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For Immediate Release

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Notice Concerning Completion of Acquisition of Trust Beneficiary Interests in Domestic Real Estate Associated with Reconstruction of Castalia Hatanodai (Former Castalia Kamiikedai)

Daiwa House REIT Investment Corporation (“DHR”) hereby announces that DHR has completed reconstruction (the “Reconstruction”) of Castalia Hatanodai (former Castalia Kamiikedai, the “Property”) as announced in the press release “Notice Concerning Acquisition of Trust Beneficiary Interests in Domestic Real Estate Associated with Reconstruction of Castalia Kamiikedai” on June 25, 2024 and acquisition of a new building built by the Reconstruction (the “New Building”) as described below.

1. Completion of the Reconstruction and acquisition of the New Building

With an aim to improve quality of our portfolio, DHR has conducted the Reconstruction since July 2024. DHR demolished the existing building of the Property with declining profitability due to deterioration of the building and reconstructed the New Building to acquire. Following the completion of the New Building and the Reconstruction, DHR completed the acquisition of the New Building on July 30, 2025.

2. Details of the Property

DHR completed the acquisition of the New Building, and the details of the Property were confirmed as below. The underlined parts indicate changes from the plans as of June 25, 2024.

		Anticipated as of June 25, 2024	As of July 30, 2025
Property name		<u>Castalia Kamiikedai</u>	<u>Castalia Hatanodai</u>
Property number		RE-065	
Asset class		Residential	
(Anticipated) acquisition price ^(Note 1)		<u>378</u> million yen	<u>393</u> million yen
(Anticipated) acquisition date		<u>July</u> 2025	<u>July 30,</u> 2025
Type of specified asset		Trust beneficiary interest in real estate	
Trustee		Mitsubishi UFJ Trust and Banking Corporation	
Trust maturity date		November 30, 2033	
Location	Lot number	1-109-1, Kamikedai, Ota Ward, Tokyo	
	Residence indication	1-4-15, Kamiikedai, Ota Ward, Tokyo	
Land	Type of ownership	Land lease right	
	Land area	242.73 m ²	
	Area classification	Category 1 medium-to-high-rise exclusive residential district	
	Building coverage ratio	60%	
	Type of ownership	200%	
	Land lease right period	Full 30 years from July 1, 2025	
Collateral		None	

		Anticipated as of June 25, 2024	As of July 30, 2025
Building (Note 2)	Type of ownership	Ownership	
	Gross floor area ^(Note 3)	473.44 m ²	477.01 m ²
	Use	Apartment complex	
	Structure	Wooden and reinforced concrete building	
	Number of floors	3 floors	
	Date of construction	July 2025	July 1, 2025
Overview of building condition evaluation	Evaluation company	To be decided	Tokio Marine dR Co., Ltd.
	Evaluation date		July 2025
	Urgent repair costs		=
	Short-term repair costs		=
	Long-term repair costs		2,641 thousand yen (12 years)
	PML		10.3%
Soil contamination inspector		-	
Contractor, etc.	Designer	SANSHIN KENCHIKUSEKKEI Corporation	
	Structural designer	SANSHIN KENCHIKUSEKKEI Corporation	
	Contractor	Ishima Koumuten	
	Inspection agency	Urban Architectural Verification Center Co.	
	Structural calculation evaluation agency	-	
Overview of leasing	Leasable area	411.27 m ²	406.31 m ²
	Leased area ^(Note 4)		
	Occupancy rate ^(Note 4)		
	Number of leasable units (unit type)		
	Number of tenants	1	
	Master lease company	Daiwa Living Co., Ltd.	
	Master lease type	Pass-through type	
	Property management company	Daiwa Living Co., Ltd.	
Appraisal value, etc. (Note 5)	Anticipated annual rent (excluding consumption taxes) ^(Note 6)	23 million yen	23 million yen
	NOI (annualized) ^(Note 7)	16 million yen	17 million yen
	NOI yield ^(Note 8)	4.4%	4.4%
	Appraisal value ^(Note 9)	442 million yen (valuation date: June 1, 2024)	468 million yen (valuation date: July 25, 2025)
Environmental certification		ZEH (Net Zero Energy House) specifications	Certified as ZEH-M Oriented

(Note 1) “(Anticipated) acquisition price” excludes various expenses related to acquisition, settlement money such as taxes and dues, and consumption taxes, etc.

“Anticipated acquisition price” anticipated as of June 25, 2024 is calculated by adding anticipated construction costs (including construction costs and design costs but excluding ancillary expenses such as taxes, demolition and removal costs, and disposal loss) to the land lease right price (90 million yen) as of the anticipated acquisition date.

Acquisition price as of July 30, 2025 was increased compared to anticipated acquisition price anticipated as of June 25, 2024 due to an increase in expenses for additions and alterations of construction work and other factors.

(Note 2) The descriptions in “Building” as of July 30, 2025 are based on the information to be recorded in the registry.

(Note 3) “Gross floor area” anticipated as of June 25, 2024 is substituted with gross floor area shown in the basic design for reference purposes, as the gross floor area to be recorded in the registry was not yet determined as of that date.

(Note 4) As the New Building was yet to be built as of June 25, 2024, a survey report as of June 1, 2024 (the “Survey Report”), which was prepared based on a survey of the property value of the new building upon completion and under certain assumptions, was obtained from Japan Real Estate Institute. The Survey Report is not an appraisal pursuant to the Japanese Real Estate Appraisal Standards.

(Note 6) “Anticipated annual rent” is represented by operating revenue based on a direct capitalization method as shown in the Survey Report or the appraisal report.

(Note 7) “NOI” is represented by a figure calculated by deducting operating expenses from operating revenue based on a direct capitalization method as shown in the Survey Report or the appraisal report.

(Note 8) “NOI yield” is calculated as NOI divided by the (anticipated) acquisition price.

(Note 9) “Appraisal value” anticipated as of June 25, 2024 is represented by the survey value as shown in the Survey Report.

3. Outlook

This matter is already factored in the forecast of results for the fiscal period ending August 31, 2025 (from March 1, 2025 to August 31, 2025) and the fiscal period ending February 28, 2026 (from September 1, 2025 to February 28, 2026) and there are no revisions to the forecast.

4. Overview of property appraisal

Property name	Castalia Hatanodai
Appraisal value	468 million yen
Appraiser	Japan Real Estate Institute
Appraisal date	July 25, 2025

Item	Content	Basis
Value based on income method	468 million yen	Estimated the value by treating the value based on direct capitalization method and the value based on discounted cash flow method equally and correlating these two values
Value based on direct capitalization method	474 million yen	
Operating revenue	23 million yen	
Potential gross revenue	25 million yen	Assessed the level of rents that can be received stably over the medium to long term based on the level of new rents in case the property is newly leased as well as the attributes and other factors of the anticipated lessees; and recorded the rental revenues and common area charges based on the aforementioned
Loss from vacancy	1 million yen	Assessed the loss from vacancy by assuming the stable occupancy level over the medium to long term based on the occupancy status, supply and demand trends, and expected future trends of competing or alternative properties with similar features in a comparable area within the same sphere of supply and demand
Operating expense	6 million yen	
Maintenance	1 million yen	Based on the maintenance expenses of similar properties and the individuality of the property
Utility cost	0 million yen	Based on the utility cost of similar properties and the individuality of the property
Repair	0 million yen	Based on the level of restoration cost per room that will ordinarily arise with tenant replacement, the proportion of the lessor's burden, average timing of recording expenses, degree of restoration and other factors. The level of expenses for similar properties, the annual average amounts of repairs in the engineering report and other factors are also considered
Property management Fee	0 million yen	Based on the fee rates for similar properties and the individualities of the property in reference to the fee rates based on the contract terms
Advertisement and other leasing cost	1 million yen	Administrative fees related to recruitment and administration of new tenants and contract renewal of the existing tenants are assessed in consideration of lease terms of similar properties in the neighborhood area. Leasing fees are assessed in consideration of the leasing fees for recruitment of new tenants and estimated advertising costs. Contract renewal fees which are compensation fees paid to contractors upon execution of contract renewal are assessed in consideration of annual average turnover of tenants and occupancy rates
Tax	1 million yen	(Land) Not recorded since the land is leased (Building) Assessed based on the building reproduction cost

	Insurance	0 million yen	Assessed in consideration of insurance premiums based on the insurance contract and insurance rates of similar buildings
	Other cost	1 million yen	Recorded land rent and cable television connection charges
	Net operating income (NOI)	17 million yen	
	Investment income of lump sum	0 million yen	Assessed with an investment yield set at 1.0%
	Capital expenditure	0 million yen	Assessed by assuming a projected average amount will be set aside every fiscal period, in consideration of the level of capital expenditure for similar properties, the age of the building, and average amounts of repairs in the engineering report
	Net cash flow (NCF)	17 million yen	
	Cap rate	3.6%	Assessed by adjusting with spreads attributable to the property's location, characteristics of the building, and other terms and conditions, in consideration of prediction uncertainties and transaction yields for similar properties, etc.
	Value based on Discounted Cash Flow method	461 million yen	
	Discount rate	3.2%	Assessed by comprehensively taking into account characteristics unique to the property, etc., by reference to investment returns of similar properties, etc.
	Terminal cap rate	3.7%	Assessed by comprehensively taking into account upcoming changes in investment returns, risks associated with the property as an investment target, general prediction of economic growth rates, trends in real estate prices and rent rates and all other applicable factors, by reference to investment returns of similar properties, etc.
	Value based on cost method	358 million yen	
	Proportion of land	56.7%	
	Proportion of building	43.3%	
	Other items considered by the appraiser in the appraisal		None

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

<Attachments>

1. Photograph of the Property

RE-065 Castalia Hatanodai



2. Portfolio status as of July 30, 2025

Asset class	Number of properties	Acquisition price (million yen)	Investment ratio (Note)
Logistics properties	65 properties	482,219	52.9%
Residential properties	129 properties	240,940	26.5%
Retail properties	22 properties	118,639	13.0%
Hotel properties	7 properties	27,340	3.0%
Other assets	6 properties	41,660	4.6%
Portfolio Total	229 properties	910,798	100.0%

(Note) "Investment ratio" indicates the ratio of the acquisition price for each asset to the total acquisition price, rounded to the nearest tenth.