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For Immediate Release

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Notice Concerning Revision of Operation Status Forecasts
for the 15th Fiscal Period and
Operation Status Forecasts for the 16th Fiscal Period

Daiwa House Residential Investment Corporation (“DHI”) announces the following revision of operation status forecasts for the fiscal period ending in August 2013 (15th Fiscal Period: from March 1, 2013 to August 31, 2013) from that announced on December 17, 2012, and the following newly-calculated operation status forecasts for the fiscal period ending in February 2014 (16th Fiscal Period: from September 1, 2013 to February 28, 2014).

Furthermore, as of today there are no changes to the operation status forecasts for the fiscal period ending February 2013 (14th Fiscal Period: from September 1, 2012 to February 28, 2013) from that announced on October 11, 2012.

1. Reason for Announcement

DHI is announcing the revision of operation status forecasts for the fiscal period ending in August 2013 from that announced on December 17, 2012, and newly announcing the operation status forecasts for the fiscal period ending in February 2014 as a resolution was passed at a board of directors meeting held today to issue additional investment units and conduct secondary offering as well deciding to acquire assets.

<Disclaimer> This document is a press release to make a public announcement of the revision of operation status forecasts for the 15th Fiscal Period (ending August 31, 2013) and operation status forecasts for the 16th Fiscal Period (ending February 28, 2014) of Daiwa House Residential Investment Corporation, and has not been prepared as a solicitation for investment. DHI cautions investors to ensure that they refer to the prospectus for notification of the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by DHI (if such have been prepared) before undertaking investments and investments be made at their own discretion and responsibility.

2. Revision of Operation Status Forecasts for the 15th Fiscal Period and Operation Status Forecasts for the 16th Fiscal Period

(1) Revision of Operation Status Forecasts for the 15th Fiscal Period

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Total Distributions (million yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
15th Fiscal Period Previous forecasts (A)	7,595	3,518	2,648	2,648	2,648	8,250	—
15th Fiscal Period Revised forecasts (B)	7,899	3,588	2,694	2,694	2,920	8,300	—
Amount of increase (decrease) (B-A)	303	70	45	45	271	50	—
Rate of increase (decrease) (%)	4.0	2.0	1.7	1.7	10.3	0.6	—

(Note 1) A 2-for-1 split of DHI investment units was implemented on March 1, 2013.

(Note 2) Total distributions for the 15th Fiscal Period Revised forecasts include the reversal of internal reserves (225 million yen).

(2) Operation Status Forecasts for the 16th Fiscal Period

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Total Distributions (million yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
16th Fiscal Period Forecasts	7,936	3,657	2,839	2,839	2,920	8,300	—

(Note) Total distributions for the 16th Fiscal Period Forecasts include the reversal of internal reserves (81 million yen).

[Reference]

Forecasted number of outstanding investment units for the 15th Fiscal Period: 351,870 units

Forecasted number of outstanding investment units for the 16th Fiscal Period: 351,870 units

[Note]

- (1) DHI assumes a total number of 30,800 units, the sum of 321,070 outstanding investment units as of March 1, 2013, the 28,000 investment units to be issued by issuance of new investment units through public offering and the 2,800 investment units to be issued by issuance of new investment units by way of third-party allotment that were both decided at a board of directors meeting held on March 1, 2013, will all be issued.
- (2) The above forecasts are the current operation status forecasts calculated based on the assumption in the attachment "Assumptions for Operating Forecasts of the 15th and 16th Fiscal Periods." Actual operating revenue, operating income, ordinary income, net income, total distributions and distributions per unit may vary due to factors such as the future acquisition or sale of real estate, etc. changes in rent income due to changes in tenants, etc., unanticipated need for repairs, fluctuations in the real estate market, etc., fluctuations in interest rates, the actual decided number and issue value of new investment units to be issued, and changes in other conditions surrounding DHI. Moreover, these forecasts are not intended as a guarantee of distribution amount.
- (3) Figures for monetary amounts are rounded down to the nearest specified unit, the same hereafter.
- (4) The funds from which distributions are paid out for the 15th Fiscal Period as well as for the 16th Fiscal Period are the amounts including the reversal of internal reserves and differ from "net income."

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3. Basis for Calculation of Forecasts for Total Distributions and Distribution per Unit for the 15th Fiscal Period and 16th Fiscal Period

(1) Future Distribution Level

DHI sets the near-term target distribution level at 8,300 yen. Concerning distribution per unit for the 15th Fiscal Period and 16th Fiscal Period, DHI adopts the policy of implementing a reversal of part of internal reserves (reserve in preparation of distribution) and making this the source of funds, aside from net income, from which it will pay out the amount of distribution per unit over net income per unit. Based on this policy, total distributions and distribution per unit in the forecasts for the 15th Fiscal Period and 16th Fiscal Period are calculated by assuming such reversal of internal reserves (Note).

Please refer below for details such as the amount of reversal in the forecasts.

(Note)The target distribution level above is a benchmark for calculating the amount of reversal of internal reserves set by DHI and is not intended as a guarantee or promise of distributions in that amount.

(2) Forecasts for the 15th Fiscal Period

Net income (net income per unit)	2,694 million yen (7,658 yen)
Reversal of reserve in preparation of distribution (reversal of reserve in preparation of distribution per unit)	225 million yen (642 yen)
Total distributions (distribution per unit)	2,920 million yen (8,300 yen)

(3) Forecasts for the 16th Fiscal Period

Net income (net income per unit)	2,839 million yen (8,069 yen)
Reversal of reserve in preparation of distribution (reversal of reserve in preparation of distribution per unit)	81 million yen (231 yen)
Total distributions (distribution per unit)	2,920 million yen (8,300 yen)

* This press release 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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This English language notice is a translation of the Japanese language notice issued on the same day and was prepared solely for the convenience of, and reference by, overseas investors. DHI makes no warranties as to its accuracy or completeness.

Assumptions for Operating Forecasts of the 15th and 16th Fiscal Periods

Item	Assumptions
Period	<ul style="list-style-type: none"> • Fiscal period ending in August 2013: March 1, 2013 to August 31, 2013 (184 days) • Fiscal period ending in February 2014: September 1, 2013 to February 28, 2014 (181 days)
Assets under management	<ul style="list-style-type: none"> • DHI owns 123 real estate and trust beneficiary rights in real estate (“real estate, etc.”) as of today. • The acquisition of 2 properties to be acquired announced today will bring the total to 125 properties (assets under management). DHI assumes there will be no changes in portfolio composition (new property acquisitions or sale of acquired properties, etc.) from the 125 properties through to February 28, 2014. • The actual assets under management may vary as a result of changes in the portfolio composition, etc.
Investment Units Issued and Outstanding	<ul style="list-style-type: none"> • DHI assumes that a total number of 30,800 units, the sum of 321,070 outstanding investment units as of today, the 28,000 investment units to be issued by issuance of new investment units through public offering and the 2,800 investment units to be issued by issuance of new investment units by way of third-party allotment, the resolution was passed at a board of directors meeting held on March 1, 2013, will be issued. • DHI assumes that, after this, the number will not change through to February 28, 2014.
Operating Revenue	<ul style="list-style-type: none"> • Operating revenue include rent income, common area charges income, parking space income, incidental revenue, utilities income, key money, etc. Each of these items is calculated based on historical data and future projections. • The fiscal period average of month-end occupancy rates is expected to be 96.0% for the 15th Fiscal Period and 96.0% for the 16th Fiscal Period.
Operating Expenses	<ul style="list-style-type: none"> • Operating expenses include management fees, utilities expenses, non-life insurance expenses, depreciation and amortization, trust compensations, repair expenses, etc. For property tax, urban planning tax and depreciative property tax, 438 million yen is forecast for the 15th Fiscal Period and 441 million yen is forecast for the 16th Fiscal Period. As for property tax and urban planning tax which are to be settled with the previous owner (previous beneficiary) according to the number of days owned in conjunction with the new acquisition of real estate, etc., they are calculated into the acquisition cost and are therefore not recorded as expense. Each of these items is calculated based on historical data and future projections. • Selling, general and administrative expenses are estimated based on actual values or rates, etc. of each item individually. • Depreciation and amortization is calculated based on the straight-line method. Depreciation and amortization is expected to be 1,508 million yen for the 15th Fiscal Periods and 1,508 million yen for the 16th Fiscal Periods.
Balance of Interest-bearing Liabilities	<ul style="list-style-type: none"> • DHI assumes the balance of interest-bearing liabilities as of February 28, 2013 of 125,540 million yen and assumes the following changes in this balance: <ul style="list-style-type: none"> – Prepayment of a loan based on a commitment line agreement in the amount of 3,800 million yen on March 29, 2013; and – Refinancing in the same amount as the accompanying repayment upon maturity of about 3,573 million yen in rehabilitation obligations on the last day of January 2014. DHI assumes that there will be no subsequent change in the balance of interest-bearing liabilities through to February 28, 2014.
Non-operating Expenses	<ul style="list-style-type: none"> • Interest expenses, etc. (including borrowing related expenses) are expected to be 843 million yen for the 15th Fiscal Period and 815 million yen for the 16th Fiscal Period. • Investment unit issuance costs are expected to be 48 million yen for the 15th Fiscal Period.

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Distribution per Unit	<ul style="list-style-type: none"> • DHI assumes it will pay out distributions (distribution per unit) of no more than the amount of earnings pursuant to the cash distribution policy set forth in its Articles of Incorporation. Moreover, because DHI assumes it will implement a reversal of part of internal reserves and make this the source of funds, aside from net income, from which it will pay out the amount of distribution per unit over net income per unit to reach the 8,300 yen target distribution level (Note) it has set as of today, DHI assumes it will implement reversal of internal reserves (reserve in preparation of distribution) of 225 million yen for the 15th Fiscal Period and 81million yen for the 16th Fiscal Period. • The amount of distributions per unit may vary due to factors such as acquisition or sale of real estate, etc., changes in rent income in conjunction with changes in tenants, etc., unanticipated need for repairs, fluctuations in the real estate market, etc., fluctuations in interest rates, the actual decided number and issue value of new investment units to be issued, and changes in other conditions surrounding DHI.
Distribution in Excess of Earnings per Unit	<ul style="list-style-type: none"> • DHI does not currently anticipate distributions in excess of earnings per unit.
Others	<ul style="list-style-type: none"> • DHI assumes that there will be no amendments to laws and regulations, the taxation system, accounting standards, listing regulations, Investment Trusts Association rules, etc. that would affect the above forecasts. • DHI assumes that there will be no unforeseen material changes in general economic conditions, real estate market conditions, etc.

(Note) The target distribution level above is a benchmark for calculating the amount of reversal of internal reserves set by DHI and is not intended as a guarantee or promise of distributions in that amount.

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