Portfolio after the Acquisition

<Number of Properties etc.>

	Own Properties as of today (a)	Acquisition of Property (b)	(a) + (b)
Total Number of Owned Properties	217 properties	1 properties	218 properties
Total Number of Leasable Units (Note1)	15,751 units	22 units	15,773 units
Total Leasable area	686,542.70 m ²	774.16 m ²	687,316.86 m ²

(Note 1) The number of leasable units of rental houses is based on the number of units that can be rented for each acquired assets. That of healthcare facilities is based on the number of rooms which is displayed in the explanation of important matters provided by operators.

<Asset Size etc.>

	Own Properties as of today (a)	Acquisition of Property (b)	(a) + (b)
Total (Anticipated) Acquisition Price (Note 1)	JPY 302.7 billion	JPY 0.9 billion	JPY 303.7 billion
Appraisal Value (Note 2)	JPY 356.1 billion	JPY 1 billion	JPY 357.1 billion

(Note 1) Total (Anticipated) Acquisition Price and Average (Anticipated) Acquisition Price per Property are calculated based on the acquisition (Anticipated) price.

(Note 2) With regards to Own Properties as of today (a), 27 healthcare facilities acquired on April 2, 2020 (excluding Irise Komae Bettei) is based on the appraisal values as of November 1, 2019, and other properties is based on the appraisal values as of the end of March 2020. Appraisal value for (b) is sum of the appraisal value as of September 1, 2020.

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

	Own Properties as of today (a)	Acquisition of Property (b)	(a) + (b)
Studio	JPY 137.2 billion (45.3%)	JPY 0.9 billion	JPY 138.1 billion (45.5%)
Family	JPY 78.6 billion (26.0%)	—	JPY 78.6 billion (25.9%)
Healthcare	JPY 86.9 billion (28.7%)	—	JPY 86.9 billion (28.6%)

(Note1) Studio type means the residence with 1R, 1K, 1DK and 1LDK. Family type means the residence with 2K, 2DK, 2LDK and more rooms. Healthcare means the healthcare facilities.