

October 19, 2016

For Immediate Release

REIT Issuer:

Daiwa House REIT Investment Corporation
2-4-8, Nagatacho, Chiyoda-ku, Tokyo
Jiro Kawanishi, Executive Director
(TSE Code: 8984)

Asset Manager:

Daiwa House Asset Management Co., Ltd.
Koichi Tsuchida, President and CEO

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Financial Results of Daiwa House REIT Investment Corporation
(the Absorbed Investment Corporation)

Daiwa House REIT Investment Corporation (formerly, Daiwa House Residential Investment Corporation) merged with the former Daiwa House REIT Investment Corporation as of September 1, 2016. Today, Daiwa House REIT Investment Corporation hereby announces the financial results of the former Daiwa House REIT Investment Corporation, the absorbed investment corporation, for the fiscal period ended August 31, 2016, as shown in the attached document.

<Attachment>

(Reference) Daiwa House REIT Investment Corporation (the absorbed investment corporation)
Financial Results for the Fiscal Period Ended August 31, 2016

* 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.

* Daiwa House REIT Investment Corporation’s website: <http://www.daiwahouse-reit.co.jp/en/>

October 19, 2016

Financial Results for the Fiscal Period Ended August 31, 2016 (March 1, 2016 - August 31, 2016)

Real estate investment trust unit issuer: **Daiwa House REIT Investment Corporation (the “former DHR”)**
(the absorbed investment corporation)

Listing: Tokyo Stock Exchange
Securities code: 3263
URL: <http://www.daiwahouse-reit.co.jp/en/>
Representative: Jiro Kawanishi, Executive Director
Asset manager: Daiwa House Asset Management Co., Ltd.
Representative: Koichi Tsuchida, President and CEO
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Scheduled date of submitting Securities Report: November 25, 2016
Scheduled date of starting cash payment upon the merger: November 14, 2016
Supplementary materials for the financial results provided: Yes
Results briefing for the period: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Financial results for the fiscal period ended August 31, 2016 (March 1, 2016 – August 31, 2016)

(1) Operating results

(Percentage figures represent period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal period ended August 31, 2016	7,142	2.9	3,880	(2.2)	3,281	(3.0)	3,280	(3.0)
Fiscal period ended February 29, 2016	6,938	10.0	3,969	7.8	3,382	13.8	3,381	13.8

	Basic earnings per unit	Return on equity (ROE)	Ordinary income to total assets ratio	Ordinary income to operating revenues ratio
	Yen	%	%	%
Fiscal period ended August 31, 2016	9,355	3.0	1.5	45.9
Fiscal period ended February 29, 2016	9,642	3.1	1.5	48.7

(2) Distributions

	Distributions per unit (excluding distributions in excess of earnings per unit)	Total distributions (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Distributions to net assets ratio
	Yen	Millions of yen	Yen	Millions of yen	%	%
Fiscal period ended August 31, 2016	9,356	3,281	0	0	100.0	3.0
Fiscal period ended February 29, 2016	9,642	3,381	0	0	100.0	3.1

(Note) For the fiscal period ended August 31, 2016, the word “distributions” is used in referring to a cash payment upon the merger.

(3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2016	222,208	108,740	48.9	310,066
As of February 29, 2016	222,081	108,840	49.0	310,353

(4) Cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal period ended August 31, 2016	4,886	(2,810)	(3,381)	13,205
Fiscal period ended February 29, 2016	7,028	(7,920)	1,029	14,510

2. Other

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- a. Changes in accounting policies due to amendment of accounting standards and other regulations: None
- b. Changes in accounting policies due to reasons other than a. above: None
- c. Changes in accounting estimates: None
- d. Retrospective restatement: None

(2) Total number of investment units issued

- a. Total number of investment units issued at the end of the period (including treasury investment units)

As of August 31, 2016	350,700 units
As of February 29, 2016	350,700 units
- b. Number of treasury investment units at the end of the period

As of August 31, 2016	0 units
As of February 29, 2016	0 units

* Status of auditing procedures

As of the time of disclosure of this financial results report, auditing procedures for the financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

Financial Statements

(1) Balance Sheets

(Unit: Thousands of yen)

	Previous fiscal period (As of February 29, 2016)	Current fiscal period (As of August 31, 2016)
Assets		
Current assets		
Cash and deposits	11,271,952	9,939,171
Cash and deposits in trust	12,497,527	12,639,521
Operating accounts receivable	56,527	89,755
Prepaid expenses	185,670	167,778
Other	441	695
Total current assets	24,012,118	22,836,921
Non-current assets		
Property, plant and equipment		
Buildings in trust	98,290,417	100,484,431
Accumulated depreciation	(8,101,330)	(9,537,176)
Buildings in trust, net	90,189,086	90,947,254
Structures in trust	3,509,049	3,578,917
Accumulated depreciation	(384,900)	(447,865)
Structures in trust, net	3,124,148	3,131,051
Machinery and equipment in trust	343,654	343,654
Accumulated depreciation	(33,789)	(42,604)
Machinery and equipment in trust, net	309,864	301,049
Land in trust	103,713,238	104,329,538
Construction in progress in trust	3,889	13,522
Total property, plant and equipment	197,340,227	198,722,417
Intangible assets		
Other	1,190	-
Total intangible assets	1,190	-
Investments and other assets		
Investment securities	6,535	6,615
Long-term prepaid expenses	703,756	625,202
Total investments and other assets	710,292	631,818
Total non-current assets	198,051,709	199,354,235
Deferred assets		
Investment corporation bond issuance costs	18,075	17,042
Total deferred assets	18,075	17,042
Total assets	222,081,904	222,208,199

(Unit: Thousands of yen)

	Previous fiscal period (As of February 29, 2016)	Current fiscal period (As of August 31, 2016)
Liabilities		
Current liabilities		
Operating accounts payable	148,631	242,214
Short-term loans payable	4,000,000	4,000,000
Current portion of long-term loans payable	15,000,000	15,000,000
Accounts payable - other	13,524	11,413
Accrued expenses	530,501	541,285
Income taxes payable	605	605
Accrued consumption taxes	86,672	141,841
Advances received	883,591	862,400
Other	48,245	46,539
Total current liabilities	20,711,772	20,846,298
Non-current liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term loans payable	81,000,000	81,000,000
Tenant leasehold and security deposits in trust	9,529,140	9,621,463
Total non-current liabilities	92,529,140	92,621,463
Total liabilities	113,240,912	113,467,761
Net assets		
Unitholders' equity		
Unitholders' capital	105,459,198	105,459,198
Surplus		
Unappropriated retained earnings (undisposed loss)	3,381,792	3,281,239
Total surplus	3,381,792	3,281,239
Total unitholders' equity	108,840,991	108,740,437
Total net assets	108,840,991	108,740,437
Total liabilities and net assets	222,081,904	222,208,199

(2) Statements of Income

(Unit: Thousands of yen)

	Previous fiscal period (From September 1, 2015 to February 29, 2016)	Current fiscal period (From March 1, 2016 to August 31, 2016)
Operating revenues		
Rent revenues - real estate	6,757,082	6,838,363
Other lease business revenues	181,865	304,164
Total operating revenues	6,938,947	7,142,527
Operating expenses		
Expenses related to rent business	2,383,668	2,667,964
Asset management fee	465,452	472,600
Asset custody fee	19,036	19,896
Administrative service fees	18,176	18,947
Directors' compensations	6,000	6,000
Other operating expenses	77,198	76,161
Total operating expenses	2,969,531	3,261,569
Operating income	3,969,415	3,880,958
Non-operating income		
Interest income	2,250	130
Interest on refund of consumption taxes	1,778	-
Insurance income	1,013	624
Gain on forfeiture of unclaimed distributions	-	1,236
Other	300	80
Total non-operating income	5,342	2,070
Non-operating expenses		
Interest expenses	484,399	490,318
Interest expenses on investment corporation bonds	8,275	8,365
Amortization of investment corporation bond issuance costs	1,032	1,032
Borrowing related expenses	98,799	100,960
Other	-	850
Total non-operating expenses	592,507	601,527
Ordinary income	3,382,251	3,281,500
Income before income taxes	3,382,251	3,281,500
Income taxes - current	605	605
Total income taxes	605	605
Profit	3,381,646	3,280,895
Retained earnings brought forward	146	343
Unappropriated retained earnings (undisposed loss)	3,381,792	3,281,239

(3) Statements of Unitholders' Equity

Previous fiscal period (From September 1, 2015 to February 29, 2016)

(Unit: Thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	105,459,198	2,971,627	2,971,627	108,430,826	108,430,826
Changes of items during period					
Distributions of surplus		(2,971,481)	(2,971,481)	(2,971,481)	(2,971,481)
Profit		3,381,646	3,381,646	3,381,646	3,381,646
Total changes of items during period	—	410,164	410,164	410,164	410,164
Balance at end of current period	105,459,198	3,381,792	3,381,792	108,840,991	108,840,991

Current fiscal period (From March 1, 2016 to August 31, 2016)

(Unit: Thousands of yen)

(Unit: thousands of yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of current period	105,459,198	3,381,792	3,381,792	108,840,991	108,840,991
Changes of items during period					
Distributions of surplus		(3,381,449)	(3,381,449)	(3,381,449)	(3,381,449)
Profit		3,280,895	3,280,895	3,280,895	3,280,895
Total changes of items during period	—	(100,553)	(100,553)	(100,553)	(100,553)
Balance at end of current period	105,459,198	3,281,239	3,281,239	108,740,437	108,740,437

(4) Statements of Cash Distributions

Item	Previous fiscal period (From September 1, 2015 to February 29, 2016)	Current fiscal period (From March 1, 2016 to August 31, 2016)
	Amount (Yen)	Amount (Yen)
I Unappropriated retained earnings	3,381,792,820	3,281,239,201
II Distributions	3,381,449,400	3,281,149,200
[Distributions per investment unit]	[9,642]	[9,356]
III Earnings carried forward	343,420	90,001

Calculation method for distributions	<p>Based on the distribution policy set forth in Article 46, item 1 of the Articles of Incorporation of the former DHR, distributions shall be limited to the amount of earnings in excess of an amount equivalent to ninety hundredths (90/100) of distributable earnings, as stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. In consideration of this policy, the former DHR will pay earnings distributions at the total amount of ¥3,381,449,400, which is the amount that does not exceed the unappropriated retained earnings and is the greatest value among integral multiples of 350,700, which is the total number of investment units issued; provided, however, that the former DHR will not pay the portion of amount that exceeds the earnings defined in Article 46, item 2 of the Articles of Incorporation of the former DHR.</p>	<p>Under the merger agreement entered into between the former DHR and Daiwa House Residential Investment Corporation as of April 15, 2016, a cash payment upon the merger shall be made to the unitholders entered in or recorded on the final unitholders register of the former DHR as of the day immediately preceding September 1, 2016, the effective date of the merger, with the amount equal to the distributable profit amount of the former DHR as of the same day divided by the total number of investment units issued of the former DHR as of the same day (rounded down to the nearest yen) being as a cash payment upon the merger per unit. In consideration of this policy, it has been decided that a cash payment upon the merger per unit at ¥9,356, which is calculated by dividing the unappropriated retained earnings of ¥3,281,239,201 by the total number of investment units issued of 350,700, and a cash payment upon the merger of ¥3,281,149,200, which is calculated by multiplying that cash payment upon the merger per unit by the total number of investment units issued of 350,700 will be paid.</p>
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(Note) For the current fiscal period, the word “distributions” is used in referring to a cash payment upon the merger.

(5) Statements of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal period (From September 1, 2015 to February 29, 2016)	Current fiscal period (From March 1, 2016 to August 31, 2016)
Cash flows from operating activities		
Income before income taxes	3,382,251	3,281,500
Depreciation	1,487,647	1,507,966
Amortization of investment corporation bond issuance costs	1,032	1,032
Interest income	(2,250)	(130)
Gain on forfeiture of unclaimed distributions	—	(1,236)
Interest expenses	492,674	498,684
Decrease (increase) in prepaid expenses	(28,253)	17,891
Decrease (increase) in long-term prepaid expenses	(188,474)	78,554
Decrease (increase) in operating accounts receivable	(41,776)	(33,227)
Decrease (increase) in consumption taxes refund receivable	2,179,706	9,226
Increase (decrease) in operating accounts payable	50,013	7,255
Increase (decrease) in accrued consumption taxes	86,663	52,314
Increase (decrease) in accounts payable - other	(3,071)	(873)
Increase (decrease) in accrued expenses	97,154	8,310
Increase (decrease) in advances received	30,393	(21,191)
Increase (decrease) in deposits received	14	696
Other, net	(24,339)	(23,812)
Subtotal	7,519,386	5,382,961
Interest income received	2,250	130
Interest expenses paid	(492,589)	(496,210)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	7,028,442	4,886,276
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(7,920,514)	(2,810,171)
Net cash provided by (used in) investing activities	(7,920,514)	(2,810,171)
Cash flows from financing activities		
Increase in short-term loans payable	—	4,000,000
Decrease in short-term loans payable	—	(4,000,000)
Proceeds from long-term loans payable	24,000,000	—
Repayments of long-term loans payable	(20,000,000)	—
Distributions paid	(2,970,559)	(3,381,140)
Net cash provided by (used in) financing activities	1,029,440	(3,381,140)
Net increase (decrease) in cash and cash equivalents	137,368	(1,305,035)
Cash and cash equivalents at beginning of period	14,372,896	14,510,265
Cash and cash equivalents at end of period	14,510,265	13,205,229