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REIT Issuer:

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

Daiwa House REIT Investment Corporation (“DHR”) hereby announces the revision of its forecast of results for the fiscal periods ending February 28, 2021 (from September 1, 2020 to February 28, 2021) and August 31, 2021 (from March 1, 2021 to August 31, 2021) announced on October 16, 2020 as shown below.

1. Revision of the forecast of results

(1) 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)	Distributions per unit (excluding distributions in excess of earnings) (yen)	Distributions in excess of earnings per unit (yen)
Previous forecast (A)	27,201	11,690	10,206	10,206	5,550	4,648	902
Revised forecast (B)	28,017	12,353	10,869	10,869	5,750	4,950	800
Difference (B) – (A)	816	663	663	663	200	302	(102)
Percentage change	3.0%	5.7%	6.5%	6.5%	3.6%	6.5%	(11.3)%

* Anticipated number of investment units as of the end of the period: 2,196,000 units
 Anticipated net income per unit: 4,949 yen

(2) 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)
Previous forecast (A)	27,270	11,516	9,987	9,987	5,450	4,552	898
Revised forecast (B)	29,269	12,884	11,355	11,355	6,000	5,175	825
Difference (B) – (A)	1,998	1,368	1,368	1,368	550	623	(73)
Percentage change	7.3%	11.9%	13.7%	13.7%	10.1%	13.7%	(8.1)%

* Anticipated number of investment units as of the end of the period: 2,196,000 units
Anticipated net income per unit: 5,170 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 February 28, 2021 and August 31, 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 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 periods ending February 28, 2021 and August 31, 2021 are expected to fluctuate as a result of the disposition (the Disposition”) of the assets (the Anticipated Dispositions”) announced today in the press release “Notice Concerning Disposition of Domestic Real Estate and Trust Beneficiary Interest in Real Estate”.

DHR expects to record gain on sale of investment properties of 836 million yen for the fiscal period ending February 28, 2021 and 2,209 million yen for the fiscal period ending August 31, 2021 associated with the Disposition. By utilizing part of the gain on sale of investment properties in the fiscal periods ending in February 28, 2021 and August 31, 2021, DHR plans to strategically bring forward some of the repair work scheduled for the fiscal period ending August 31, 2021 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 periods ending February 28, 2021 and August 31, 2021 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 February 28, 2021 and August 31, 2021

Item	Assumptions
Operating period	<ul style="list-style-type: none"> • Fiscal period ending February 28, 2021: (181 days from September 1, 2020 to February 28, 2021) • Fiscal period ending August 31, 2021: (184 days from March 1, 2021 to August 31, 2021)
Portfolio	<ul style="list-style-type: none"> • DHR has assumed that DHR would dispose of the Anticipated Dispositions as described in the press release “Notice Concerning Disposition of Domestic Real Estate and Trust Beneficiary Interest in Real Estate” announced today: Castalia Maruyama Urasando on December 21, 2020; Castalia Maruyama Omotesando on January 29, 2021; and Big Tower Minami Sanjo on March 1, 2021. • DHR has assumed that there will be no changes (meaning acquisition of new properties or sale of acquired properties) until August 31, 2021 regarding 226 properties of real estate and real-estate trust beneficiary interests (229 properties DHR owns as of today excluding the three Anticipated Dispositions and hereinafter referred to as the “composition of the portfolio”). • 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 investment properties of 836 million yen for the fiscal period ending February 28, 2021 and 2,209 million yen for the fiscal period ending August 31, 2021 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 97 million yen for the fiscal period ending February 28, 2021 and 104 million yen for the fiscal period ending August 31, 2021.
Operating expenses (excluding amortization of goodwill)	<ul style="list-style-type: none"> • Operating expenses mainly comprise rental expenses. Those expenses, excluding depreciation, 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 5,291 million yen for the fiscal period ending February 28, 2021 and 5,274 million yen for the fiscal period ending August 31, 2021. 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 1,978 million yen for the fiscal period ending February 28, 2021 and 2,192 million yen for the fiscal period ending August 31, 2021. 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 on April 1, 2020, April 3, 2020, August 31, 2020, and September 30, 2020 as expenses from the fiscal period ending August 31, 2021, and assumes that the total amount will be 229 million yen. • DHR has assumed that DHR will 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. In addition, DHR plans to bring forward some of the repair work in order to improve quality of the portfolio by utilizing part of the gain on sale of investment properties. DHR has assumed repairs and maintenance expenses of 1,088 million yen for the fiscal period ending February 28, 2021 and 1,613 million yen for the fiscal period ending August 31, 2021. 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 yen for the fiscal period ending February 28, 2021 and 1,982 million yen for the fiscal period ending August 31, 2021.

Item	Assumptions
Non-operating expenses	<ul style="list-style-type: none"> • DHR has assumed interest expenses and other borrowing-related expenses, etc. of 1,497 million yen for the fiscal period ending February 28, 2021 and 1,543 million yen for the fiscal period ending August 31, 2021.
Interest-bearing debt	<ul style="list-style-type: none"> • As of today, the balance of interest-bearing debt is 378,558 million yen. • DHR has assumed that the long-term loans of 3,500 million yen that become due by the end of the fiscal period ending February 28, 2021 will be fully refinanced, and that investment corporation bonds will be issued to provide for the full amount of the 3,000 million yen in redemptions of investment corporation bonds maturing by the end of the fiscal period ending February 28, 2021. • DHR has assumed the total long-term loans of 12,500 million yen that become due by the end of the fiscal period ending August 31, 2021 will be fully refinanced. • DHR has assumed the balance of outstanding interest-bearing debt will be unchanged until August 31, 2021.
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 August 31, 2021.
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 February 28, 2021 and August 31, 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.

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 amortization of goodwill, 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 distribution accounted as an allowance for temporary difference adjustments, for the purpose of reducing the taxable amount subject to income taxes. DHR has also assumed that, for the purpose of ensuring that the distributions are not impacted by amortization of goodwill, if the total amount of the Differences for Tax and Accounting Purposes in other items than amortization of goodwill that will be generated during the relevant fiscal period is less than the amount of amortization of goodwill, distributions in excess of earnings would be paid as distribution accounted as an allowance for temporary difference adjustments and other distributions in excess of earnings (return of 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 accounting period after deducting the total accumulated depreciation recorded as of the end of the previous accounting period), up to the amount of amortization of goodwill. • DHR expects to record the above-mentioned gain on sale of investment properties for the fiscal periods ending February 28, 2021 and August 31, 2021. Based on its distribution policy, DHR intends to reduce other distributions in excess of earnings (return of capital), which is a part of the distributions in excess of earnings in the amount equivalent to amortization of goodwill, by an amount equivalent to part of the gain on sale of investment properties. Therefore, DHR assumes that DHR will not pay other distributions in excess of earnings (return of capital) for the fiscal periods ending February 28, 2021 and August 31, 2021. In addition, DHR has assumed that 18 million yen of the Difference for Tax and Accounting Purposes in the gain on sale of investment properties associated with the Disposition will be added, and 69 million yen of tax loss carryforwards will be deducted for the fiscal period ending February 28, 2021. As a result of the above, it is assumed that the total of distributions in excess of earnings would be 1,756 million yen (800 yen per unit) for the fiscal period ending February 28, 2021, consisting of the allowance for temporary difference adjustments of 1,756 million yen (800 yen per unit), and the total of distributions in excess of earnings would be 1,811 million yen (825 yen per unit) for the fiscal period ending August 31, 2021, consisting of the allowance for temporary difference adjustments of 1,811 million yen (825 yen per unit). • 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 February 28, 2021 and August 31, 2021.
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.