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For Immediate Release

REIT Issuer:

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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

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the following revision of its forecast of results for the fiscal periods ending August 31, 2019 (from March 1, 2019 to August 31, 2019) and February 29, 2020 (from September 1, 2019 to February 29, 2020) announced on April 18, 2019. DHR also newly announces its forecast of results for the fiscal period ending August 31, 2020 (from March 1, 2020 to August 31, 2020).

## 1. Revision and announcement of the forecast of results

 (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)	24,585	10,438	8,747	8,747	4,215	5,170	0
Revised forecast (B)	24,933	10,692	9,051	9,051	4,362	5,770	0
Difference (B) – (A)	348	253	304	304	147	600	—
Percentage change	1.4%	2.4%	3.5%	3.5%	3.5%	11.6%	—

 (2) Revision of the 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)
Previous forecast (A)	24,911	10,668	9,161	9,161	4,414	5,370	0
Revised forecast (B)	24,910	10,638	9,169	9,169	4,418	6,040	0
Difference (B) – (A)	-0	-29	8	8	4	670	—
Percentage change	-0.0%	-0.3%	0.1%	0.1%	0.1%	12.5%	—

2. Announcement 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)	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 August 31, 2020	24,643	10,398	8,954	8,953	4,314	5,270	0

(Note 1) Forecasted net income per unit refers to forecasted net income divided by forecasted number of investment units at the end of each fiscal period of 2,075,000 units.

(Note 2) 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, February 29, 2020 and August 31, 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 3) DHR may revise the above forecasts in the event that results are anticipated to differ substantially from the forecasts over a certain level.

3. Reason for the revision and announcement

DHR revised its forecast since the forecasted distributions per unit for the fiscal periods ending August 31, 2019 and February 29, 2020 are expected to fluctuate more than 5% as a result of the disposition (the “Disposition”) of the assets (the “Anticipated Dispositions”) announced today in the press release “Notice Concerning Disposition of Trust Beneficiary Interests in Domestic Real Estate”. DHR also newly announced its forecast of results for the fiscal period ending August 31, 2020.

DHR expects to record gain on sale of investment properties of 154 million yen (74 yen per unit) for the fiscal period ending August 31, 2019 and 306 million yen (147 yen per unit) for the fiscal period ending February 29, 2020 associated with the Disposition.

The Anticipated Dispositions were inherited from the former Daiwa House REIT Investment Corporation which was dissolved upon the merger with DHR as of September 1, 2016. Due to the differences in their book values for accounting and tax purposes, gain on sale of investment properties for tax purpose associated with the Disposition is expected to be larger than gain for accounting purpose. DHR assumes such difference of the gain on sale for accounting and tax purposes to be 1,448 million yen for the fiscal period ending August 31, 2019 and 1,383 million yen for the fiscal period ending February 29, 2020. Of these amounts, DHR plans to accumulate 507 million yen by applying tax loss carryforwards for the fiscal period ending August 31, 2019, and distribute 940 million yen (453 yen per unit) for the fiscal period ending August 31, 2019 and 1,383 million yen (666 yen per unit) for the fiscal period ending February 29, 2020 on top of the gain on sale for accounting purpose by reversing reserve for temporary difference adjustments in order to maintain its conduit status.

\* 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/>

Assumptions for Forecasts of Results for the Fiscal Periods Ending  
August 31, 2019, February 29, 2020 and August 31, 2020

Item	Assumptions
Operating period	<ul style="list-style-type: none"> <li>• Fiscal period ending August 31, 2019: (184 days from March 1, 2019 to August 31, 2019)</li> <li>• Fiscal period ending February 29, 2020: (182 days from September 1, 2019 to February 29, 2020)</li> <li>• Fiscal period ending August 31, 2020: (184 days from March 1, 2020 to August 31, 2020)</li> </ul>
Portfolio	<ul style="list-style-type: none"> <li>• DHR has assumed that DHR would dispose of the Anticipated Dispositions as described in the press release “Notice Concerning Disposition of Trust Beneficiary Interests in Domestic Real Estate” announced today: D Project Shin-Misato on August 30, 2019; D Project Gifu, D Project Sapporo Minami, D Project Sendai Minami, D Project Gotenba, and D Project Nishi-Hiroshima on September 2, 2019.</li> <li>• DHR has assumed that, regarding 223 properties of real estate and real-estate trust beneficiary interests (229 properties DHR owns as of today excluding the six Anticipated Dispositions), 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 August 31, 2020 other than the above.</li> <li>• Changes in the composition of the portfolio may, however, occur in the future.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• DHR has assumed the gain on sale of investment properties of 154 million yen for the fiscal period ending August 31, 2019 and 306 million yen for the fiscal period ending February 29, 2020 associated with the Disposition.</li> <li>• 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.</li> <li>• DHR has assumed that no delinquencies or non-payment of rent by tenants.</li> </ul>
Operating expenses (excluding amortization of goodwill)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• DHR has assumed that DHR would incur depreciation expenses of 4,767 million yen, 4,772 million yen and 4,780 million yen for the fiscal periods ending August 31, 2019, February 29, 2020 and August 31, 2020, respectively. These figures are calculated based on the straight-line method with incidental expenses added to purchase prices of non-current assets.</li> <li>• DHR has estimated property tax, city planning tax and depreciation asset tax of 1,796 million yen, 1,774 million yen and 1,963 million yen for the fiscal periods ending August 31, 2019, February 29, 2020 and August 31, 2020, respectively. 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.</li> <li>• 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.</li> <li>• Selling, general and administrative expenses are estimated based on the actual values or rates, etc., of each item individually.</li> </ul>
Amortization of goodwill	<ul style="list-style-type: none"> <li>• Amortization of goodwill is estimated to be 1,982 million yen, 1,982 million yen and 1,982 million yen for the fiscal periods ending August 31, 2019, February 29, 2020 and August 31, 2020, respectively.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• DHR has assumed interest expenses and other borrowing-related expenses, etc. of 1,468 million yen, 1,484 million yen and 1,457 million yen for the fiscal periods ending August 31, 2019, February 29, 2020 and August 31, 2020, respectively.</li> <li>• DHR has assumed one-time costs of ¥173 million for the fiscal period ending August 31, 2019 as expenses related to issuance of new investment units and related matters.</li> </ul>

Item	Assumptions
Interest-bearing debt	<ul style="list-style-type: none"> <li>• DHR has assumed long-term loans of 36,810 million yen that become due by the end of the fiscal period ending August 31, 2020 would be fully refinanced.</li> <li>• DHR has assumed the balance of outstanding interest-bearing debt of 348,768 million yen as of today would be unchanged until the end of the fiscal period ending August 31, 2020.</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>• The total number of investment units is based on 2,075,000 units issued as of today. 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 August 31, 2020.</li> </ul>
Distributions per unit	<ul style="list-style-type: none"> <li>• 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, the reserve for temporary difference adjustments of 1,982 million yen (955 yen per unit), 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, February 29, 2020 and August 31, 2020, respectively.</li> <li>• DHR has assumed that for the amount equivalent to the difference of the gain on sale of investment properties associated with the Disposition for accounting and tax purposes, the reserve for temporary difference adjustments of 940 million yen (453 yen per unit) for the fiscal period ending August 31, 2019 and 1,383 million yen (666 yen per unit) for the fiscal period ending February 29, 2020 would be reversed and used as funds for payments for distributions.</li> <li>• 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.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• DHR has no plans to pay distributions in excess of earnings (distributions in excess of earnings per unit) as of today.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• 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.</li> <li>• DHR's forecasts assume no unforeseen significant changes in general economic trends or conditions in the real estate market.</li> </ul>