

February 7, 2020

For Immediate Release

Investment Corporation:
 Daiwa House REIT Investment Corporation
 2-4-8, Nagatacho, Chiyoda-ku, Tokyo
 Toshiharu Asada, Executive Director
 (TSE Code: 8984)

Asset Manager:
 Daiwa House Asset Management Co., Ltd.
 Koichi Tsuchida, President and CEO
 Inquiries:
 Haruto Tsukamoto, Director and CFO
 TEL. +81-3-3595-1265

Notice Concerning Revision to Forecast of Results for the Fiscal Period Ending August 31, 2020 and Announcement of Forecast of Results for the Fiscal Period Ending February 28, 2021

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the revision of its forecast of results for the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020) announced on October 17, 2019 and newly announces its forecast of results for the fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021), as shown below.

There are no changes to DHR’s forecast of results for the fiscal period ending February 29, 2020 (from September 1, 2019 to February 29, 2020) announced on October 17, 2019.

1. Revision of the forecast of results for the fiscal period ending August 31, 2020
 (from March 1, 2020 to August 31, 2020)

	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)	per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	24,643	10,398	8,954	8,953	5,270	5,270	—
Revised forecast (B)	26,575	11,526	9,816	9,815	5,350	5,191	158
Difference (B) – (A)	1,931	1,127	862	862	80	-79	158
Percentage change	7.8%	10.8%	9.6%	9.6%	1.5%	-1.5%	—

* Anticipated number of investment units as of the end of the period and anticipated net income per unit in previous forecast:
 2,075,000 units and 4,314 yen

Anticipated number of investment units as of the end of the period and anticipated net income per unit in revised forecast:
 2,205,000 units and 4,451 yen

Disclaimer: This announcement is prepared for the public disclosure of the revision to forecast of results for the fiscal period ending August 31, 2020 and announcement of forecast of results for the fiscal period ending February 28, 2021 of DHR and has not been prepared for the purpose of soliciting investment.

2. Forecast of results for the fiscal period ending February 28, 2021
(from September 1, 2020 to February 28, 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)	per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Forecast for the fiscal period ending February 28, 2021	26,950	11,763	10,256	10,255	5,550	4,651	898

* Anticipated number of investment units as of the end of the period and anticipated net income per unit:
2,205,000 units and 4,651 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, 2020 and February 28, 2021”. 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 over a certain level.

(Reference) Forecast of results for the fiscal period ending February 29, 2020
(from September 1, 2019 to February 29, 2020)

	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)	per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Forecast for the fiscal period ending February 29, 2020	24,910	10,638	9,169	9,169	6,040	6,040	—

* Anticipated number of investment units as of the end of the period and anticipated net income per unit:
2,075,000 units and 4,418 yen

3. Reason for the revision and announcement

DHR revised its forecast due to changes in assumptions for forecast of results for the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020) announced on October 17, 2019 as a result of issuance of new investment units announced today in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” and the acquisition and leasing of assets announced today in the press release “Notice Concerning Acquisition and Leasing of Trust Beneficiary Interests in Domestic Real Estate”. Accordingly, DHR announces new forecast of results for the fiscal period ending February 28, 2021 (from September 1, 2020 to February 28, 2021) based on the same assumptions as above.

* Distribution of this material: This material is distributed to “Kabuto Club” (a media correspondents’ club at the Tokyo Stock Exchange), the press club at the Ministry of Land, Infrastructure, Transport and Tourism and the press club for construction trade newspapers at the Ministry of Land, Infrastructure, Transport and Tourism.

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

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Assumptions for Forecasts of Results for the Fiscal Periods Ending August 31, 2020 and February 28, 2021

Item	Assumptions
Operating period	<ul style="list-style-type: none"> • Fiscal period ending August 31, 2020: (184 days from March 1, 2020 to August 31, 2020) • Fiscal period ending February 28, 2021: (181 days from September 1, 2020 to February 28, 2021)
Portfolio	<ul style="list-style-type: none"> • DHR has assumed that DHR would acquire the following properties of real-estate trust beneficiary interests (“Anticipated Acquisitions”) as described in the press release “Notice Concerning Acquisition and Leasing of Trust Beneficiary Interests in Domestic Real Estate” announced today: iias Tsukuba (additional acquisition of 70% quasi co-ownership interest) on April 1, 2020, DPL Nagareyama I and GRANODE Hiroshima (50% quasi co-ownership interest) on April 3, 2020. • DHR has assumed that, regarding 227 properties (225 properties of real estate and real-estate trust beneficiary interests DHR owns as of today plus three Anticipated Acquisitions, including one additional acquisition, which counts as one property together with the already acquired 30% quasi co-ownership interest), there would be no changes in the composition of DHR’s portfolio (acquisition of new properties or disposition of the acquired assets) until the end of the fiscal period ending February 28, 2021 other than the above. • Changes in the composition of the portfolio may, however, occur in the future.
Operating revenues	<ul style="list-style-type: none"> • Operating revenues include revenues from rent, common area charges, parking lot usage fees, incidental revenues, utilities expenses reimbursements and key money, etc. Each of these items is calculated based on past records and future estimates. • DHR has assumed that no delinquencies or non-payment of rent by tenants.
Operating expenses (excluding amortization of goodwill)	<ul style="list-style-type: none"> • Operating expenses mainly comprise expenses related to rental business. Such expenses, excluding depreciation, are calculated based on past records, making certain adjustments as appropriate considering factors that may cause changes in expenses. • DHR has assumed that DHR would incur depreciation expenses of 5,163 million yen for the fiscal period ending August 31, 2020 and 5,217 million yen for the fiscal period ending February 28, 2021. These figures are calculated based on the straight-line method with incidental expenses added to purchase prices of non-current assets. • DHR has estimated property tax, city planning tax and depreciation asset tax of 1,983 million yen for the fiscal period ending August 31, 2020 and 1,984 million yen for the fiscal period ending February 28, 2021. Property tax and city planning tax that would be paid by DHR and the seller (the former beneficiary) on a <i>pro rata</i> basis in accordance with the holding period and settled at the time of acquisition, and such taxes are deemed as acquisition costs of the property and not included in expenses. Property tax and city planning tax for the Anticipated Acquisitions of 216 million yen would be expensed starting from the fiscal period ending August 31, 2021. • DHR has assumed that DHR would incur 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. However, actual repairs and maintenance expenses in each fiscal period may change 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 to be 1,982 million yen for the fiscal period ending August 31, 2020 and to be 1,982 million yen for the fiscal period ending February 28, 2021.

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Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> • DHR has assumed one-time costs of 185 million yen for the fiscal period ending August 31, 2020 as expenses related to issuance of new investment units and related matters resolved at a meeting of the board of directors of DHR held today. • DHR has assumed interest expenses and other borrowing-related expenses, etc. of 1,537 million yen for the fiscal period ending August 31, 2020 and 1,518 million yen for the fiscal period ending February 28, 2021.
Interest-bearing debt	<ul style="list-style-type: none"> • The balance of outstanding interest-bearing debt is 348,758 million yen as of today. In addition, DHR has assumed that (i) long-term loans of 6,900 million yen would be repaid and long-term loans of 6,700 million yen would be borrowed on March 31, 2020, (ii) long-term loans of 1,000 million yen would be repaid and long-term loans of 1,000 million yen would be borrowed on April 1, 2020, (iii) short-term loans of 5,000 million yen would be borrowed as part of funds for the acquisition of the Anticipated Acquisitions on April 1, 2020 and (iv) long-term loans of 23,000 million yen would be borrowed as part of funds for the acquisition of the Anticipated Acquisitions on April 3, 2020. As a result, DHR has assumed the remaining amount of interest-bearing debt would be 376,558 million yen on April 3, 2020. • DHR has assumed that (i) long-term loans of 3,500 million yen that become due by the end of the fiscal period ending February 28, 2021 would be fully refinanced and (ii) it would issue new investment corporation bonds to fully refinance the investment corporation bonds in the amount of 3,000 million yen that become due by the end of the fiscal period ending February 28, 2021. • Other than the above, DHR has assumed the balance of outstanding interest-bearing debt would be unchanged until the end of the fiscal period ending February 28, 2021.
Investment units	<ul style="list-style-type: none"> • In addition to the 2,075,000 units issued as of today, DHR has assumed that the total of 130,000 units, which is the maximum number of investment units planned to be newly issued through issuance of new investment units via public offering (121,000 units, assuming over-allotment option is fully exercised (maximum 9,000 units)) which was resolved at the meeting of the board of directors of DHR held today, would be issued. • Anticipated net income per unit and distributions per unit are calculated based on the number of investment units issued as of the end of the fiscal periods ending August 31, 2020 and February 28, 2021 which will be 2,205,000 investment units including the expected 130,000 units to be newly issued as noted above. • Other than the above, DHR has assumed there would be no change in the number of issued units resulting from the additional issuance of investment units, etc. through the end of the fiscal period ending February 28, 2021.
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> • For distributions per unit (excluding distributions in excess of earnings), DHR has assumed that a distribution would be made with limits of the amount of profit in accordance with the distribution policy prescribed in DHR's Articles of Incorporation. In addition, DHR has assumed that for the amount equivalent to amortization of goodwill described in "Amortization of goodwill" above, reserve for temporary difference adjustments and reserve for distribution, apart from net income, would be partially reversed and used as funds for payment, and the reserve for temporary difference adjustments and the reserve for distribution of 1,631 million yen (740 yen per unit) would be reversed and used in the fiscal period ending August 31, 2020. • DHR has assumed that changes in fair value of interest-rate swaps will not impact the amount of distributions per unit (excluding distributions in excess of earnings) for the fiscal periods ending August 31, 2020 and February 28, 2021. • 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.

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Item	Assumptions
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • DHR has assumed that, for distributions in excess of earnings, the total of differences between profit for accounting purposes and income for tax purposes derived from a difference in treatment of goodwill amortization, etc. for accounting and tax purposes (the “Difference for Tax and Accounting Purposes”) and an amount equivalent to valuation and translation adjustments that will be deducted from the distributable amount would be distributed as an allowance for temporary difference adjustments, after the reversal of the reserve for temporary difference adjustments and the reserve for distribution, for the purpose of reducing the taxable amount subject to corporation tax and other taxes. DHR has also assumed that, for the purpose of ensuring that the distributions are not impacted by goodwill amortization, if the total amount of the Differences for Tax and Accounting Purposes in other items than goodwill amortization that will be generated during the relevant fiscal period is less than the amount of goodwill amortization, distributions in excess of earnings would be paid as an allowance for temporary difference adjustments and other distributions in excess of earnings (return of unitholders’ capital), within the scope specified by the rules of The Investment Trusts Association, Japan (an amount equivalent to 60% of the amount of total accumulated depreciation recorded as of the end of the operating period after deducting the total accumulated depreciation recorded as of the end of the previous operating period), up to the amount of goodwill amortization. It is estimated that total of distributions in excess of earnings for the fiscal period ending August 31, 2020 would be 350 million yen (158 yen per unit), including the allowance for temporary difference adjustments of 350 million yen (158 yen per unit), and for the fiscal period ending February 28, 2021, total of distributions in excess of earnings would be 1,982 million yen (898 yen per unit), consisting of the allowance for temporary difference adjustments and other distributions in excess of earnings (return of unitholders’ capital) of 1,806 million yen (819 yen per unit) and 176 million yen (79 yen per unit), respectively. • DHR has assumed that changes in fair value of interest-rate swaps will not impact the amount of distributions in excess of earnings per unit for the fiscal periods ending August 31, 2020 and February 28, 2021.
Others	<ul style="list-style-type: none"> • DHR has assumed that 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.

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