

April 15, 2016

FINANCIAL REPORT FOR THE TWENTIETH FISCAL PERIOD

(September 1, 2015 — February 29, 2016)

Daiwa House Residential Investment Corporation (“DHI”) is listed on the Tokyo Stock Exchange with the securities code number 8984. Representative person is Jiro Kawanishi, Executive Director.

URL: <http://daiwahouse-resi-reit.co.jp/eng/>

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Planned start of distribution payments: May 16, 2016

This financial report has been prepared in accordance with Japanese accounting standards and Japanese law. Figures have been rounded down to eliminate amounts of less than one million yen.

1. PERFORMANCE FOR THE TWENTIETH FISCAL PERIOD

(1) Business Results

(Millions of yen; %)

	Operating Revenues	Percentage Change	Operating Income	Percentage Change	Ordinary Income	Percentage Change
Twentieth Fiscal Period	¥9,662	3.3%	¥3,947	0.5%	¥3,177	1.0%
Nineteenth Fiscal Period	¥9,356	7.6%	¥3,925	1.1%	¥3,146	2.1%

(Millions of yen, Yen; %)

	Net Income (Millions of yen)	Percentage Change	Net Income per Unit (Yen) (*3)	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Operating Revenues
Twentieth Fiscal Period	¥3,177	1.0%	¥4,248	2.9%	1.2%	32.9%
Nineteenth Fiscal Period	¥3,145	2.1%	¥4,207	2.8%	1.3%	33.6%

Notes:

- Twentieth Fiscal Period: September 1, 2015 — February 29, 2016
 Nineteenth Fiscal Period: March 1, 2015 — August 31, 2015
- Percentage changes are compared to the previous period for operating revenues, operating income, ordinary income and net income.

(2) Distributions

(Millions of yen; Yen; %)

	Distribution per Unit (Yen) Excluding excess of earnings	Total Distributions (Millions of yen)	Distribution in Excess of Earnings per Unit (Yen)	Total Distributions in Excess of Earnings (Millions of yen)	Payout Ratio (%)	Distribution Ratio to Unitholders' Equity (%)
Twentieth Fiscal Period	¥4,501	¥3,365	0	0	106.0%	3.0%
Nineteenth Fiscal Period	¥4,460	¥3,334	0	0	106.0%	3.0%

Notes:

1. The funds from which distributions are paid out for the Twentieth Fiscal Period are the amount including the reversal of internal reserves (reserved for distribution) (188 million yen) and differ from “net income”.
2. The funds from which distributions are paid out for the Nineteenth Fiscal Period are the amount including the reversal of internal reserves (reserved for distribution) (189 million yen) and differ from “net income”.

(3) Financial Position

(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Equity Ratio (%)	Unitholders' Equity per Unit (Yen) (*)
Twentieth Fiscal Period	¥258,590	¥111,194	43.0%	¥148,707
Nineteenth Fiscal Period	¥258,400	¥111,352	43.1%	¥148,918

(4) Cash Flow Position

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Twentieth Fiscal Period	¥5,257	(¥1,597)	(¥3,331)	¥7,997
Nineteenth Fiscal Period	¥3,796	(¥18,923)	¥15,953	¥7,668

2. FORECAST OF RESULTS FOR THE TWENTY-FIRST FISCAL PERIOD

(Millions of yen; %)

	Operating Revenues (Millions of yen)	Percentage Change	Operating Income (Millions of yen)	Percentage Change	Ordinary Income (Millions of yen)	Percentage Change
Twenty-first Fiscal Period	¥9,645	(0.2%)	¥3,930	(0.4%)	¥3,193	0.5%

(Millions of yen; Yen; %)

	Net Income (Millions of yen)	Percentage Change	Distribution per Unit (Yen) Excluding excess of earnings	Distribution in Excess of Earnings per Unit (Yen)
Twenty-first Fiscal Period	¥3,192	0.5%	¥4,510	0

Reference:

Estimated net income per unit for Twenty-first Fiscal Period: 4,269yen

Notes:

1. Twenty-first Fiscal Period: March 1, 2016 – August 31, 2016
2. Percentage changes are compared to the previous period for operating revenues, operating income, ordinary income and net income.

3. The funds from which distributions are paid out for the Twenty-first Fiscal Period are the amount including the reversal of internal reserves (reserved for distribution) (179 million yen) and differ from “net income”.
4. DHI and Daiwa House REIT Investment Corporation (“DHR”) (collectively “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”).
For the forecast of results for the 22th and 23th fiscal period, please refer to the press release “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” announced today.

3. OTHER

(1) Changes in Accounting Policy

(A) Changes in accordance with revision of accounting standards: No

(B) Change except (A): No

(2) Total Number of Investment Units Outstanding

	(Units)	
	Total Number of Investment Units Outstanding as end of fiscal period (including Treasury Investment Units)	Treasury Investment Units as end of fiscal period
Twentieth Fiscal Period	747,740	—
Nineteenth Fiscal Period	747,740	—

The above forecasts were calculated based on currently available information and certain assumptions deemed reasonable by DHI. The actual results may change due to many factors. These forecasts also do not guarantee the amount of distributions.

This is a translation of the Kessan Tansin in Japanese, released on April 15, 2016 and was prepared solely for the convenience of readers outside in Japan. In case of any discrepancies between this translation and the Japanese original, the later shall prevail.
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