

March 9, 2015

For Immediate Release

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Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units

Daiwa House Residential Investment Corporation (“DHI”) announces that the resolution was passed at a board of directors meeting held on March 9, 2015 to issue new investment units and conduct secondary offering. The details are as follows.

1. Issuance of New Investment Units through Public Offering (Primary Offering)

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|-----|---|---|
| (1) | Number of investment units to be offered: | 36,000 units |
| (2) | Issue price (Offer price): | To be determined
The issue price (offer price) shall be determined by taking the price arrived at when the closing price in regular trading of the investment units of DHI (the “DHI investment units”) on the Tokyo Stock Exchange, Inc. on any day between March 18, 2015 (Wednesday) and March 24, 2015 (Tuesday) (the “Pricing Date”) (when there is no closing price on that day, the closing price on the most recent day preceding that day) is multiplied by a factor between 0.90 and 1.00 (price shall be rounded down to the nearest 1 yen) as the provisional condition, in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association, then taking the demand conditions and other factors into account. |

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- (3) Paid-in amount (Issue value): To be determined
The paid-in amount (issue value) shall be determined on the Pricing Date in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association. Please note that the paid-in amount (issue value) refers to the amount per DHI investment unit that DHI is to receive as the amount paid in for new investment units.
- (4) Total paid-in amount (issue value): To be determined
- (5) Offering method: The offering shall be a primary offering in which all DHI investment units subject to the primary offering shall be purchased and underwritten by an underwriting syndicate of which Daiwa Securities Co. Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Nomura Securities Co., Ltd. are the joint lead managers (collectively referred to as the “Joint Lead Managers”). The underwriters other than the Joint Lead Managers shall be SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd. (collectively referred to with the Joint Lead Managers as the “Underwriters”).
- (6) Underwriting agreement details: The Underwriters shall purchase and underwrite DHI investment units at the issue value determined on the Pricing Date, and conduct a primary offering at an amount that differs to the concerned issue value (issue price). DHI shall not pay an underwriting fee to the Underwriters. However, the Underwriters shall pay in the total paid-in amount (issue value) on the payment date stated in (9) below, and the difference between the total issue price (offer price) and total paid-in amount (issue value) shall be the proceeds of the Underwriters.
- (7) Subscription unit: 1 unit or more in multiples of 1 unit
- (8) Subscription period: The subscription period shall be between the business day following the Pricing Date and the date that marks two business days after the Pricing Date.
- (9) Payment date: The payment date shall be any day between March 25, 2015 (Wednesday) and March 30, 2015 (Monday). However, the date shall be five business days after the Pricing Date, except when the Pricing Date is March 24, 2015 (Tuesday) in which case the date shall be four business days after the Pricing Date.
- (10) Transfer date: The transfer date shall be the business day following the payment date.
- (11) The issue price (offer price), paid-in amount (issue value) and other matters necessary for this issuance of new investment units shall be determined at a future meeting of the board of directors.
- (12) Each of the items above is subject to the condition that the securities registration document filed in accordance with the Financial Instruments and Exchange Act takes effect.

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2. Secondary Offering (Secondary Offering through Over-Allotment)

(Please refer to <Reference> 1. below.)

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|------|---|--|
| (1) | Seller: | Daiwa Securities Co. Ltd. |
| (2) | Number of investment units to be sold: | 3,600 units
The number of investment units to be sold above indicates the maximum number of investment units of the secondary offering through over-allotment. There may be cases where the number is reduced in light of demand conditions and other factors, or there may be cases where the secondary offering through over-allotment itself does not take place at all. The number of investment units to be sold shall be determined on the Pricing Date, taking the demand conditions and other factors into account. |
| (3) | Selling price: | To be determined
The selling price shall be determined on the Pricing Date. Please note that the selling price shall be the same price as the issue price (offer price) of the primary offering. |
| (4) | Total selling price: | To be determined |
| (5) | Offering method: | Upon the primary offering, taking the demand conditions and other factors of the primary offering into account, Daiwa Securities Co. Ltd. will conduct, separate from the primary offering, a secondary offering of DHI investment units that it is to borrow from DHI unitholder Daiwa House Industry Co., Ltd. with 3,600 units set as the maximum number. |
| (6) | Subscription unit: | 1 unit or more in multiples of 1 unit |
| (7) | Subscription period: | The subscription period is to the same as the subscription period of the primary offering. |
| (8) | Transfer date: | The transfer date shall be the same as the transfer date of the primary offering. |
| (9) | When the primary offering is suspended, the secondary offering through over-allotment is also suspended. | |
| (10) | The number of investment units to be sold, selling price and other matters necessary for this secondary offering of investment units shall be determined at a future meeting of the board of directors. | |
| (11) | Each of the items above is subject to the condition that the securities registration document filed in accordance with the Financial Instruments and Exchange Act takes effect. | |

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3. Issuance of New Investment Units by Way of Third-Party Allotment (Please refer to <Reference> 1. below.)

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|------|--|--|
| (1) | Number of investment units to be offered: | 3,600 units |
| (2) | Paid-in amount (Issue value): | To be determined
The paid-in amount (issue value) is to be determined on the Pricing Date. Please note that the paid-in amount (issue value) shall be the same as the paid-in amount (issue value) of the primary offering. |
| (3) | Total paid-in amount (issue value): | To be determined |
| (4) | Allottee and
number of investment units to be allotted: | Daiwa Securities Co. Ltd.
3,600 units |
| (5) | Subscription unit: | 1 unit or more in multiples of 1 unit |
| (6) | Subscription period (Subscription date): | April 21, 2015 (Tuesday) |
| (7) | Payment date: | April 22, 2015 (Wednesday) |
| (8) | If some or all of the investment units are not applied for by the end of the subscription period (subscription date) set forth in (6) above, the issuance of those units not applied for shall be cancelled. | |
| (9) | When the primary offering is suspended, the issuance of new investment units by way of third-party allotment is also to be suspended. | |
| (10) | The paid-in amount (issue value) and other matters necessary for this issuance of new investment units shall be determined at a future meeting of the board of directors. | |
| (11) | Each of the items above is subject to the condition that the securities registration document filed in accordance with the Financial Instruments and Exchange Act takes effect. | |

<Reference>

1. Secondary Offering through Over-Allotment, etc.

There may be cases where, upon the primary offering, taking the demand conditions and other factors of the primary offering into account, Daiwa Securities Co. Ltd. will conduct, separate from the primary offering, a secondary offering (secondary offering through over-allotment) of DHI investment units that it is to borrow from DHI unitholder Daiwa House Industry Co., Ltd. with 3,600 units set as the maximum number (the “borrowed DHI investment units”). The number of investment units to be sold through the secondary offering through over-allotment is planned to be 3,600 units, where said number of investment units to be sold indicates the maximum number of investment units to be sold. There may be cases where the number is reduced in light of demand conditions and other factors, or there may be cases where the secondary offering through over-allotment itself does not take place at all.

In relation to this, DHI passed a resolution at a meeting of the board of directors held on March 9, 2015 (Monday) to conduct, separate from the primary offering, an issuance of new investment units by way of third-party allotment of 3,600 DHI investment units with Daiwa Securities Co. Ltd. as the allottee (the “third-party allotment”), setting April 22, 2015 (Wednesday) as the payment date, for the purpose of Daiwa Securities Co. Ltd. acquiring the DHI investment units it requires to return the borrowed DHI investment units.

There may be cases where Daiwa Securities Co. Ltd. will conduct stabilizing transactions in conjunction with the primary offering and secondary offering through over-allotment. All or part of the DHI investment units acquired through said stabilizing transactions may be allocated to returning the

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borrowed DHI investment units.

In addition, there may be cases during the period from the day following the date on which the subscription period for the primary offering and secondary offering through over-allotment ends to April 17, 2015 (Friday) (the “syndicate covering transaction period”) where Daiwa Securities Co. Ltd. will purchase DHI investment units on the Tokyo Stock Exchange, Inc. up to the number of investment units of the secondary offering through over-allotment (the “syndicate covering transactions”) for the purpose of returning the borrowed DHI investment units. The DHI investment units that Daiwa Securities Co. Ltd. acquires in the syndicate covering transactions will all be allocated to returning the borrowed DHI investment units. Please note that there may be cases during the syndicate covering transaction period where, at the discretion of Daiwa Securities Co. Ltd., no syndicate covering transaction is conducted at all, or syndicate covering transactions are terminated before the number of investment units purchased reach the number of investment units of the secondary offering through over-allotment.

Daiwa Securities Co. Ltd. plans to subscribe to DHI investment units through the third-party allotment for the number of investment units arrived at when the number of investment units acquired through stabilizing transactions and syndicate covering transactions that are to be allocated to returning borrowed DHI investment units is subtracted from the number of investment units of the secondary offering through over-allotment. Accordingly, there may be cases where all or part of the investment units to be issued by way of the third-party allotment may not be subscribed for, which may result in a decrease in the number of investment units planned to be issued by way of the third-party allotment, or the cancellation of the entire issuance due to forfeiture.

The transactions described above are to be conducted by Daiwa Securities Co. Ltd. upon consultation with Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Nomura Securities Co., Ltd.

2. Changes in Total Number of Investment Units Issued After the Issuance of New Investment Units

Total number of outstanding investment units	747,740 units	(Note 1)
Number of investment units to be issued by issuance of new investment units through primary offering	36,000 units	
Total number of outstanding investment units after issuance of new investment units through primary offering	783,740 units	
Number of investment units to be issued by issuance of new investment units by way of the third-party allotment	3,600 units	(Note 2)
Total number of outstanding investment units issued after issuance of new investment units by way of the third-party allotment	787,340 units	(Note 2)

(Note 1) DHI implemented a 2-for-1 split of investment units (“Split”) with March 1, 2015 as the effective date.

(Note 2) The number of investment units are based on the assumption that the new investment units to be issued by way of third-party allotment are all applied for by Daiwa Securities Co. Ltd.

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3. Purpose and Reason for Issuance

Considerations made – while paying heed to market trends, DHI's LTV (ratio of interest-bearing liabilities to total assets) levels and cash distribution levels, and other factors – led to the decision to issue new investment units for the purpose of expanding asset size, enhancing portfolio profitability and quality through new acquisition of specified assets (Note).

(Note) For specified assets, please refer to the press release “Notice Concerning the Proposed Acquisition and Leasing of Domestic Assets (Pacific Royal Court Minatomirai Urban Tower and Four other Properties)” announced today. The same shall apply hereafter.

4. Total Amount to be Procured, Use of Funds and Scheduled Outlay Period

(1) Total Amount to be Procured (approximate net balance)

10,062,360,000 yen (maximum)

(Note) The sum total amount of 9,147,600,000 yen in proceeds from the primary offering and 914,760,000 yen in maximum proceeds from the issuance of new investment units by way of the third-party allotment is shown. In addition, the amount above is the estimated amount calculated based on the closing price in regular trading of DHI investment units on the Tokyo Stock Exchange, Inc. as of February 27, 2015 (Friday).

(2) Specific Use of Funds and Scheduled Outlay Period

	Specific use of funds	Scheduled expenditure period
a	The 9,147,600,000 yen in proceeds from the primary offering will be used to fund part of new acquisition including expenses related to acquisition of specified assets. If there are any funds remaining, the funds, combined with b, will be used as cash reserves to fund part of future acquisition of specified assets or fund part of other repayment of loans.	April 1, 2015 to fund part of new acquisition including expenses related to acquisition of specified assets. Same as b for any funds remaining.
b	The 914,760,000 yen in maximum proceeds from the issuance of new investment units by way of third-party allotment for which resolution was passed on the same date as the primary offering will be used as cash reserves to fund part of future acquisition of specified assets or fund part of other repayment of loans.	By last day of December 2015

(Note) The funds to be procured are scheduled to be deposited with financial institutions until the expenditure.

5. Designation of Distributee

Of the DHI investment units subject to the primary offering, the Underwriters plan to sell 3,960 units to Daiwa House Industry Co., Ltd., which is the shareholder of the asset manager, that DHI has designated as the party to which sale shall be made.

6. Future Prospects

Please refer to the press release “Notice Concerning Revision of Operation Status Forecasts for the 19th Fiscal Period and Operation Status Forecasts for the 20th Fiscal Period” dated today.

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7. Performance in the Most Recent Three Fiscal Periods and Equity Finance Status

(1) Performance in the Most Recent Three Fiscal Periods

	15th Fiscal Period (fiscal period ended in August 2013)	16th Fiscal Period (fiscal period ended in February 2014)	17th Fiscal Period (fiscal period ended in August 2014)
Net income per unit (Note 1) (Note 2)	3,987 yen [7,973 yen]	3,687 yen [7,373 yen]	4,121 yen [8,241 yen]
Distribution per unit (Note 1)	4,150 yen [8,300 yen]	4,344 yen [8,688 yen]	4,343 yen [8,686 yen]
Actual payout ratio (Note 3)	104.1%	117.8%	105.4%
Net assets per unit (Note 1)	146,939 yen [293,878 yen]	149,503 yen [299,006 yen]	149,280 yen [298,560 yen]

(Note 1) Factoring in the impact of the Split, the respective fiscal period's net income per unit, distribution per unit and net assets per unit are divided by 2, rounded to the nearest whole number.

(Note 2) Net income per unit is calculated by dividing net income by the weighted average number of investment units in the period (15th Fiscal Period: 348,567 units; 16th Fiscal Period: 366,698 units; 17th Fiscal Period: 373,870 units).

(Note 3) Actual payout ratio is rounded to one decimal place.

(2) Status of Recent Investment Unit Price

① Status Over Most Recent Three Fiscal Periods

	15th Fiscal Period (fiscal period ended in August 2013)	16th Fiscal Period (fiscal period ended in February 2014)	17th Fiscal Period (fiscal period ended in August 2014)
Opening price	192,750 yen [385,500 yen]	179,500 yen [359,000 yen]	207,750 yen [415,500 yen]
Highest price	231,250 yen [462,500 yen]	215,250 yen [430,500 yen]	247,500 yen [495,000 yen]
Lowest price	174,500 yen [349,000 yen]	177,750 yen [355,500 yen]	198,750 yen [397,500 yen]
Closing price	181,250 yen [362,500 yen]	209,000 yen [418,000 yen]	240,000 yen [480,000 yen]

(Note) Factoring in the impact of the Split, the respective item's investment unit price have been divided by 2, rounded down to the nearest unit.

② Status Over Most Recent Six Months

	October, 2014	November	December
Opening price	231,500 yen [463,000 yen]	247,500 yen [495,000 yen]	272,000 yen [544,000 yen]
Highest price	238,250 yen [476,500 yen]	273,000 yen [546,000 yen]	293,000 yen [586,000 yen]
Lowest price	225,500 yen [451,000 yen]	232,500 yen [465,000 yen]	271,500 yen [543,000 yen]
Closing price	235,000 yen [470,000 yen]	270,500 yen [541,000 yen]	290,000 yen [580,000 yen]

	January, 2015	February (Note 2)	March (Note 3)
Opening price	290,500 yen [581,000 yen]	281,000 yen [562,000 yen] □268,200 yen	274,000 yen
Highest price	304,000 yen [608,000 yen]	281,000 yen [562,000 yen] □275,700yen	275,000 yen
Lowest price	271,500 yen [543,000 yen]	263,500 yen [527,000 yen] □267,200 yen	263,000 yen
Closing price	276,500 yen [553,000 yen]	276,000 yen [552,000 yen] □269,500 yen	266,300 yen

(Note 1) Factoring in the impact of the Split, Investment Unit Price have been divided by 2, rounded down to the nearest unit. However, the respective items under March 2015 show only the respective item's investment unit price.

(Note 2) Figures marked with □ under February 2015 show the ex-rights investment unit price as a result of the Split.

(Note 3) Investment unit price for March 2015 is that as of March 6, 2015.

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③ Investment Unit Price on Business Day Preceding Issuance Resolution Date

	March 6, 2015
Opening price	270,000 yen
Highest price	270,000 yen
Lowest price	265,700 yen
Closing price	266,300 yen

(3) Equity Finance Status Over Most Recent Three Business Periods

① Capital Increase through Public Offering

Issue date	March 18, 2013
Amount of procured funds	10,455,984,000 yen
Paid-in amount (Issue value)	373,428 yen
Total number of investment units issued and outstanding upon offering	321,070 units
Number of investment units issued through the public offering	28,000 units
Number of investment units issued and outstanding after the public offering	349,070 units
Initial use of procured funds at the time of issuance	Entire amount will be used to fund acquisition of specified assets and repayment of the loan accompanying the acquisition of specified assets and, if there are any funds remaining, the funds will be used as cash reserves to fund part of acquisition of specified assets or fund part of repayment of loans in the future.
Schedule of expenditure at the time of issuance	After March, 2013
Status of expenditure to date	Entire amount already used in scheduled outlay period above. Remaining funds will be used to fund part of acquisition of specified assets announced on “Notice Concerning the Proposed Acquisition of Trust Beneficiary Rights in Real Estate” dated June 21, 2013.

② Capital Increase by Way of Third-Party Allotment

Issue date	April 17, 2013
Amount of procured funds	1,045,598,400 yen
Paid-in amount (Issue value)	373,428 yen
Total number of investment units issued and outstanding upon offering	349,070 units
Number of investment units issued through the third-party allotment	2,800 units
Number of investment units issued and outstanding after the third-party allotment	351,870 units
Allottee	Daiwa Securities Co. Ltd.
Initial use of procured funds at the time of issuance	Entire amount will be used to fund acquisition of specified assets and repayment of the loan accompanying the acquisition of specified assets and, if there are any funds remaining, the funds will be used as cash reserves to fund part of acquisition of specified assets or fund part of repayment of loans in the future

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Schedule of expenditure at the time of issuance	After April, 2013
Status of expenditure to date	Entire amount already used in scheduled outlay period above. Remaining funds will be used to fund part of acquisition of specified assets announced on “Notice Concerning the Proposed Acquisition of Trust Beneficiary Rights in Real Estate” dated June 21, 2013.

③ Capital Increase through Public Offering

Issue date	October 28, 2013
Amount of procured funds	7,817,460,000 yen
Paid-in amount (Issue value)	390,873 yen
Total number of investment units issued and outstanding upon offering	351,870 units
Number of investment units issued through the public offering	20,000 units
Number of investment units issued and outstanding after the public offering	371,870 units
Initial use of procured funds at the time of issuance	Entire amount will be used to fund repayment of the loan accompanying the acquisition of specified assets and, if there are any funds remaining, the funds will be used as cash reserves to fund part of acquisition of specified assets or fund part of repayment of loans in the future.
Schedule of expenditure at the time of issuance	After November, 2013
Status of expenditure to date	Entire amount already used in scheduled outlay period above. Remaining funds will be used to fund part of acquisition of specified assets announced on “Notice Concerning the Proposed Acquisition of Trust Beneficiary Rights in Real Estate” dated March 20, 2014.

④ Capital Increase by Way of Third-Party Allotment

Issue date	November 19, 2013
Amount of procured funds	781,746,000 yen
Paid-in amount (Issue value)	390,873 yen
Total number of investment units issued and outstanding upon offering	371,870 units
Number of investment units issued through the third-party allotment	2,000 units
Number of investment units issued and outstanding after the third-party allotment	373,870 units
Allottee	Daiwa Securities Co. Ltd.
Initial use of procured funds at the time of issuance	Entire amount will be used to fund repayment of the loan accompanying the acquisition of specified assets and, if there are any funds remaining, the funds will be used as cash reserves to fund part of acquisition of specified assets or fund part of repayment of loans in the future
Schedule of expenditure at the time of issuance	After November, 2013
Status of expenditure to date	Entire amount already used in scheduled outlay period above. Remaining funds will be used to fund part of acquisition of specified assets announced on “Notice Concerning the Proposed Acquisition of Trust Beneficiary Rights in Real Estate” dated March 20, 2014.

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8. Other (Restrictions on Sale, Additional Issuance, etc.)

- (1) Daiwa House Industry Co., Ltd. is a unitholder of DHI investment units holding 75,440 units as of today. Plans are to have Daiwa House Industry Co., Ltd. reach an agreement with the Joint Lead Managers in relation to the primary offering to not engage in a sale, etc. of the DHI investment units it holds as of today and the 3,960 units of DHI investment units it is scheduled to acquire in the primary offering as stated in <Reference> 5. above (provided, however, that such restriction shall not apply to the lending, etc. of DHI investment units to Daiwa Securities Co. Ltd. in conjunction with the secondary offering through over-allotment) for the period starting on the Pricing Date and ending on the date that marks 180 days from the payment date of the primary offering without prior written consent of the Joint Lead Managers.

Please note that the Joint Lead Managers are expected to have the authority to waive all or part of the restriction above at its discretion.

- (2) DHI reached an agreement with the Joint Lead Managers in relation to the primary offering to not engage in an additional issuance, etc. of DHI investment units (provided, however, that such restriction shall not apply to the issuance of new investment units through the primary offering, the third-party allotment and the issuance, etc. of new investment units accompanying the split of DHI investment units) for the period starting on the Pricing Date and ending on the date that marks 90 days from the transfer date of the primary offering without prior written consent of the Joint Lead Managers.

Please note that the Joint Lead Managers have the authority to waive all or part of the restrictions above at its discretion.

* This press release (original Japanese version) is to be distributed to the Kabuto Club (the press club of the Tokyo Stock Exchange); the Ministry of Land, Infrastructure, Transport and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications.

* URL of the DHI's website: <http://daiwahouse-resi-reit.co.jp/eng/>

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