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For Immediate Release

Investment Corporation:
Daiwa House Residential Investment Corporation
7th Floor, Nissei Nagatacho Building
2-4-8 Nagatacho, Chiyoda-ku, Tokyo
Tetsuji Tada, Executive Director
(Code Number: 8984)

Asset Manager:
Daiwa House Asset Management Co., Ltd.
Koichi Tsuchida, CEO & President
Inquiries:
Hirotaka Uruma, CFO & Director
Finance & Corporate Planning Department
TEL: +81-3-3595-1265

Notice Concerning Revision of Operation Status Forecasts
for the 19th Fiscal Period and
Operation Status Forecasts for the 20th Fiscal Period

Daiwa House Residential Investment Corporation (“DHI”) announces the following revision of operation status forecasts for the fiscal period ending in August 2015 (19th Fiscal Period: from March 1, 2015 to August 31, 2015) from that announced on January 23, 2015, and the following newly-calculated operation status forecasts for the fiscal period ending in February 2016 (20th Fiscal Period: from September 1, 2015 to February 29, 2016).

Furthermore, as of today there are no changes to the operation status forecasts for the fiscal period ending in February 2015 (18th Fiscal Period: from September 1, 2014 to February 28, 2015) from that announced on October 9, 2014.

1. Reason for Announcement

DHI is announcing the revision of operation status forecasts for the fiscal period ending in August 2015 from that announced on January 23, 2015, and newly announcing the operation status forecasts for the fiscal period ending in February 2016 as a resolution was passed at a board of directors meeting held

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today to issue additional investment units and conduct secondary offering as well deciding to acquire assets.

2. Revision of Operation Status Forecasts for the 19th Fiscal Period and Operation Status Forecasts for the 20th Fiscal Period

(1) Revision of Operation Status Forecasts for the 19th Fiscal Period

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
19th Fiscal Period Previous forecasts (A)	8,664	3,846	3,065	3,065	4,325	—
19th Fiscal Period Revised forecasts (B)	9,438	4,066	3,231	3,230	4,350	—
Amount of increase (decrease) (B-A)	773	220	165	165	25	—
Rate of increase (decrease) (%)	8.9	5.7	5.4	5.4	0.6	—

(Note 1) DHI implemented a 2-for-1 split of investment units effective March 1, 2015. Therefore, 19th Fiscal Period Previous forecasts and 19th Fiscal Period Revised forecasts take this split into account.

(Note 2) Total distributions for the 19th Fiscal Period Previous forecasts include the reversal of internal reserves (168 million yen).

(Note 3) Total distributions for the 19th Fiscal Period Revised forecasts include the reversal of internal reserves (194 million yen).

(2) Operation Status Forecasts for the 20th Fiscal Period

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
20th Fiscal Period Forecasts	9,564	4,037	3,250	3,249	4,380	—

(Note) Total distributions for the 20th Fiscal Period Forecasts include the reversal of internal reserves (199 million yen).

[Reference]

Forecasted number of outstanding investment units for the 19th Fiscal Period: 787,340 units

Forecasted number of outstanding investment units for the 20th Fiscal Period: 787,340 units

[Note]

- (1) DHI assumes a total number of 39,600 units, the sum of 747,740 outstanding investment units as of March 9, 2015, the 36,000 investment units to be issued by issuance of new investment units through public offering and the 3,600 investment units to be issued by issuance of new investment units by way of third-party allotment that were both decided at a board of directors meeting held on March 9, 2015, will all be issued.
- (2) The above forecasts are the current operation status forecasts calculated based on the assumption in the attachment “Assumptions for Operating Forecasts of the 19th and 20th Fiscal Periods.” Actual operating revenue, operating income, ordinary income, net income and distributions per unit may vary due to factors such as the future acquisition or sale of real estate, etc. changes in rent income due to changes in tenants, etc., unanticipated need for repairs, fluctuations in the real estate market,

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etc., fluctuations in interest rates, the actual decided number and issue value of new investment units to be issued, and changes in other conditions surrounding DHI. Moreover, these forecasts are not intended as a guarantee of distribution amount.

- (3) Figures for monetary amounts are rounded down to the nearest specified unit, the same hereafter.
- (4) The funds from which distributions are paid out for the 19th Fiscal Period as well as for the 20th Fiscal Period are the amounts including the reversal of internal reserves and differ from “net income.”

3. Basis for Calculation of Forecasts for Total Distributions and Distribution per Unit for the 19th Fiscal Period and 20th Fiscal Period

(1) Distribution Policy

- (i) With the amount where the amount equivalent to capital expenditure is deducted from the amount equivalent to depreciation and amortization as the upper limit, the amount which will be decided by DHI will be reversed from internal reserves (18.4 billion yen as of the end of August 2014) and used to add to net income.

Furthermore, as of today it is DHI’s policy for the time being to set the target of the amount to be added to each fiscal period’s net income to be the amount equivalent to 10% the amount equivalent to depreciation and amortization of each fiscal period. However, this amount to be added is subject to change with due consideration to the external environment such as the financial economy, the overall situation of the J-REIT market, the situation of DHI’s owned assets and its financial situation, etc.

- (ii) Stabilization (Note) of distributions will be aimed for by reversing internal reserves in case net income falls below the initially expected amount due to extraordinary losses such as loss from disposition of properties, in case of the dilution of distribution due to capital increase, in case sufficient revenues could not be secured due to short operation periods of properties acquired during a fiscal period along with a capital increase, or in the case of extraordinary expenses such as issuance expenses arising.
- (iii) In case the operating performance results fall below forecasts, stabilization (Note) of distributions will be aimed by reversing internal reserves for the portion of the operating performance results that were lower than forecasts.

Furthermore, DHI’s reversals of internal reserves are reversals of internal reserves (reserve in preparation of distribution) and do not fall under distributions in excess of earnings (return of unitholders’ capital).

(Note) Under the new distribution policy, DHI has the policy to stabilize distributions. However, it is not intended as a guarantee or promise of the forecast distribution amounts.

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(2) Forecasts for the 19th Fiscal Period	
Net income (net income per unit)	3,230 million yen (4,103 yen)
Reversal of reserve in preparation of distribution (reversal of reserve in preparation of distribution per unit)	194 million yen (246 yen)
<u>Total distributions (distribution per unit)</u>	<u>3,424 million yen (4,350 yen)</u>
 (3) Forecasts for the 20th Fiscal Period	
Net income (net income per unit)	3,249 million yen (4,127 yen)
Reversal of reserve in preparation of distribution (reversal of reserve in preparation of distribution per unit)	199 million yen (252 yen)
<u>Total distributions (distribution per unit)</u>	<u>3,448 million yen (4,380 yen)</u>

* This press release (original Japanese version) 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.

* URL of the DHI's website: <http://daiwahouse-resi-reit.co.jp/eng/>

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Assumptions for Operating Forecasts of the 19th and 20th Fiscal Periods

Item	Assumptions
Period	<ul style="list-style-type: none"> • Fiscal period ending in August 2015: March 1, 2015 to August 31, 2015 (184 days) • Fiscal period ending in February 2016: September 1, 2015 to February 29, 2016 (182 days)
Assets under management	<ul style="list-style-type: none"> • DHI owns 136 real estate and trust beneficiary rights in real estate (“real estate, etc.”) as of today. • The acquisition of 5 properties to be acquired announced today will bring the total to 141 properties (assets under management). DHI assumes there will be no changes in portfolio composition (new property acquisitions or sale of acquired properties, etc.) from the 141 properties through to February 29, 2016. • The actual assets under management may vary as a result of changes in the portfolio composition, etc.
Investment Units Issued and Outstanding	<ul style="list-style-type: none"> • DHI assumes that a total number of 39,600 units, the sum of 747,740 outstanding investment units as of today, the 36,000 investment units to be issued by issuance of new investment units through public offering and the 3,600 investment units to be issued by issuance of new investment units by way of third-party allotment, the resolution was passed at a board of directors meeting held on March 9, 2015, will be issued. • DHI assumes that, after this, the number will not change through to February 29, 2016.
Operating Revenue	<ul style="list-style-type: none"> • Operating revenue include rent income, common area charges income, parking space income, incidental revenue, utilities income, key money, etc. Each of these items is calculated based on historical data and future projections. • The fiscal period average of month-end occupancy rates is expected to be 96.0% for the 19th Fiscal Period and 96.0% for the 20th Fiscal Period.
Operating Expenses	<ul style="list-style-type: none"> • Operating expenses include management fees, utilities expenses, non-life insurance expenses, depreciation and amortization, trust compensations, repair expenses, etc. For property tax, urban planning tax and depreciative property tax, 497 million yen is forecast for the 19th Fiscal Period and 498 million yen is forecast for the 20th Fiscal Period. As for property tax and urban planning tax which are to be settled with the previous owner (previous beneficiary) according to the number of days owned in conjunction with the new acquisition of real estate, etc., they are calculated into the acquisition cost and are therefore not recorded as expense. Each of these items is calculated based on historical data and future projections. • Selling, general and administrative expenses are estimated based on actual values or rates, etc. of each item individually. • Depreciation and amortization is calculated based on the straight-line method. Depreciation and amortization is expected to be 1,940 million yen for the 19th Fiscal Periods and 1,990 million yen for the 20th Fiscal Periods.
Balance of Interest-bearing Liabilities	<ul style="list-style-type: none"> • DHI assumes the balance of interest-bearing liabilities as of February 28, 2015 of 122,463 million yen and assumes the following changes in this balance: <ul style="list-style-type: none"> – New loan as the part of funds for the to-be-acquired assets in the amount of 10,000 million yen on March 31, 2015; and – Prepayment of the loan based on a commitment line agreement in the amount of 800 million yen on June 30, 2015. DHI assumes that there will be no subsequent change in the balance of interest-bearing liabilities through to February 29, 2016.
Non-operating Expenses	<ul style="list-style-type: none"> • Interest expenses, etc. (including borrowing related expenses) are expected to be 791 million yen for the 19th Fiscal Period and 789 million yen for the 20th Fiscal Period. • Investment unit issuance costs are expected to be 42 million yen for the 19th Fiscal Period.

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Distribution per Unit	<ul style="list-style-type: none"> • 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, based on “3. Basis for Calculation of Forecasts for Total Distributions and Distribution per Unit for the 19th Fiscal Period and 20th Fiscal Period” above, DHI assumes it will implement a reversal of part of internal reserves and make this the source of funds, aside from net income, and that it will implement a reversal of internal reserves (reserve in preparation of distribution) for the amount equivalent to 10% the amount equivalent to depreciation and amortization of each period (194 million yen for the 19th Fiscal Period (246 yen per unit) and 199 million yen for the 20th Fiscal Period (252 yen per unit)). • The amount of distributions per unit may vary due to factors such as acquisition or sale of real estate, etc., changes in rent income in conjunction with changes in tenants, etc., unanticipated need for repairs, fluctuations in the real estate market, etc., fluctuations in interest rates, the actual decided number and issue value of new investment units to be issued, and changes in other conditions surrounding DHI.
Distribution in Excess of Earnings per Unit	<ul style="list-style-type: none"> • DHI does not currently anticipate distributions in excess of earnings per unit.
Others	<ul style="list-style-type: none"> • DHI assumes that there will be no amendments to laws and regulations, the taxation system, accounting standards, listing regulations, Investment Trusts Association rules, etc. that would affect the above forecasts. • DHI assumes that there will be no unforeseen material changes in general economic conditions, real estate market conditions, etc.

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