
Supplementary Material for Sale of Properties and Distribution Forecast

This supplementary material is based on the contents disclosed in the press releases “Notice Concerning Disposition of Trust Beneficiary Interests in Domestic Real Estate” and “Notice Concerning Revision of Forecast for the Fiscal Periods Ending August 31, 2019 and February 29, 2020 and Announcement of Forecast for the Fiscal Period Ending August 31, 2020” dated August 23, 2019 and summaries the related information.

This material includes forward-looking information that reflects the plans and expectations of Daiwa House REIT Investment Corporation (“DHR”). Such forward-looking information is based on certain assumptions and beliefs of DHR in light of the information currently available to DHR. Actual figures may fluctuate and DHR cannot guarantee the forecasted figures. Please refer to the press releases listed above and the “Notes” on page three for details of the assumptions.

Overview of Sale of Six Logistics Properties

- ◆ Recording gain on sale of six logistics properties over Aug. 2019 and Feb. 2020 periods
- ◆ Improving portfolio quality and management efficiency and returning gain to unitholders by distribution

Property name	Anticipated date of sale	Acquisition price	Anticipated sale price	Appraisal value	Accounting (anticipated)		Acquisition price of former DHR	Tax (anticipated)	
					Book value	Gain on sale		Book value	Gain on sale
D Project Shin-Misato	Aug. 30, 2019	5,710	5,755	5,750	5,584	154	4,440	4,136	1,603
Total of the period ending Aug. 2019		5,710	5,755	5,750	5,584	154	4,440	4,136	1,603
D Project Gifu	Sep. 2, 2019	1,100	1,171	1,170	1,065	100	900	805	361
D Project Sapporo Minami		818	863	862	781	77	600	527	332
D Project Sendai Minami		1,530	1,581	1,580	1,509	65	1,250	1,138	437
D Project Gotenba		1,140	1,141	1,140	1,107	29	950	871	265
D Project Nishi-Hiroshima		1,210	1,211	1,210	1,173	32	990	912	292
Total of the period ending Feb. 2020		5,798	5,967	5,962	5,638	306	4,690	4,255	1,689
Total		11,508	11,722	11,712	11,222	461	9,130	8,391	3,292

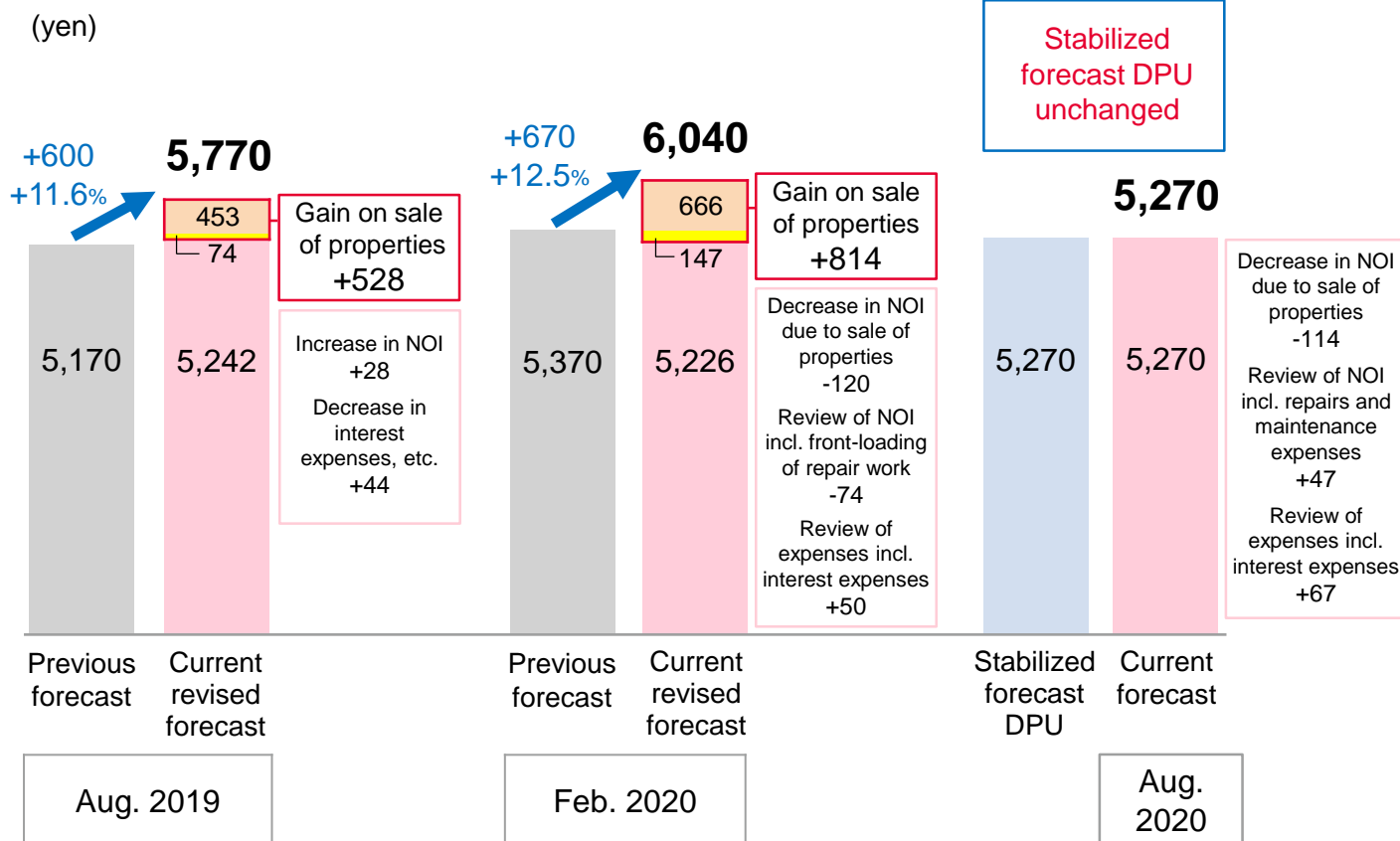
(million yen)

Number of properties	Anticipated sale price
6 properties	11,722 million yen
Feb. 2019 Average NOI yield	Feb. 2019 Average NOI yield after depreciation
4.4 %	3.3 %
Average remaining lease term	Average property age
7.6 years	11.1 years

- To improve portfolio quality including area, remaining lease term, and property age, DHR will sell six logistics properties previously owned by the former DHR since its IPO in November 2012 for 11.7 billion yen
- DHR aims to promote efficiency of portfolio management by selling the properties considered at risk for a potential decrease in NOI in the future due to rent reduction and increased repair and maintenance expenses, or less efficient due to the small size
- Book values for accounting and tax purposes are different, since DHR inherited the properties from the former DHR at the merger in Sep. 2016 at market value (appraisal value) for accounting purpose and book value for tax purpose
- By selling the properties with large unrealized gain for tax purpose, DHR aims to realize unrealized gain and return the gain to unitholders as distribution

- ◆ Upwardly revised forecast DPU to 5,770 yen for Aug. 2019 period and 6,040 yen for Feb. 2020 period
- ◆ Maintained stabilized forecast DPU of 5,270 yen for Aug. 2020 period

(million yen)	Aug. 2019 Forecast	Feb. 2020 Forecast
Gain on sale for tax purpose (A)	1,603	1,689
Tax loss carryforwards (B)	507	—
Distribution of gain on sale (A) - (B)	1,095	1,689
Per unit	528 yen	814 yen
Gain in accounting	74 yen	147 yen
Accounting and tax difference net of tax loss carryforwards	453 yen	666 yen



- To maintain its conduit status, DHR will distribute on top of accounting gain the accounting and tax difference in gain net of tax loss carryforwards
- DHR will distribute as cash distribution the accounting and tax difference by reversing reserve for temporary difference adjustments

- Previous forecast
- Current revised forecast (excluding gain on sale) / Current forecast
- Gain on sale in accounting
- Accounting and tax difference in gain net of tax loss carryforwards
- Stabilized forecast DPU

- . The amounts presented in this material are rounded down to the nearest unit, and the ratios and years are rounded to the nearest tenth.
- . “Acquisition price” does not include various expenses related to acquisitions, settlement money such as taxes and dues, and consumption taxes, etc. The acquisition prices of properties previously owned by the former Daiwa House REIT Investment Corporation (the “former DHR”) which was dissolved upon having merged with DHR as of September 1, 2016 have been presented as the appraisal values as of August 31, 2016, which were the prices received at the time of the merger with the former DHR.
- . “Anticipated sale price” does not include various expenses related to dispositions, settlement money such as taxes and dues, and consumption taxes, etc.
- . “Appraisal value” as of February 28, 2019 is indicated.
- . “Accounting (anticipated) book value” and “Tax (anticipated) book value” are the anticipated book values as of each anticipated date of sale.
- . “Accounting (anticipated) gain on sale” and “Tax (anticipated) gain on sale” represent the forecast amounts.
- . “Acquisition price of former DHR” are presented as the acquisition prices of the former DHR as of November 29, 2012 with respect to D Project Shin-Misato and D Project Gifu, and as of November 28, 2012 with respect to D Project Sapporo Minami, D Project Sendai Minami, D Project Gotenba, and D Project Nishi-Hiroshima.
- . “Feb. 2019 Average NOI yield” and “Feb. 2019 Average NOI yield after depreciation” are weighted average of NOI yield and NOI yield after depreciation of each property for the fiscal period ended February 28, 2019 based on the acquisition price.
- . “Average remaining lease term” is weighted average of remaining lease term of each property as of the anticipated date of sale based on the annual rent.
- . “Average property age” is weighted average of each property age as of the anticipated date of sale based on the acquisition price. Date of construction for the building is the date of construction in the property registry of the main building. In the case of multiple main buildings, date of construction is that of the oldest main building as described in the property registry.
- . “Per unit” amounts are the forecast amounts divided by forecasted number of investment units at the end of each fiscal period of 2,075,000 units.
- . “Accounting and tax difference” represents the amount of difference in gain on sale of properties for accounting and tax purposes.
- . “Stabilized forecast DPU” is pro forma forecast DPU adjusted for property taxes which was presented for reference in the “Investor Presentation for the 26th Fiscal Period Ended Feb. 2019” dated April 19, 2019.