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For Immediate Release

REIT Issuer:

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Notice Concerning Revision to Forecast of Results for the Fiscal Period Ending February 28, 2022

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the revision of its forecast of results for the fiscal period ending February 28, 2022 (from September 1, 2021 to February 28, 2022) announced on April 20, 2021 as shown below.

1. Revision of the forecast of results for the fiscal period ending February 28, 2022
(From September 1, 2021 to February 28, 2022)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions		
					per unit (including distributions in excess of earnings) (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	27,210	11,621	10,098	10,097	5,500	4,598	902
Revised forecast (B)	28,421	12,221	10,697	10,697	5,700	4,871	829
Difference (B) – (A)	1,211	599	599	599	200	273	(73)
Percentage change	4.5%	5.2%	5.9%	5.9%	3.6%	5.9%	(8.1)%

* Anticipated number of investment units as of the end of the period: 2,196,000 units
Anticipated net income per unit: 4,871 yen

(Reference) Forecast of results for the fiscal period ending August 31, 2021
(From March 1, 2021 to August 31, 2021)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions		
					per unit (including distributions in excess of earnings) (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Forecast for the fiscal period ending August 31, 2021	29,411	12,978	11,466	11,465	6,050	5,243	807

* Anticipated number of investment units as of the end of the period: 2,196,000 units
Anticipated net income per unit: 5,221 yen

- (Note 1) The above forecasts are formulated based on current assumptions shown in the attachment, “Assumptions for Forecasts of Results for the Fiscal Periods Ending August 31, 2021 and February 28, 2022”. Actual figures may fluctuate due to factors such as the acquisition and disposition of real estate and other transactions in the future, developments in the real estate market and other factors, additional issuances of new investment units in the future and other changes in circumstances surrounding DHR. The forecasts are not a guarantee of the forecasted distribution amount.
- (Note 2) DHR may revise the above forecasts in the event that results are anticipated to differ substantially from the forecasts beyond a certain level.
- (Note 3) Anticipated net income per unit is calculated by dividing net income by the anticipated number of investment units as of the end of the period.

2. Reason for the revision

DHR revised its forecast since the forecasted distributions per unit for the fiscal period ending February 28, 2022 are expected to fluctuate as a result of the disposition (the “Disposition”) of Castalia Otori Bay Tower (the “Anticipated Disposition”) announced today in the press release “Notice Concerning Disposition of Trust Beneficiary Interest in Domestic Real Estate”.

DHR expects to record gain on sale of investment properties of 1,335 million yen for the fiscal period ending February 28, 2022 associated with the Disposition. By utilizing part of the gain on sale of investment properties in the fiscal period ending in February 28, 2022, DHR plans to strategically bring forward some of the repair work on the portfolio properties scheduled for the fiscal period ending August 31, 2022 onwards with an aim to cut back repairs and maintenance expenses in the future and thereby stabilize NOI.

- * Based on its distribution policy, DHR assumes that DHR will not pay other distributions in excess of earnings (return of capital) previously forecasted for the fiscal period ending February 28, 2022 due to the recording of gain on sale of investment properties.

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

Assumptions for Forecasts of Results for the Fiscal Periods Ending August 31, 2021 and February 28, 2022

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> • Fiscal period ending August 31, 2021: (184 days from March 1, 2021 to August 31, 2021) • Fiscal period ending February 28, 2022: (181 days from September 1, 2021 to February 28, 2022)
Portfolio	<ul style="list-style-type: none"> • DHR has assumed that DHR will dispose of the Anticipated Disposition on September 30, 2021 as described in the press release “Notice Concerning Disposition of Trust Beneficiary Interest in Domestic Real Estate” announced today. • DHR has assumed that there will be no changes (meaning acquisition of new properties or sale of acquired properties) until February 28, 2022 in 226 properties (hereinafter referred to as the “composition of the portfolio”), which are 227 real estate and trust beneficiary interests in real estate held by DHR as of today excluding the Anticipated Disposition. • However, changes in the composition of the portfolio may occur.
Operating revenues	<ul style="list-style-type: none"> • DHR has assumed the gain on sale of real estate properties of ¥2,209 million for the fiscal period ending August 31, 2021 associated with the disposition of Big Tower Minami Sanjo on March 1, 2021 and ¥1,335 million for the fiscal period ending February 28, 2022 associated with the Disposition. • Operating revenues include revenues from rent, common area charges, parking lot usage fees, incidental revenues, utilities charge reimbursements and key money, etc. Each of these items is calculated based on past records and future estimate. • DHR has assumed no delinquencies or non-payment of rents by tenants. • DHR estimates that the negative effects of COVID-19 on revenues from rent will be ¥104 million for the fiscal period ending August 31, 2021 and ¥104 million for the fiscal period ending February 28, 2022.
Operating expenses (excluding amortization of goodwill)	<ul style="list-style-type: none"> • Operating expenses mainly comprise rental expenses. Those expenses, excluding depreciation of the current properties, are calculated based on past performance, making certain adjustments as appropriate considering factors causing changes in expenses. • DHR has assumed that DHR will incur depreciation expenses of ¥5,295 million for the fiscal period ending August 31, 2021 and ¥5,304 million for the fiscal period ending February 28, 2022. These figures are calculated using the straight-line method with incidental expenses added to purchase prices of non-current assets. • DHR has estimated property tax, city planning tax and depreciable asset tax at ¥2,190 million for the fiscal period ending August 31, 2021 and ¥2,182 million for the fiscal period ending February 28, 2022. Property tax and city planning tax that will be paid by DHR and the former owner (former beneficiary) on a pro rata basis according to the number of days of ownership due to the acquisition of real estate, etc. are included in the acquisition cost of the real estate, etc., and are not booked under expenses. Therefore, DHR expects to record the property tax and city planning tax related to the five properties acquired in April, August and September 2020 as expenses from the fiscal period ending August 31, 2021, and assumes that figure will be ¥229 million. • Concerning repairs and maintenance expenses, DHR has assumed that in addition to incurring certain repairs and maintenance expenses in each fiscal period based on the medium- to long-term repair and maintenance plan prepared by the Asset Manager, DHR will utilize part of the gain on sale of real estate properties to implement the repair and maintenance plan at an earlier schedule in order to improve the quality of the portfolio. DHR expects to incur repairs and maintenance expenses of ¥1,503 million for the fiscal period ending August 31, 2021, and ¥1,313 million for the fiscal period ending February 28, 2022. However, actual repairs and maintenance expenses in each fiscal period may differ substantially from DHR’s forecasts, as (i) DHR may incur expenses for urgent repairs to properties due to damage caused by unforeseeable factors, (ii) generally, there is a substantial difference in expenses incurred between each fiscal period, and (iii) expenses are not incurred based on a regular schedule. • Selling, general and administrative expenses are estimated based on the actual values or rates, etc., of each item individually.
Amortization of goodwill	<ul style="list-style-type: none"> • Amortization of goodwill is estimated at ¥1,982 million for the fiscal period ending August 31, 2021 and ¥1,982 million for the fiscal period ending February 28, 2022.

Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> DHR has assumed interest expenses and other borrowing-related expenses, etc. of ¥1,527 million for the fiscal period ending August 31, 2021 and ¥1,533 million for the fiscal period ending February 28, 2022.
Interest-bearing debt	<ul style="list-style-type: none"> As of today, the balance of interest-bearing debt is ¥378,558 million. DHR has assumed the total long-term loans of ¥13,858 million that become due by the end of the fiscal period ending February 28, 2022 will be fully refinanced. Moreover, DHR has assumed that investment corporation bonds will be issued to provide for the full amount of the ¥4,000 million in redemptions of investment corporation bonds maturing by the end of the fiscal period ending February 28, 2022. In addition to the above, DHR has assumed the balance of interest-bearing debt will be unchanged until February 28, 2022.
Investment units	<ul style="list-style-type: none"> The total number of investment units is based on DHR's assumption of 2,196,000 units, which is the number of investment units issued as of today. DHR has assumed there will be no change in the number of units outstanding resulting from the issuance of additional investment units, etc. until February 28, 2022.
Distributions per unit	<ul style="list-style-type: none"> DHR has assumed that changes in fair value of interest rate swaps will not affect the amount of distributions per unit for the fiscal periods ending August 31, 2021 and February 28, 2022. Changes in DHR's portfolio, fluctuations in rent income due to changes in tenants and other factors, unforeseen repairs and maintenance expenses and other factors may lead to changes in the amount of distributions per unit.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> DHR has assumed that distributions in excess of earnings in the amount equivalent to amortization of goodwill are paid (distributions accounted as an allowance for temporary difference adjustments and other distributions in excess of earnings). However, DHR has assumed that in the case of an occurrence of special gains such as gain on sale of real estate properties, other distributions in excess of earnings, which is a part of the above-mentioned distributions in excess of earnings in the amount equivalent to amortization of goodwill, can be reduced by an amount equivalent to part of the gain on sale of real estate properties. DHR has assumed that in the case of the occurrence of excess taxable income over accounting profit associated with sale of properties that causes a need for DHR to take action to maintain its favorable tax status, DHR will conduct additional distributions in excess of earnings (distribution accounted as an allowance for temporary difference adjustments). It is assumed that the total of distributions in excess of earnings would be ¥1,772 million (¥807 per unit) (the full amount is the allowance for temporary difference adjustments) for the fiscal period ending August 31, 2021, and it is assumed that the total of distributions in excess of earnings would be ¥1,820 million (¥829 per unit) (the full amount is the allowance for temporary difference adjustments) for the fiscal period ending February 28, 2022. DHR has assumed that changes in fair value of interest rate swaps will not affect the amount of distributions in excess of earnings per unit for the fiscal periods ending August 31, 2021 and February 28, 2022.
Others	<ul style="list-style-type: none"> DHR has assumed no enforcement of such revisions to laws and regulations, tax systems, accounting standards, securities listing regulations and rules of The Investment Trusts Association, Japan, etc. that may affect the above forecasts. DHR's forecasts assume no unforeseen significant changes in general economic trends or conditions in the real estate market.