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April 15, 2016

For Immediate Release

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Notice Concerning Forecasts of Financial Results for the Fiscal Periods Ending February 2017 and Ending August 2017 Following the Merger of Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation

Daiwa House Residential Investment Corporation (hereinafter referred to as "DHI") and Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") (hereinafter "DHI" and "DHR" are collectively referred to as "the Investment Corporations") announced, as of today, the "Notice Concerning Execution of the Merger Agreement Between Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation." As described therein, the Investment Corporations endorsed resolutions respectively at board of directors meetings held today, and executed an agreement, with September 1, 2016 as the effective date, concerning the merger with DHI being the surviving corporation, and with DHR being the absorbed corporation (hereinafter referred to as "the Merger"). In addition, the Investment Corporations announced, as of today, the "Notice Concerning Acquisition of Trust Beneficial Interests in Domestic Real Estate and Leasing of Assets". As described therein, Daiwa House Asset Management Co., Ltd., an asset manager of DHI, and Daiwa House REIT Management Co., Ltd., an asset manager of DHR decided respectively at board of directors meetings held today that DHI, the surviving investment corporation after the Merger, will acquire six new properties after the Merger with the effectuation of the Merger, being condition precedent. Accordingly, the forecasts of the Financial Results of DHI, the surviving investment corporation after the Merger, for the fiscal period ending February 2017 (from September 1, 2016 to February 28, 2017) and the fiscal period ending August 2017 (from March 1, 2017 to August 31, 2017) are as follows.

1. Forecasts of the Financial Results for the Fiscal Period Ending February 2017 (from September 1, 2016 to February 28, 2017) and the Fiscal Period Ending August 2017 (from March 1, 2017 to August 31, 2017)

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Net income per Unit (yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per Unit (yen)
Fiscal Period ending February 2017	17,386	6,202	5,018	5,017	3,302	4,650	—
Fiscal Period ending August 2017	17,501	7,172	6,027	6,027	3,967	4,700	—

Notes:

1. Operating periods of DHI are annually from March 1 to August 31 and from September 1 to the end of the following February. This will not change even after the Merger.
2. The forecasted number of issued investment units as of the end of the fiscal period ending February 2017 and the end of the fiscal period ending August 2017 is 1,519,280.
3. The forecasts presented in this document are calculated as of today, based on the assumptions set forth in the attached "Assumptions for Forecasts of the Financial Results for the Fiscal Periods Ending February 2017 and Ending August 2017" as the Exhibit. The actual operating revenues, operating income, ordinary income, net income, net income per unit, and distribution per unit may differ due to future acquisition or disposition of properties, changes in the real estate market, and other factors affecting the surviving investment corporation. We do not guarantee the amount of distribution stated above.
4. The total distribution amounts for the fiscal period ending February 2017 and the fiscal period ending August 2017 include the reversal of retained earnings (2,046 million yen for the fiscal period ending February 2017, and 1,113 million yen for the fiscal period ending August 2017).
5. In these forecasts, the goodwill accounted for in the Merger is provisionally estimated to be "44,544 million yen," and the goodwill is scheduled to be accounted for as assets and amortized using the straight-line method over 20 years on a regular basis, premised on the adoption of the Accounting Standard for Business Combinations (Corporate Accounting Standard No. 21), as amended on September 13, 2013. The actual amount of the goodwill may differ from the amount stated above. Please refer to "Amortization Expenses for Goodwill" in the attached "Assumptions for Forecasts of the Financial Results for the Fiscal Periods Ending February 2017 and Ending August 2017" as the Exhibit for details.
6. The forecasts may be revised if a certain variance from the forecasts mentioned above is expected.
7. Figures for monetary amounts are rounded down to the nearest specified unit.

* This press release is to be distributed to: the Kabuto Club (the press club of the Tokyo Stock Exchange); the Ministry of Land, Infrastructure, Transport, and Tourism Press Club; and the Ministry of Land, Infrastructure, Transport, and Tourism Press Club for Construction Publications.

* Web addresses of the Investment Corporations:

Daiwa House Residential Investment Corporation: http://daiwahouse-resi-reit.co.jp/en/

Daiwa House REIT Investment Corporation: http://www.daiwahouse-reit.jp/english/

Exhibit

Assumptions for Forecasts of the Financial Results for the Fiscal Periods Ending February 2017 and Ending August 2017

Item	Assumptions
Operating period	• The fiscal period ending February 2017: September 1, 2016 to February 28, 2017 (181 days) • The fiscal period ending August 2017: March 1, 2017 to August 31, 2017 (184 days)
Portfolio	• DHI assumes that, in addition to 142 properties of real estate and real-estate trust beneficial interests that DHI holds as of today, 41 properties of real-estate trust beneficial interests (including D Project Tosu Extended Building that DHR is scheduled to acquire on June 15, 2016) that DHR holds as of today, shall be assigned to DHI upon the Merger. • As described in the "Notice Concerning Acquisition of Trust Beneficial Interests in Domestic Real Estate and Leasing of Assets" that the Investment Corporations announced as of today, the assumptions shall be: DHI will, on conditions including the Merger's becoming effective, acquire six properties - Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi), D Project Hibiki Nada, D Project Morioka II, Castalia Ningyocho III, Royal Park Umejima and Sports Depo & GOLF5 Kokurahigashi IC store - as of September 28, 2016 (hereinafter, collectively referred to as "Assets to Be Acquired"). • DHI assumes there will be no other changes in the portfolio than the above (i.e., the acquisition of new properties or the sales of existing properties) until the end of the fiscal period ending August 2017. • In practice, there will be some changes depending on the conditions, including whether or not the Merger becomes effective, or the timing of becoming effective; whether or not the Assets to Be Acquired are acquired, or the timing thereof; or changes in the portfolio.
Operating Revenues	• Operating revenues include rent income, common area charge income, parking space income, incidental revenue, utilities income, key money, etc. Each of these items is calculated based on historical data and future projections. • Concerning operating revenues, DHI assumes there will be no delay or failure of tenants' payment of rents.
Operating Expenses (excluding Amortization Expenses for Goodwill)	• Concerning leasing expenses, which constitute a principal component of operating expenses, expenses other than depreciation and amortization are calculated based on historical data reflecting factors that may cause expenses to fluctuate. • Depreciation and amortization expenses are estimated, based on the straight-line method, in a manner whereby the associated costs are added to the purchase prices of fixed assets, and estimated to be 3,420 million yen in the fiscal period ending February 2017, and 3,420 million yen in the fiscal period ending August 2017. • Property tax, city planning tax and depreciable asset tax expenses are estimated to be 1,208 million yen in the fiscal period ending February 2017, and 1,260 million yen in the fiscal period ending August 2017. Property tax and city planning tax which are to be settled with the previous owner (previous beneficiary) on a pro-rata basis based on holding period and settled at the time of acquisition, and such taxes are deemed as acquisition costs and not included in expenses. • Maintenance and repair expenses required for each fiscal period are calculated based on the mid-to-long term repair plans established by the asset manager. However, the actual expenses for the maintenance and repair for the fiscal periods may differ significantly from the estimates due to expenses for urgent repair of damages to a building caused by unforeseeable events, the tendency for significant fluctuation in amounts year by year, or expenses for certain types of repair not required periodically. • Selling, general and administrative expenses are estimated based on the actual values or rates, etc., of each item individually. • Concerning temporary expenses for the Merger within the asset management fees, 933 million yen of merger fees and 110 million yen of merger-related expenses are expected in

Item	Assumptions
	the fiscal period ending February 2017.
Amortization Expenses for Goodwill	• Goodwill is expected to accrue upon the Merger, and will be accounted for as assets and amortized using the straight-line method over 20 years on a regular basis, pursuant to the Accounting Standards for Business Combinations (Corporate Accounting Standard No. 21), as amended on September 13, 2013. • Currently, the amount of goodwill is provisionally estimated to be 44,544 million yen. Such amount is calculated on the assumption that DHI has succeeded the assets (256,272 million yen in total) and liabilities (114,651 million yen in total) from DHR, the acquired corporation under such accounting standards, and the acquisition cost in the Merger will be 186,166 million yen (calculated based on the closing price (237,200 yen) on April 8, 2016 of the investment units of DHI as the acquisition consideration (DHI is the acquiring corporation under such accounting standards)). • The amount of goodwill is not fixed and may be subject to change. • The goodwill amortization is provisionally estimated to be 1,113 million yen for the fiscal period ending February 2017 and 1,113 million yen for the fiscal period ending August 2017.
Non-Operating Expenses	• Interest expenses and other borrowing-related expenses are estimated to be 1,184 million yen for the fiscal period ending February 2017 and 1,145 million yen for the fiscal period ending August 2017.
Interest-Bearing Debt	• As of today, DHI has outstanding borrowing of 132,663 million yen and investment corporation bond issuance of 9,000 million yen; DHR has the outstanding borrowing of 100,000 million yen and investment corporation bond issuance of 2,000 million yen. • The assumptions are: DHI shall enter into amendment agreements to extend the repayment deadline for one year regarding the borrowing of 10,000 million yen, and DHR shall pay the borrowing of 4,000 million yen before the effective date of the Merger. DHR will refinance for the entire volumes. DHI's interest-bearing debt as of the effective date of the Merger will be 243,663 million yen in total, with all of the DHR's interest-bearing debt of 102,000 million yen being transferred. • DHI assumes the borrowing of 46,800 million yen, which is due by the end of the fiscal period ending February 2017, will be fully refinanced. • DHI assumes the borrowing of 27,495 million yen, which is due by the end of the fiscal period ending August 2017, will be fully refinanced. DHI also assumes that investment corporation bonds of 3,000 million yen will be due, and accordingly redeemed based on borrowings, etc. • DHI assumes 10,000 million yen will be newly borrowed for the funds to acquire the Assets to Be Acquired in September 2016. • DHI assumes there will be no other changes in the amount of the outstanding interest-bearing debt than the above until the end of the fiscal period ending August 2017.
Investment Units	• DHI assumes that, in addition to DHI's issued investment units of 747,740 as of today, DHI will, upon the Merger, newly issue investment units of 771,540, which will lead to 1,519,280 units in total. • DHI assumes no new investment units other than the above will be issued until the end of the fiscal period ending August 2017.
Distribution per Unit	• DHI assumes it will pay out distributions (distributions per unit) of no more than the amount of earnings pursuant to the cash distributions policy in its Articles of Incorporation. Moreover, DHI assumes that the amount equivalent to the amortization expense related to the goodwill described in the above mentioned "Amortization Expenses for Goodwill," and the amount equivalent to merger fees in the Merger are funded, for the distribution, by reversal of part of the retained earnings (reserves for distribution), aside from net income. DHI assumes that 2,046 million yen (1,347 yen per investment unit) in the fiscal period ending February 2017, and 1,113 million yen (732 yen per investment unit) in the fiscal period ending August 2017 from retained earnings (reserves for distribution) will be respectively appropriated for distribution funds. • Distribution per unit may differ due to various factors, including changes in the portfolio,

Item	Assumptions
	changes in leasing income caused by changes in tenants, and unforeseen repairs.
Distribution in Excess of Earnings per Unit	• DHI does not currently anticipate distributions in excess of earnings per unit (distribution in excess of net income per unit).
Others	• DHI assumes there will be no amendments to laws or regulations, the taxation system, accounting standards, listing rules, Investment Trusts Association rules, etc., that would affect the above forecasts. • DHI assumes there will be no unforeseen material changes in general economic conditions, real estate market conditions, etc.