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For Immediate Release

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Notice Concerning Revision to Forecast of Results for the Fiscal Period Ending August 31, 2019 and Announcement of Forecast of Results for the Fiscal Period Ending February 29, 2020

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the revision of its forecast of results for the fiscal period ending August 31, 2019 (from March 1, 2019 to August 31, 2019) announced on October 17, 2018 and newly announces its forecast of results for the fiscal period ending February 29, 2020 (from September 1, 2019 to February 29, 2020), as shown below.

There are no changes to DHR’s forecast of results for the fiscal period ending February 28, 2019 (from September 1, 2018 to February 28, 2019) announced on October 17, 2018.

1. Revision of the forecast of results for the fiscal period ending August 31, 2019 (from March 1, 2019 to August 31, 2019)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (yen)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	22,804	9,247	7,847	7,846	4,071	5,100	0
Revised forecast (B)	24,585	10,438	8,747	8,747	4,215	5,170	0
Difference (B) – (A)	1,781	1,190	900	900	144	70	—
Percentage change	7.8%	12.9%	11.5%	11.5%	3.5%	1.4%	—

* Anticipated number of investment units as of the end of the period in previous forecast:
 1,927,000 units

Anticipated number of investment units as of the end of the period in revised forecast:
 2,075,000 units (refer to “Investment units” in the attachment, “Assumptions for Forecasts of Results for the Fiscal Periods Ending August 31, 2019 and February 29, 2020” for details)

Disclaimer: This announcement is prepared for the public disclosure of the revision to forecast of results for the fiscal period ending August 31, 2019 and announcement of forecast of results for the fiscal period ending February 29, 2020 of DHR and has not been prepared for the purpose of soliciting investment.

2. 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)	Net income per unit (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 February 29, 2020	24,911	10,668	9,161	9,161	4,414	5,370	0

* Anticipated number of investment units as of the end of the period:

2,075,000 units (refer to “Investment units” in the attachment, “Assumptions for Forecasts of Results for the Fiscal Periods Ending August 31, 2019 and February 29, 2020” for details)

(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, 2019 and February 29, 2020”. 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 28, 2019
(from September 1, 2018 to February 28, 2019)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per unit (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 February 28, 2019	22,752	9,610	8,232	8,231	4,271	5,300	0

* Anticipated number of investment units as of the end of the period: 1,927,000 units

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, 2019 (from March 1, 2019 to August 31, 2019) announced on October 17, 2018 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 29, 2020 (from September 1, 2019 to February 29, 2020) 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, 2019 and February 29, 2020

Item	Assumptions
Operating period	<ul style="list-style-type: none"> • Fiscal period ending August 31, 2019: (184 days from March 1, 2019 to August 31, 2019) • Fiscal period ending February 29, 2020: (182 days from September 1, 2019 to February 29, 2020)
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: Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store on March 12, 2019; D Project Kitahachioji I, D Project Kitahachioji II, D Project Kitahachioji III, iias Tsukuba, Aoyama Tailor Bunkyo Sengoku Ekimae Store, FOLEO Shobu and Daiwa Roynet Hotel Nagoya Shinkansenguchi on April 5, 2019; D Project Itabashi Shingashi, D Project Sagamihara, D Project Kuki VIII, D Project Yokkaichi and D Project Ibaraki Ishioka on April 10, 2019. • DHR has assumed that, regarding 229 properties (216 properties of real estate and real-estate trust beneficiary interests DHR owns as of today plus 13 Anticipated Acquisitions), 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 29, 2020 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 4,767 million yen for the fiscal period ending August 31, 2019 and 4,832 million yen for the fiscal period ending February 29, 2020. 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 1,784 million yen for the fiscal period ending August 31, 2019 and 1,784 million yen for the fiscal period ending February 29, 2020. 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 206 million yen would be expensed starting from the fiscal period ending August 31, 2020. • 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, 2019 and to be 1,982 million yen for the fiscal period ending February 29, 2020.

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Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> DHR has assumed one-time costs of 200 million yen for the fiscal period ending August 31, 2019 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 1,492 million yen for the fiscal period ending August 31, 2019 and 1,507 million yen for the fiscal period ending February 29, 2020.
Interest-bearing debt	<ul style="list-style-type: none"> The balance of outstanding interest-bearing debt is 321,268 million yen as of today. In addition, DHR assumed that (i) long-term loans of 4,000 million yen would be repaid and long-term loans of 4,000 million yen would be borrowed on March 27, 2019, (ii) long-term loans of 7,600 million yen would be repaid, and long-term loans of 7,600 million yen would be borrowed on March 29, 2019, (iii) long-term loans of 3,000 million yen would be borrowed as part of funds for the acquisition of the Anticipated Acquisitions on April 5, 2019 and (iv) long-term loans of 24,500 million yen would be borrowed as part of funds for the acquisition of the Anticipated Acquisitions on April 10, 2019. As a result, DHR assumed the remaining amount of interest-bearing debt would be 348,768 million yen on April 10, 2019. DHR assumed long-term loans of 28,910 million yen that become due by the end of the fiscal period ending February 29, 2020 would be fully refinanced. 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 29, 2020.
Investment units	<ul style="list-style-type: none"> In addition to the 1,927,000 units issued as of today, DHR has assumed that the total of 148,000 units, which is the maximum number of investment units planned to be newly issued through issuance of new investment units via public offering (138,000 units, assuming over-allotment option is fully exercised (maximum 10,000 units)) which was resolved at the meeting of the board of directors of DHR held today, would be issued. 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, 2019 and February 29, 2020 will be 2,075,000 investment units including the expected 148,000 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 29, 2020.
Distributions per unit	<ul style="list-style-type: none"> For distributions (distributions per unit), 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, apart from net income, would be partially reversed and used as funds for payment, and the reserve for temporary difference adjustments of 1,982 million yen (955 yen per unit) and 1,982 million yen (955 yen per unit) would be reversed and used as funds for payments in the fiscal periods ending August 31, 2019 and February 29, 2020, respectively. 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 no plans to pay distributions in excess of earnings (distributions in excess of earnings per unit) as of today.
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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