

April 15, 2016

## Financial Results for the Fiscal Period Ended February 29, 2016 (September 1, 2015 - February 29, 2016)

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

Listing: Tokyo Stock Exchange

Securities code: 3263

URL: <http://www.daiwahouse-reit.jp/english/>

Representative: Masazumi Kakei, Executive Director

Asset manager: Daiwa House REIT Management Co., Ltd.

Representative: Hirotaka Najima, Representative Director, President and CEO

Inquiries: Haruto Tsukamoto

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Scheduled date of submitting Securities Report: May 26, 2016

Scheduled date of starting distribution payments: May 9, 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 February 29, 2016 (September 1, 2015 – February 29, 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 February 29, 2016	6,938	10.0	3,969	7.8	3,382	13.8	3,381	13.8
Fiscal period ended August 31, 2015	6,305	22.5	3,683	22.6	2,972	16.7	2,971	16.7

	Basic earnings per unit	Return on equity (ROE)	Ordinary income to total assets ratio	Ordinary income to operating revenues ratio
	Yen	%	%	%
Fiscal period ended February 29, 2016	9,642	3.1	1.5	48.7
Fiscal period ended August 31, 2015	8,657	3.1	1.5	47.1

#### (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 February 29, 2016	9,642	3,381	0	0	100.0	3.1
Fiscal period ended August 31, 2015	8,473	2,971	0	0	100.0	2.9

(Note) Due to the issuance of new investment units, the payout ratio for the fiscal period ended August 31, 2015 is calculated based on the following formula, rounded to the nearest tenth.

Payout ratio = Total distributions (excluding distributions in excess of earnings) / Profit × 100

### (3) Financial position

	Total assets	Net assets	Equity ratio	Net assets per unit
	Millions of yen	Millions of yen	%	Yen
As of February 29, 2016	222,081	108,840	49.0	310,353
As of August 31, 2015	216,936	108,430	50.0	309,183

### (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 February 29, 2016	7,028	(7,920)	1,029	14,510
Fiscal period ended August 31, 2015	2,289	(48,796)	45,215	14,372

## 2. Forecasts of operating results for the fiscal period from March 1, 2016 to August 31, 2016

(Percentage figures represent period-on-period changes)

	Operating revenues		Operating income		Ordinary income		Profit		Distributions per unit (excluding distributions in excess of earnings per unit)	Distributions in excess of earnings per unit
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Fiscal period ending August 31, 2016	7,148	3.0	3,760	(5.3)	3,157	(6.7)	3,157	(6.6)	9,000	0

(Reference) Forecasted basic earnings per unit

For the fiscal period ending August 31, 2016: ¥9,000

Forecasted basic earnings per unit is calculated using the following formula and amounts are rounded down to the nearest ¥10:

Forecasted basic earnings per unit = Forecasted profit / Forecasted total number of investment units issued at the end of the period

(Note) DHR and Daiwa House Residential Investment Corporation (hereinafter referred to as “DHI,” with the two together hereinafter referred to as “the Investment Corporations”) resolved at meetings of their respective boards of directors held today to conduct an absorption-type merger whereby DHI will be the surviving corporation and DHR will be the absorbed corporation (hereinafter referred to as “the Merger”) effective September 1, 2016, and concluded a merger agreement today, as described on page 9 in “2. Operating Policies and Results, (2) Operating Results, iii) Significant events after balance sheet date, (A) Merger between DHR and Daiwa House Residential Investment Corporation.”

Because DHR will cease to exist when the Merger becomes effective, DHR cannot pay distributions for the fiscal period ending August 31, 2016. Instead of these cash distributions, DHI, which will be the surviving corporation after the merger, will pay delivered money due to merger. Please refer to “2. Operating Policies and Results, (2) Operating Results, iii) Significant events after balance sheet date, (A) Merger between DHR and Daiwa House Residential Investment Corporation, (d) Cash payment upon the Merger” on page 10.

For forecasts of operating results of DHI as the surviving investment corporation after the Merger for the fiscal period from September 1, 2016 to February 28, 2017 and for the fiscal period from March 1, 2017 to August 31, 2017, please refer to the document released today by the Investment Corporations entitled “Notice Concerning Forecasts of Financial Results for the Fiscal Periods Ending February 28, 2017 and Ending August 31, 2017 Following the Merger of Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation.”

\* **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 February 29, 2016 350,700 units
  - As of August 31, 2015 350,700 units
- b. Number of treasury investment units at the end of the period
  - As of February 29, 2016 0 units
  - As of August 31, 2015 0 units

(Note) Please refer to “Per Unit Information” on page 41 for the number of investment units used as the basis for calculating basic earnings per unit.

\* **Status of auditing procedures**

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

\* **Remarks on appropriate use of forecasts of operating results and other special notes**

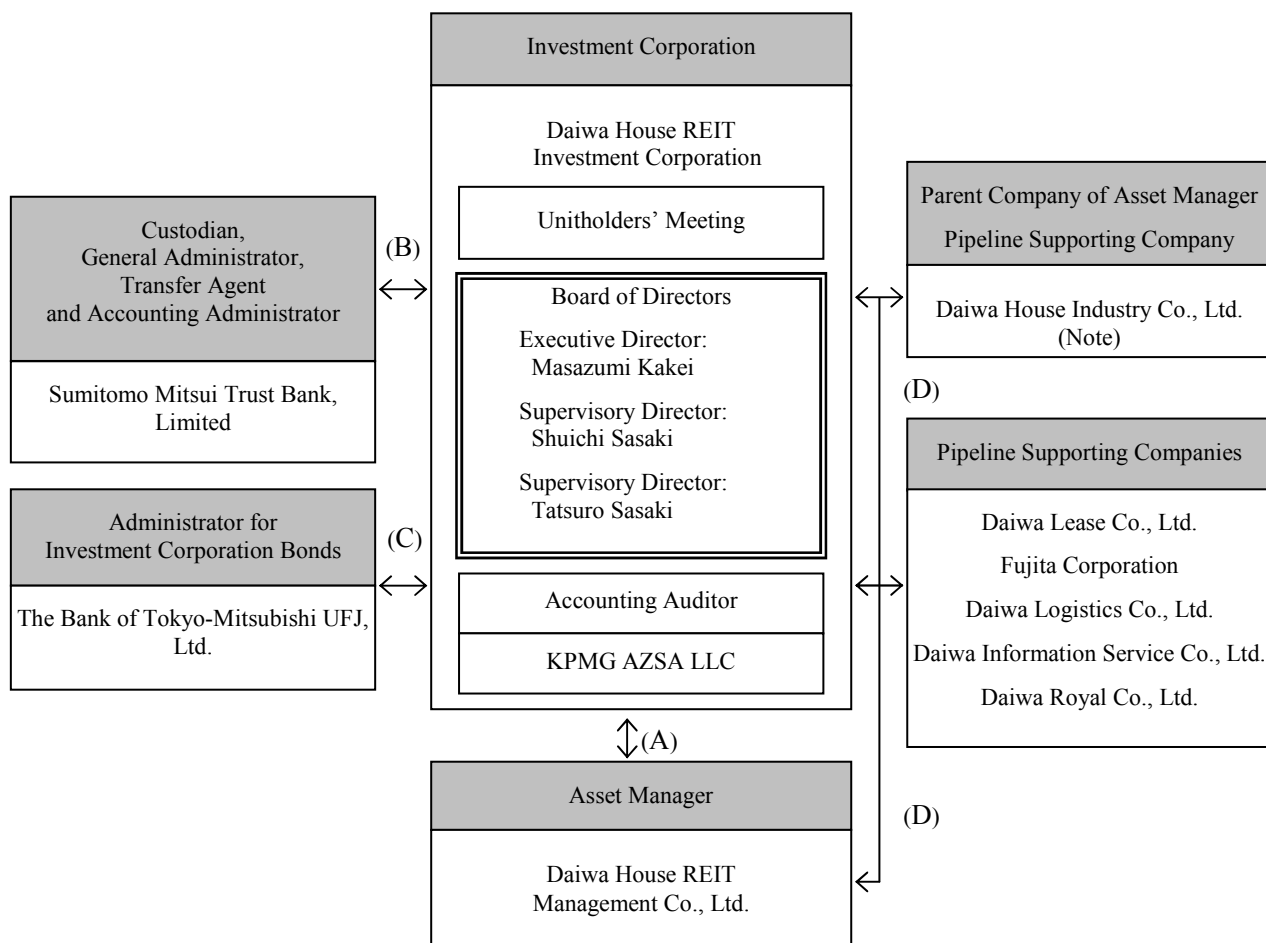
The forward-looking statements, including operating results forecasts, contained in these materials are based on information currently available to DHR and on certain assumptions deemed reasonable by DHR. The actual operating and other results may differ significantly from those presented herein as a consequence of numerous factors. These forecasts also do not guarantee the amount of distributions. Please refer to “Assumptions for Forecasts of Operating Results for the Fiscal Period Ending August 31, 2016” on pages 13 and 14 for information on assumptions for the forecasts of operating results.

**Disclaimer:**

This English translation has been prepared for general reference purposes only. DHR shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text released on April 15, 2016.

## 1. The Investment Corporation and Related Corporations

Names of affiliated corporations and other parties related to DHR as of the date of this financial results report, and an overview of related operations thereof, are as outlined below.



(A) Asset management agreement

(B) Asset custody agreement / General administration agreement / Transfer agency agreement / Accounting administration agreement

(C) Fiscal agent agreement

(D) Pipeline supporting agreements

(Note) Daiwa House Industry Co., Ltd. is classified as a specified affiliated corporation of the Asset Manager, as prescribed in Article 12, paragraph 3 of the Cabinet Office Ordinance on Disclosure of Information, etc. of Regulated Securities (Ordinance of the Ministry of Finance No. 22 of 1993, as amended).

## 2. Operating Policies and Results

### (1) Operating Policies

As there have been no significant changes in policies described in “Investment Policy,” “Investment Properties” and “Distribution Policy” in the latest Securities Report (submitted on November 25, 2015; prepared in Japanese only), the disclosure is omitted.

### (2) Operating Results

#### i) Summary of results for the current fiscal period

##### (A) Transition of the Investment Corporation

DHR was established on September 14, 2007, in accordance with the Act on Investment Trusts and Investment Corporations (hereinafter referred to as the “Investment Trusts Act”), with the Asset Manager as the organizer, and completed its registration in the Kanto Local Finance Bureau on October 23, 2007 (Director-General of the Kanto Local Finance Bureau No. 66).

DHR issued new investment units through public offering on November 27, 2012. The following day, November 28, 2012, DHR was listed (with the securities code number 3263) on the J-REIT section of the Tokyo Stock Exchange, Inc.

To achieve its basic investment policy of focusing predominantly on “stability” in the management of its assets, DHR targets investment in logistics and retail properties, investing in “high-performance logistics properties” and “specialty retail complexes.” In addition, DHR is planning steady growth in the scale of its assets by acquiring highly competitive assets through collaboration with the Daiwa House Group (see Note 1), which has an extensive logistics and retail properties development track record supported by an extensive land information network and a customer base covering the whole country. Furthermore, DHR has its sights set on maintaining and improving the value of its assets through operations and management that maximize their competitiveness.

In the current fiscal period (ended February 29, 2016), DHR acquired DREAM TOWN ALi, a retail property (acquisition price of ¥7,790 million) using funds raised in loan financing. Consequently, DHR held a total of 41 properties as of February 29, 2016 (total acquisition price of ¥203,763 million) (see Note 2).

(Note 1) The Daiwa House Group comprises Daiwa House Industry Co., Ltd. (hereinafter referred to as “Daiwa House”), its 142 consolidated subsidiaries, two non-consolidated subsidiaries, 25 equity-method associates, and two non-equity-method associates, as of March 31, 2016. The same shall apply hereinafter.

(Note 2) The “total acquisition price” shown is rounded to the nearest million yen. The same shall apply hereinafter.

##### (B) Investment environment and performance

The Japanese economy is showing signs of gradual recovery, with corporate earnings and capital expenditure on the rise thanks to the government’s economic policies and the Bank of Japan’s monetary policy.

In the real estate market, the increased investor confidence that has come from the relaxing of financial regulation and other policy changes has continued to buoy up land values—around 90 % of the 100 intensively-developed major urban districts showed an increase in land value according to the Land Value LOOK Report published by the Ministry of Land, Infrastructure, Transport and Tourism in February 2016.

The Tokyo Stock Exchange (“TSE”) REIT Index rose to the highest level in eight years in January 2015, but the J-REIT market has tended to be bearish since then, and investors have been increasingly risk-averse due to concerns about overseas stock markets and public finances, particularly since late June 2015. However, the TSE REIT Index once again began to rise, due in part to the effect of lower government bond yields as a result of the Bank of Japan’s newly-implemented negative interest rate policy in January 2016. Moreover, asset acquisitions by J-REIT from January to December 2015 remained strong despite slowing down in the second half, and overall J-REIT asset acquisitions totaled JPY 1.6146 trillion, up 0.8% year on year.

With regard to the logistics properties that DHR targets for investment, there is a significant increase in supply of new logistics properties from the current year onward, but while there are concerns that this may lead to a temporary rise in the vacancy rate, the high-performance large logistics properties that make up the bulk of this new supply, and we expect a continuation of the current bottomed-out stage due to healthy demand and a broadening of the development area for the logistics properties.

With regard to the business environment surrounding retail properties which are another target of our investment, the retail sales total for calendar 2015 according to the commercial sales statistics (excluding automobile and fuel sales) has held firm, increasing 1.1% from the previous year, aided by improvement in the Japanese economy's employment and income climate. In the supermarket and convenience store industries, where sales totals have been firm, some companies have been providing new customer services in partnership with mail order retailers and home delivery providers to target elderly households and double-income households, while due to the effects of inbound tourism, businesses targeting foreigners are on an expanding trend.

In this investment environment, DHR drew on its Daiwa House Group pipeline in acquiring the retail property DREAM TOWN ALi (acquisition price of ¥7,790 million) during the current fiscal period (ended February 29, 2016), thereby enabling DHR to expand and diversify its portfolio. As a result, as of February 29, 2016 DHR owned 41 properties (with a total book value of ¥197,336 million at the end of the period) with a total leasable area of 1,002,859.37 m<sup>2</sup> and an occupancy rate of 99.95% (the figure is rounded down to the nearest 100th).

#### (C) Overview of financing

In the current fiscal period (ended February 29, 2016), DHR raised funds of ¥5,000 million in long-term loans on September 28, 2015 to partially cover the acquisition costs for trust beneficiary interests in real estate as well as related expenses. In addition, in order to partially cover repayments of existing borrowings, DHR raised funds of ¥19,000 million in long-term loans on November 30, 2015. Of the amount of long-term loans, DHR arranged fixed rates of interest by entering into interest rate swap agreements with respect to ¥23,000 million of the loans that are subject to floating interest rates. Consequently, as of February 29, 2016, DHR's total interest-bearing debt was ¥102,000 million (total borrowings of ¥100,000 million and total investment corporation bonds of ¥2,000 million), while its ratio of long-term loans (Note 1) and ratio of fixed-rate loans (Note 2) were each 96.1%.

The credit rating DHR has obtained from the external credit rating agency as of February 29, 2016 is as follows:

Rating agency	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: AA-	Stable
	Rating on bonds (1st Unsecured Investment Corporation Bonds): AA-	—

(Note 1) "Ratio of long-term loans" shown is the ratio of long-term interest-bearing debt to the total amount of interest-bearing debt as of February 29, 2016. Long-term interest-bearing debt for which the time until the date of repayment upon maturity or the date of redemption is less than one year as of February 29, 2016, are also calculated as long-term interest-bearing debt.

(Note 2) "Ratio of fixed-rate loans" shown is the ratio of interest-bearing debt with fixed interest rates to the total amount of interest-bearing debt as of February 29, 2016. For interest-bearing debt of which interest rates are effectively fixed through the use of interest rate swap agreements, the calculation of the ratio of fixed-rate loans is carried out by deeming it as interest-bearing debt with a fixed interest rate.

#### (D) Overview of financial results and distributions

In the current fiscal period (ended February 29, 2016), operating revenues came to ¥6,938 million, operating income came to ¥3,969 million, ordinary income came to ¥3,382 million, and profit came to ¥3,381 million.

As a result of the above-mentioned performance, in accordance with the distribution policy stipulated in Article 46, item 1 of the Articles of Incorporation of DHR, it was decided that the full amount of unappropriated retained earnings would be distributed, except fractions of less than ¥1 of distributions per investment unit. The aim would be to include earnings distributions in tax deductible expenses

based on application of special provisions for taxation (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per investment unit came to ¥9,642.

## ii) Outlook for next fiscal period

We expect Japan's domestic economy to remain on track to recovery stemming in part from positive effects of the government's economic stimulus measures.

In the J-REIT market, the high level of appetite for investment among investment corporations seems likely to persist, underpinned by the prevailing fundraising environment and a trend toward lower returns expected by investors. On the other hand, the investment environment is becoming increasingly severe amid factors that include signs of overheating prices for some investment real estate, while we also envision a scenario of greater diversification of investment targets and substance such as in terms of greater investment in locations other than the three major metropolitan areas of Japan, additional investment in current asset holdings, and funds flowing to redevelopment initiatives.

DHR will focus predominantly on its basic policy of "stability" in the management of its assets and, continuing to target long-term, stable earnings and maximize unitholder value, DHR will work to further expand the scale of its assets while maintaining and enhancing asset value over the medium to long term.

### (A) External growth strategy

DHR aims to achieve consistent external growth, and has accordingly entered into pipeline supporting agreements (hereinafter, the "supporting agreements") separately with Daiwa House, Daiwa Lease Co., Ltd., Fujita Corporation, Daiwa Logistics Co., Ltd, Daiwa Information Service Co., Ltd., and Daiwa Royal Co., Ltd. with its sights set on achieving the objectives set forth in its growth strategy pursued in collaboration with the Daiwa House Group. Through these agreements, DHR intends to achieve the objectives set forth in its external growth strategy by fully leveraging the development capabilities of its sponsor Daiwa House in supplying community-based properties that draw on the strengths of respective regional economies through the Daiwa House Group's nationwide land information network.

By constructing a mechanism that enables the understanding and sharing of DHR's investment policy with the Daiwa House Group, DHR will seek to enjoy continuous support, including from the development phase, for a supply of properties that fit the needs of tenants and that result in long-term lease agreements to achieve long-term and stable cash flow.

In addition to obtaining information on properties from the Daiwa House Group, DHR intends to proactively collect information from independent information sources available to the Asset Manager and make efforts to acquire quality assets using such information. Further, in connection with the acquisition of properties from parties outside the Daiwa House Group, DHR may seek to utilize warehousing services provided by the Daiwa House Group until DHR's acquisition of properties, as contemplated under the supporting agreements.

### (B) Internal growth strategy

As DHR's investment policy is to select properties with long-term and stable lease agreements, DHR considers it important to promote internal growth by engaging in cost reduction by streamlining operations in order to enhance profitability of acquired properties.

Furthermore, DHR believes that, under the principle of "industrialization of construction," Daiwa House has realized standardization and efficiency in design and construction. It has constructed economical and well-planned, easily-maintained buildings using solid construction and technical capabilities as well as its abundant experience and know-how with respect to logistics and retail properties throughout Japan.

DHR believes that by receiving consistent support from the Daiwa House Group on a long-term basis, ranging from building and facilities maintenance to short-term repair, long-term repair, renewal construction and redevelopment, DHR can optimize life cycle costs by taking advantage of the Daiwa House Group's know-how, understanding the status of buildings through well-planned and periodic inspections and implementing adequate and timely preventive repairs and improving performance.

DHR will seek to engage in operations and management that take advantage of the Daiwa House Group's know-how through the Daiwa House Group's support with respect to life cycle costs and its

property management, and will also take measures to maintain and improve competitiveness and asset values. In such manner, DHR will seek to maintain and improve rent and occupancy rates and reduce costs.

Meanwhile, DHR will persist with its investment in energy conservation and initiatives geared toward environmentally sound solutions that enhance profitability through efforts which include installing LED lighting in our current asset holdings.

(C) Financial strategy

DHR seeks as its basic policy to execute a well-planned and flexible financial strategy with the aim of ensuring sustainable profits on a medium- to long-term basis, contributing to the steady growth and efficient management of its properties and creating management stability.

DHR is also working to improve the stability of its financial base by maintaining and expanding its solid lender formation, while also taking steps geared toward diversifying methods of raising capital through issuance of investment corporation bonds, extending repayment periods on interest-bearing debt, fixing interest rates, and staggering repayment dates.

(D) Merger between DHR and Daiwa House Residential Investment Corporation

By applying its traditional investment strategy, DHR has used to work towards achieving sustainable external growth and stable dividends, with the aim of increasing value of investment units through long term stable cash flow and solid growth of the portfolio. However, DHR currently faces its challenges: DHR has relatively limited available strategies for efficiently swapping out investments and achieving internal growth at its positioning in the logistics REIT sector and its current portfolio size.

It was with this in mind that DHR first agreed to begin negotiations with DHI which deals in residential properties for a merger as one option for addressing these challenges and promoting the future growth of DHR. After careful deliberations, DHR determined that the Merger was the most effective strategy for maximizing unitholder value based on improved distribution through stable cash flow and solid growth of the portfolio. As such, DHR and DHI resolved at meetings of their respective boards of directors held on April 15, 2016, to implement the merger effective September 1, 2016, and executed a merger agreement (hereinafter referred to as the “Merger Agreement”) as of today’s date.

For overview of the Merger, please refer to “2. Operating Policies and Results, (2) Operating Results, iii) Significant events after balance sheet date, (A) Merger between DHR and Daiwa House Residential Investment Corporation” on page 9.

(E) Forecasts of operating results for the fiscal period ending August 31, 2016

	Operating revenues	Operating income	Ordinary income	Profit	Distributions per unit (excluding distributions in excess of earnings per unit)	Distributions in excess of earnings per unit
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
Fiscal period ending August 31, 2016	7,148	3,760	3,157	3,157	9,000	0

(Note) The Investment Corporations resolved at meetings of their respective boards of directors held on April 15, 2016, to implement the Merger effective September 1, 2016, and concluded a merger agreement on April 15, 2016, as described on page 9 in “2. Operating Policies and Results, (2) Operating Results, (iii) Significant events after balance sheet date, (A) Merger between DHR and Daiwa House Residential Investment Corporation.”

Because DHR will cease to exist when the Merger becomes effective, DHR cannot pay distributions for the fiscal period ending August 31, 2016. Instead of these cash distributions, DHI, which will be the surviving corporation after the Merger, will pay delivered money due to merger. Please refer to “2. Operating Policies and Results, (2) Operating Results, iii) Significant events after balance sheet date, (A) Merger between DHR and Daiwa House Residential Investment Corporation, (d) Cash payment upon the Merger” on page 10.

For forecasts of operating results of DHI as the surviving investment corporation after the Merger for the fiscal period from September



1, 2016 to February 28, 2017 and for the fiscal period from March 1, 2017 to August 31, 2017, please refer to the document released today by the Investment Corporations entitled “Notice Concerning Forecasts of Financial Results for the Fiscal Periods Ending February 28, 2017 and Ending August 31, 2017 Following the Merger of Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation.”

For the assumptions for the forecasts above, please refer to “Assumptions for Forecasts of Operating Results for the Fiscal Period Ending August 31, 2016” on pages 13 and 14. Due to changes in the circumstances surrounding DHR, actual operating revenues, operating income, ordinary income, profit and distributions per unit may change. Furthermore, these forecasts do not guarantee the amount of distributions.

DHR expects the following major factors for changes from the fiscal period ended February 29, 2016: (Operating revenues) (+¥209 million on a period-on-period basis)

- Revenues from common service fees, etc. arising from modification of the master lease agreement and property management agreement for FOLEO Hirakata
- Contribution of revenues related to rent business on one property that was acquired in the fiscal period ended February 28, 2015 through the fiscal period

(Operating expenses) (+¥418 million on a period-on-period basis)

- Imposition of property-related taxes on seven properties that were acquired in the fiscal periods ended August 31, 2014 and February 28, 2015
- Incurrence of cost of utilities, etc. due to modification of the master lease agreement and property management agreement for FOLEO Hirakata
- Incurrence of expenses related to rent business on one property that was acquired in the fiscal period ended February 28, 2015 through the fiscal period.

### iii) Significant events after balance sheet date

#### (A) Merger between DHR and Daiwa House Residential Investment Corporation

DHR and DHI resolved at meetings of their respective boards of directors held on April 15, 2016, to implement the merger effective September 1, 2016, and concluded a merger agreement today.

##### (a) Purpose of the Merger

The Investment Corporations have to date used their individual strengths to work towards securing stable income over the medium to long term and steadily growing their assets, with the aim of sustainably increasing unitholder value. However, each faces its own challenges: DHI's LTV ratio remains high, and its portfolio specialized in residential properties offers limited opportunities for internal growth, while DHR has relatively limited available strategies for efficiently swapping out investments and achieving internal growth at its positioning in the logistics REIT sector and its current portfolio size. It was with this in mind that the Investment Corporations first agreed to begin negotiations for a merger as one option for addressing these challenges and promoting the future growth of both companies. After careful deliberations, the Investment Corporations determined that the Merger was the most effective strategy for maximizing unitholder value based on improved distribution through stable cash flow and solid growth of the portfolio. As such, the Investment Corporations have today executed the Merger Agreement.

The Investment Corporations expect the following to result from the Merger: (i) enhanced external growth potential and further internal growth opportunities through the shift to a diversified REIT, (ii) improvement of the position in the J-REIT market and asset-management flexibility through scale enhancement, and (iii) acceleration of growth leveraging the value chain of the Daiwa House Group's integrated capabilities, among other positive effects.

The Daiwa House Group, the sponsor, has set its management vision of “Endless Heart” and “co-create value for individuals, communities and peoples' lifestyles,” and has committed itself to “contributing to society” through business development in diversified categories to meet social needs and through aggressive innovation and the development of new categories. The Daiwa House Group has realized the “creation of shareholders' value” that generates greater economic value than the capital cost, steadily over the medium-to-long-term. The Investment Corporations will follow

this Daiwa House Group's philosophy.

The surviving corporation after the Merger will shift to a diversified REIT that invests in new types of properties, such as hotels, office buildings, and so on, in addition to those that the Investment Corporations have dealt in to date. Its policy will be to leverage the Daiwa House Group's integrated capabilities to enhance its growth potential, improve the profitability and quality of its portfolio, and achieve sustainable external growth and stable dividends.

Note that, along with the Merger, an absorption-type merger (hereinafter referred to as the "Asset Manager Merger") will be implemented effective as of September 1, 2016 with Daiwa House Asset Management Co., Ltd., the asset manager of DHI, as the surviving company and the Asset Manager as the absorbed company, subject to the Merger taking effect, in order for the assets held by the surviving corporation after the Merger to be managed efficiently.

For the details of the Merger and the Asset Manager Merger, please refer to the press release issued on April 15, 2016 titled "Notice Concerning Execution of Merger Agreement Between Daiwa House Residential Investment Corporation and Daiwa House REIT Investment Corporation" and "Notice Concerning Execution of Merger Agreement Between Daiwa House Asset Management Co., Ltd. and Daiwa House REIT Management Co., Ltd."

(b) Method of the Merger

The Merger will be an absorption-type merger wherein DHI will be the surviving corporation and DHR will be dissolved.

(c) Merger Ratio

For the Merger, 2.2 units of DHI per unit of DHR will be allotted to the unitholders of DHR. Since this will generate fractions less than one unit for the number of investment units to be issued, those fractional units less than one unit will be sold through a market transaction in accordance with statutory provisions, and the proceeds from the sale will be delivered to the unitholders who hold fractions in proportion to the size of their holdings.

(d) Cash payment upon the Merger

In lieu of cash distributions to the unitholders of DHR for DHR's fiscal period ending on the day immediately preceding the effective date of the Merger, DHI plans to make a payment upon the merger that will be equivalent to the cash distributions of DHR for that fiscal period (a merger payment equal to the distributable profit amount of DHR as of the day immediately preceding the effective date of the Merger divided by the number of investment units after deducting the number of investment units held by unitholders other than the Allotted Unitholders (defined below) of DHR from the total number of outstanding investment units of DHR as of the day immediately preceding the effective date of the Merger), to its unitholders (excluding unitholders who have requested the purchase of their investment units in accordance with Article 149-3 of the Investment Trusts Act) (hereinafter referred to as the "Allotted Unitholders") entered in or recorded on the final unitholders register of DHR as of the day immediately preceding the effective date of the Merger, within a reasonable period after the effective date of the Merger. Details will be announced as soon as they are determined.

(B) Matters to be submitted to the 12th Unitholders' Meeting

At the 12th Unitholders' Meeting scheduled for May 27, 2016, DHR intends to submit proposals for the approval of the Merger Agreement; the termination of the asset management agreement with the Asset Manager; the election of Directors (one Executive Director, one Substitute Executive Director, two Supervisory Directors and one Substitute Supervisory Director) as well as for the partial amendment of the Articles of Incorporation.

(C) Acquisition of assets

DHR has concluded the purchase agreements regarding the acquisition of the following assets on April 15, 2016. The surviving investment corporation after the Merger is then expected to acquire the respective assets subject to the effectuation of the Merger, etc.

Property name	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)
Planned acquisition price (Note 1)	¥7,600,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd. DO Shin-Toshin Development Tokutei Mokuteki Kaisha
Asset type	Trust beneficiary interest in real estate (Note 4)
Location (Address)	1-1-12, Omoromachi, Naha-shi, Okinawa
Planned acquisition date (Note 3)	September 28, 2016

Property name	D Project Hibiki Nada
Planned acquisition price (Note 1)	¥2,080,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate (Note 4)
Location	3-1-5, Hibiki-machi, Wakamatsu-ku, Kitakyushu-shi, Fukuoka
Planned acquisition date (Note 3)	September 28, 2016

Property name	D Project Morioka II
Planned acquisition price (Note 1)	¥1,280,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate (Note 4)
Location (Address)	3-15, Ogama-kazabayashi, Takizawa-shi, Iwate
Planned acquisition date (Note 3)	September 28, 2016

Property name	Sports Depo, GOLF5 Kokurahigashi IC Store
Planned acquisition price (Note 1)	¥2,230,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location (Address)	2-18-17, Kamikuzuhara, Kokuraminami-ku, Kitakyushu-shi, Fukuoka
Planned acquisition date (Note 3)	September 28, 2016

(Note 1) Acquisition price does not include acquisition expenses which were incurred in connection with the acquisition, settlement money such as taxes and duties, and consumption taxes.

(Note 2) As Daiwa House Industry Co., Ltd. is an interested party, etc. as defined in the Investment Trusts Act, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its internal rules to avoid transactions with conflicts of interest.

DO Shin-Toshin Development Tokutei Mokuteki Kaisha, the seller of Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi), is not an interested party, etc. under the Investment Trusts Act. The said Tokutei Mokuteki Kaisha, however, is a special purpose company set up with the aim of acquiring, holding and disposing of specified assets partially invested in by Daiwa House Industry Co., Ltd., which is the parent company of the Asset Manager, and is classified as an interested party as stipulated in the Asset Manager's internal rules to avoid transactions with conflicts of interest. As such, the Asset Manager has gone through the necessary discussion and resolution procedures.

(Note 3) The purchase agreement for acquisition of each above property is deemed a forward commitment, etc. (a forward-dated purchase agreement in which settlement and transfer of the property are carried out at least one month after the agreement is concluded, as well as certain other similar agreements).

Under the purchase agreement, if a party breaches the respective purchase agreement, then the non-breaching party may cancel the purchase agreement upon notice to the breaching party, but only if the non-breaching party is no longer able to fulfill the purpose of the respective purchase agreement due to the other party's breach. In the event the purchase agreement is cancelled, the non-breaching party may demand the breaching party to pay a penalty in the amount equal to approximately 20% of the respective purchase price (as such penalty is expected to constitute damage payment, the non-breaching party may not claim for damages in the amount exceeding such penalty amount).

The payment of the respective purchase price by the surviving corporation after the Merger, however, is subject to the surviving corporation after the Merger completing the financing necessary to pay the respective purchase price. Hence, if the surviving corporation after the Merger is unable to complete the financing necessary to pay the purchase price, the respective purchase agreement will expire without the surviving corporation after the Merger assuming any obligations under the purchase agreement, including payment of any penalty or compensation such as payment of damages. Thus, if the surviving corporation after the Merger cannot fulfill the forward commitment, etc. due to failing to complete the financing, it is unlikely that such non-fulfillment will have any material impact on the financial situation of the surviving corporation after the Merger.

- (Note 4) As of the date of this financial results report, the asset to be acquired stands as physical real estate. By the time of planned acquisition date, however, the asset is expected to be transferred to the trustee by the current owner and the surviving corporation after the Merger is expected to acquire the beneficiary interest in the respective real estate.

### Assumptions for Forecasts of Operating Results for the Fiscal Period Ending August 31, 2016

Item	Assumptions
Accounting period	<ul style="list-style-type: none"> <li>Fiscal period ending August 31, 2016 (17th fiscal period: 184 days from March 1, 2016 to August 31, 2016)</li> </ul>
Portfolio	<ul style="list-style-type: none"> <li>DHR has assumed that there will be no changes until August 31, 2016 in the composition of DHR's portfolio (acquisition of new properties or sale of the current properties) associated with the total of 41 trust beneficiary interests in real estate held by DHR (including the trust beneficiary interest to be acquired on June 15, 2016 (D Project Tosu (Extended Building), hereinafter referred to as the "Asset Scheduled for Acquisition")) as of the date of this financial results report.</li> <li>Changes in the composition of the Portfolio may, however, occur.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>DHR has calculated its revenues related to rent business taking into account the relevant lease agreements effective as of the date of this financial results report, market trends, etc. DHR has calculated revenues from property leasing of the Asset Scheduled for Acquisition taking into account information provided by the current owners of property, lease agreements scheduled to be effective as of the acquisition date of the Asset Scheduled for Acquisition, market trends, etc.</li> <li>DHR has assumed no delinquencies or non-payment of rents by tenants.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Operating expenses mainly comprise expenses related to rent business. Those expenses, excluding depreciation of the current properties, are calculated based on past performance, making certain adjustments as appropriate considering factors causing changes in expenses. DHR has calculated those expenses for the Asset Scheduled for Acquisition based on past performance using information provided by the current owners of each property, making certain adjustments as appropriate considering the factors causing changes in expenses, etc.</li> <li>DHR has assumed that DHR will incur depreciation expenses of ¥1,505 million. This figure is calculated using the straight-line method.</li> <li>DHR has estimated property tax and city planning tax, etc. at ¥627 million. Generally, when a property is sold, the purchaser of the property typically reimburses the seller for the pro rata portion of property tax and city planning tax, etc. that has previously been paid by the seller. However, this reimbursed amount is usually included in the acquisition cost and is not booked under expenses.</li> <li>DHR has assumed that DHR will incur certain repairs and maintenance expenses for the ongoing repair and maintenance of the properties in DHR's portfolio based on the medium- to long-term repair and maintenance plan prepared by the Asset Manager. However, actual repairs and maintenance expenses 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, and (iii) expenses are not incurred based on a regular schedule.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>DHR has assumed interest expenses and other borrowing-related expenses, etc. of ¥603 million.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>As of the date of this financial results report, DHR has a total interest-bearing debt of ¥102,000 million. DHR has assumed the balance of outstanding interest-bearing debt will be unchanged until August 31, 2016.</li> </ul>
Investment units	<ul style="list-style-type: none"> <li>The total number of investment units is based on DHR's assumption of 350,700 units, which is the number of investment units issued as of the date of this financial results report. 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, 2016.</li> </ul>
Distributions per unit	<ul style="list-style-type: none"> <li>DHR has calculated distributions (distributions per unit) based on the distribution policy prescribed in DHR's Articles of Incorporation.</li> <li>Changes in DHR's portfolio, fluctuations in rental revenues 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.</li> </ul>

Item	Assumptions
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>DHR has no plans to pay distributions in excess of earnings as of the date of this financial results report.</li> </ul>
Others	<ul style="list-style-type: none"> <li>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.</li> <li>DHR's forecasts assume no unforeseen significant changes in general economic trends or conditions in the real estate market.</li> </ul>

### (3) Investment Risk

The following risks have been added to “Investment Risk” as described in the latest Securities Report (submitted on November 25, 2015; prepared in Japanese only).

Risks related to the merger etc. with DHI

DHR and DHI resolved at meetings of their respective boards of directors held on April 15, 2016, to implement the merger effective September 1, 2016, and concluded a merger agreement as of April 15, 2016.

However, for this merger to be implemented, it is necessary for it to be approved at DHR and DHI's respective Unitholders' Meetings and for all other requirements to be fulfilled. In the event that this merger is not implemented, whatever the reason may be, there is a possibility of effects such as a drop in price for DHR's investment units as well as a possibility of DHR's revenue etc. being negatively affected. As a result, it is possible that unitholders will be subject to loss.

Also, even in the event that this merger is implemented, there is no guarantee that the expected synergy effect of the merger will be realized, and it is possible that unitholders will be subject to loss.

### 3. Financial Statements

#### (1) Balance Sheets

(Unit: Thousands of yen)

	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	11,110,239	11,271,952
Cash and deposits in trust	12,048,374	12,497,527
Operating accounts receivable	14,751	56,527
Prepaid expenses	157,416	185,670
Consumption taxes receivable	2,176,852	—
Other	511	441
Total current assets	25,508,145	24,012,118
Non-current assets		
Property, plant and equipment		
Buildings in trust	95,377,041	98,290,417
Accumulated depreciation	(6,685,095)	(8,101,330)
Buildings in trust, net	88,691,945	90,189,086
Structures in trust	3,313,287	3,509,049
Accumulated depreciation	(322,641)	(384,900)
Structures in trust, net	2,990,645	3,124,148
Machinery and equipment in trust	343,654	343,654
Accumulated depreciation	(24,975)	(33,789)
Machinery and equipment in trust, net	318,679	309,864
Land in trust	98,885,149	103,713,238
Construction in progress in trust	—	3,889
Total property, plant and equipment	190,886,420	197,340,227
Intangible assets		
Other	1,530	1,190
Total intangible assets	1,530	1,190
Investments and other assets		
Investment securities	*4 6,455	*4 6,535
Long-term prepaid expenses	515,282	703,756
Total investments and other assets	521,737	710,292
Total non-current assets	191,409,687	198,051,709
Deferred assets		
Investment corporation bond issuance costs	19,108	18,075
Total deferred assets	19,108	18,075
Total assets	216,936,941	222,081,904

(Unit: Thousands of yen)

	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	60,508	148,631
Short-term loans payable	4,000,000	4,000,000
Current portion of long-term loans payable	20,000,000	15,000,000
Accounts payable - other	15,364	13,524
Accrued expenses	433,261	530,501
Income taxes payable	605	605
Accrued consumption taxes	—	86,672
Advances received	853,198	883,591
Other	63,888	48,245
Total current liabilities	25,426,826	20,711,772
Non-current liabilities		
Investment corporation bonds	2,000,000	2,000,000
Long-term loans payable	72,000,000	81,000,000
Tenant leasehold and security deposits in trust	9,079,288	9,529,140
Total non-current liabilities	83,079,288	92,529,140
Total liabilities	108,506,115	113,240,912
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	105,459,198	105,459,198
Surplus		
Unappropriated retained earnings (undisposed loss)	2,971,627	3,381,792
Total surplus	2,971,627	3,381,792
Total unitholders' equity	108,430,826	108,840,991
Total net assets	*3 108,430,826	*3 108,840,991
Total liabilities and net assets	216,936,941	222,081,904



## (2) Statements of Income

(Unit: Thousands of yen)

	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Operating revenues		
Rent revenues - real estate	*1, *2 6,200,791	*1, *2 6,757,082
Other lease business revenues	*2 104,514	*2 181,865
Total operating revenues	6,305,305	6,938,947
Operating expenses		
Expenses related to rent business	*1, *2 2,140,913	*1, *2 2,383,668
Asset management fee	376,147	465,452
Asset custody fee	14,463	19,036
Administrative service fees	16,177	18,176
Directors' compensations	6,000	6,000
Other operating expenses	67,694	77,198
Total operating expenses	2,621,397	2,969,531
Operating income	3,683,907	3,969,415
Non-operating income		
Interest income	2,348	2,250
Interest on refund of consumption taxes	—	1,778
Insurance income	255	1,013
Other	80	300
Total non-operating income	2,683	5,342
Non-operating expenses		
Interest expenses	456,965	484,399
Interest expenses on investment corporation bonds	8,365	8,275
Amortization of investment corporation bond issuance costs	1,032	1,032
Investment unit issuance expenses	149,910	—
Borrowing related expenses	98,092	98,799
Total non-operating expenses	714,367	592,507
Ordinary income	2,972,224	3,382,251
Income before income taxes	2,972,224	3,382,251
Income taxes - current	605	605
Total income taxes	605	605
Profit	2,971,619	3,381,646
Retained earnings brought forward	8	146
Unappropriated retained earnings (undisposed loss)	2,971,627	3,381,792

### (3) Statements of Unitholders' Equity

Previous fiscal period (From March 1, 2015 to August 31, 2015)

(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	78,048,300	2,545,653	2,545,653	80,593,954	80,593,954
Changes of items during period					
Issuance of new investment units	27,410,897			27,410,897	27,410,897
Dividends of surplus		(2,545,645)	(2,545,645)	(2,545,645)	(2,545,645)
Profit		2,971,619	2,971,619	2,971,619	2,971,619
Total changes of items during period	27,410,897	425,974	425,974	27,836,871	27,836,871
Balance at end of current period	*1 105,459,198	2,971,627	2,971,627	108,430,826	108,430,826

Current 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					
Dividends 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	*1 105,459,198	3,381,792	3,381,792	108,840,991	108,840,991

#### (4) Statements of Cash Distributions

Item	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
	Amount (Yen)	Amount (Yen)
I Unappropriated retained earnings	2,971,627,843	3,381,792,820
II Distributions	2,971,481,100	3,381,449,400
[Distributions per investment unit]	[8,473]	[9,642]
III Earnings carried forward	146,743	343,420

Calculation method for distributions	Based on the distribution policy set forth in Article 46, item 1 of the Articles of Incorporation of 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, DHR will pay earnings distributions at the total amount of ¥2,971,481,100, 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 DHR will not pay the portion of amount that exceeds the earnings defined in Article 46, item 2 of the Articles of Incorporation of DHR.	Based on the distribution policy set forth in Article 46, item 1 of the Articles of Incorporation of 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, 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 DHR will not pay the portion of amount that exceeds the earnings defined in Article 46, item 2 of the Articles of Incorporation of DHR.
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## (5) Statements of Cash Flows

(Unit: Thousands of yen)

	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Cash flows from operating activities		
Income before income taxes	2,972,224	3,382,251
Depreciation	1,359,762	1,487,647
Amortization of investment corporation bond issuance costs	1,032	1,032
Investment unit issuance expenses	149,910	-
Interest income	(2,348)	(2,250)
Interest expenses	465,331	492,674
Decrease (increase) in prepaid expenses	(6,971)	(28,253)
Decrease (increase) in long-term prepaid expenses	(160,390)	(188,474)
Decrease (increase) in operating accounts receivable	(5,466)	(41,776)
Decrease (increase) in consumption taxes refund receivable	(2,176,843)	2,179,706
Increase (decrease) in operating accounts payable	(6,319)	50,013
Increase (decrease) in accrued consumption taxes	(249,239)	86,663
Increase (decrease) in accounts payable - other	(3,836)	(3,071)
Increase (decrease) in accrued expenses	30,925	97,154
Increase (decrease) in advances received	259,302	30,393
Increase (decrease) in deposits received	(135)	14
Other, net	127,675	(24,339)
Subtotal	2,754,614	7,519,386
Interest income received	2,348	2,250
Interest expenses paid	(466,531)	(492,589)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	2,289,825	7,028,442
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	(48,796,885)	(7,920,514)
Net cash provided by (used in) investing activities	(48,796,885)	(7,920,514)
Cash flows from financing activities		
Increase in short-term loans payable	4,000,000	-
Proceeds from long-term loans payable	16,500,000	24,000,000
Repayments of long-term loans payable	-	(20,000,000)
Proceeds from issuance of investment units	27,260,987	-
Dividends paid	(2,545,725)	(2,970,559)
Net cash provided by (used in) financing activities	45,215,262	1,029,440
Net increase (decrease) in cash and cash equivalents	(1,291,797)	137,368
Cash and cash equivalents at beginning of period	15,664,693	14,372,896
Cash and cash equivalents at end of period	*1 14,372,896	*1 14,510,265

**(6) Notes on Assumption of Going Concern**

Not applicable.

**(7) Notes on Important Accounting Policies**

1. Valuation basis and accounting methods for assets	Securities Held-to-maturity bonds The amortized cost method (straight-line method) is used.
2. Method of depreciation of non-current assets	Property, plant and equipment (including properties in trust) The straight-line method is used. The useful lives of major property, plant and equipment are listed below. Buildings in trust 3 to 46 years Structures in trust 10 to 43 years Machinery and equipment in trust 19 years
3. Accounting method for deferred assets	(1) Investment unit issuance expenses The full amount is recorded as expenses at the time of expenditure. (2) Investment corporation bond issuance costs Costs are amortized by the straight-line method over the redemption period.
4. Recognition of revenues and expenses	Property-related taxes For property tax, city planning tax, and depreciation asset tax for real properties held, the amount of tax levied corresponding to the fiscal period is recorded as expenses related to rent business. The amount equivalent to property-related taxes to be paid by DHR in the first year for acquisition of real properties or trust beneficiary interests in real estate is not recorded as expenses related to rent business but included in the acquisition costs for the related properties. The amount equivalent to property-related taxes included in acquisition cost for properties is ¥196,808 thousand for the previous fiscal period and ¥12,072 thousand for the current fiscal period.
5. Method of hedge accounting	(1) Method of hedge accounting For interest rate swaps, special treatment is applied since the swaps satisfy the requirements for special treatment. (2) Hedging instruments and hedged items Hedging instruments: Interest rate swaps Hedged items: Interest on borrowings (3) Hedging policy DHR conducts derivative transactions for the purpose of hedging risks provided for in the Articles of Incorporation of DHR pursuant to the basic policy of risk management. (4) Method of assessing hedge effectiveness The assessment of hedge effectiveness is omitted since the interest rate swaps satisfy the requirements for special treatment.

6. Accounting method for trust beneficiary interests in real estate	<p>With regard to trust beneficiary interests in real estate, all assets and liabilities as well as all revenues and expense items associated with all trust assets are accounted for under the respective account items of the balance sheets and statements of income.</p> <p>Of the trust assets accounted for under the respective account items, the following items with significance are separately indicated on the balance sheets.</p> <p>i) Cash and deposits in trust</p> <p>ii) Buildings in trust, structures in trust, machinery and equipment in trust, land in trust and construction in progress in trust</p> <p>iii) Tenant leasehold and security deposits in trust</p>
7. Scope of cash in the statements of cash flows	Cash in the statements of cash flows (cash and cash equivalents) include cash on hand, cash in trust, demand deposits, deposits in trust, and highly liquid short-term investments that are readily convertible, bear little risk in price fluctuations, and mature within three months of the date of acquisition.
8. Accounting method for consumption taxes	Consumption tax and local consumption tax are accounted for by the tax-exclusion method.

## (8) Notes to Financial Statements

### Notes to Balance Sheets

#### 1. Unused balances regarding commitment line contracts and others

DHR has commitment line contracts with banks with which it has transaction.

	(Unit: Thousands of yen)	
	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
Total amount specified in commitment line contracts	10,000,000	10,000,000
Loans executed and outstanding	—	—
Unused credit lines	10,000,000	10,000,000

#### 2. Contingent liabilities

Previous fiscal period (As of August 31, 2015)

A case that involves DHR has been brought regarding D Project Shin-Misato by Asahi Security Co., Ltd., the tenant of that property, through Mitsubishi UFJ Trust and Banking Corporation, the trustee of the property, requesting confirmation of a reduction of approximately 16% in the rent compared with the current level for the period from May 2014. The case was brought at the Tokyo District Court on June 27, 2014, and is currently pending. DHR believes that the current rent level is suitable and intends to emphasize this point through the trustee in future court proceedings.

Even if the whole of the requested reduction amount were accepted, its impact on profit for the fiscal period ended August 31, 2015, would be less than 3%. Please note that it is currently not possible to predict the outcome of the case.

Current fiscal period (As of February 29, 2016)

A case that involves DHR has been brought regarding D Project Shin-Misato by Asahi Security Co., Ltd., the tenant of that property, through Mitsubishi UFJ Trust and Banking Corporation, the trustee of the property, requesting confirmation of a reduction of approximately 16% in the rent compared with the current level for the period from May 2014. The case was brought at the Tokyo District Court on June 27, 2014, and is currently pending. DHR believes that the current rent level is suitable and intends to emphasize this point through the trustee in future court proceedings.

Even if the whole of the requested reduction amount were accepted, its impact on profit for the fiscal period ended February 29, 2016, would be less than 3%. Please note that it is currently not possible to predict the outcome of the case.

- \*3. Minimum net assets stipulated in Article 67, paragraph 4 of the Act on Investment Trusts and Investment Corporations

	(Unit: Thousands of yen)	
	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
	50,000	50,000

- \*4. Government bonds have been deposited with the Tokyo Legal Affairs Bureau as business security deposits in accordance with the Building Lots and Building Transaction Business Act.

	(Unit: Thousands of yen)	
	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
Investment securities	6,455	6,535

## Notes to Statements of Income

### \*1. Volume of operating transactions with principal unitholders

	(Unit: Thousands of yen)	
	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Volume of operating transactions	331,331	357,350

### \*2. Breakdown of income (loss) from real estate leasing business

(Unit: Thousands of yen)				
		Previous fiscal period (From March 1, 2015 to August 31, 2015)		Current fiscal period (From September 1, 2015 to February 29, 2016)
A. Real estate leasing business revenues				
Rent revenues—real estate				
Rent		6,200,791		6,757,082
Other lease business revenues				
Common service fees	53,981		53,873	
Other revenues	50,532	104,514	127,991	181,865
Total real estate leasing business revenues		6,305,305		6,938,947
B. Real estate leasing business expenses				
Expenses related to rent business				
Taxes and public dues	469,819		469,774	
Outsourcing expenses	172,475		211,662	
Insurance	9,472		10,167	
Repairs and maintenance expenses	75,087		75,981	
Depreciation	1,359,422		1,487,307	
Other expenses related to rent business	54,635	2,140,913	128,775	2,383,668
Total real estate leasing business expenses		2,140,913		2,383,668
C. Income (loss) from real estate leasing business (A – B)		4,164,392		4,555,278

## Notes to Statements of Unitholders' Equity

### \*1. Total number of authorized investment units and total number of investment units issued

	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Total number of authorized investment units	4,000,000 units	4,000,000 units
Total number of investment units issued	350,700 units	350,700 units



## Notes to Statements of Cash Flows

- \*1. Reconciliation between cash and cash equivalents at end of period and relevant amount on the balance sheets

	(Unit: Thousands of yen)	
	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Cash and deposits	11,110,239	11,271,952
Cash and deposits in trust	12,048,374	12,497,527
Restricted deposits in trust (Note)	(8,785,717)	(9,259,214)
Cash and cash equivalents	14,372,896	14,510,265
(Note)	These deposits are leasehold deposits provided by tenants and will be returned to the tenants at the time of the move-out. Therefore, the deposits are retained in the account in trust.	

## Lease Transactions

Operating lease transactions (Lessor)

Future lease payments

	(Unit: Thousands of yen)	
	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
Due within one year	10,648,952	11,178,100
Due after one year	79,229,689	76,680,733
Total	89,878,641	87,858,833

## Financial Instruments

### 1. Matters regarding financial instruments

#### (1) Policy for financial instruments

With the aim of ensuring sustainable profits on a medium- to long-term basis, contributing to the steady growth and efficient management of its properties and creating management stability, DHR raises funds to acquire real properties and others by issuing additional investment units, borrowing from financial institutions, or issuing investment corporation bonds.

Derivative transactions are carried out for the purpose of hedging risks such as the risk of fluctuations in interest rates for borrowings and other financing methods.

DHR invests surplus funds in a careful manner, taking safety and liquidity into account and fully considering the market environment and the cash management.

#### (2) Content and risks of financial instruments and risk management system therefor

Deposits are used as a means of investments of DHR's surplus funds, and they are exposed to credit risks such as the insolvency of financial institutions in which the excess funds are deposited. These risks are limited by having business only with highly rated financial institutions in which the funds are deposited.

Loans payable and investment corporation bonds, which are received for the purpose of acquiring additional portfolio assets or repaying debts, are exposed to liquidity risks at the time of repayment or redemption. DHR manages these risks by making efforts to maintain and strengthen the ability to raise funds through issuing investment units and other methods in the capital market, having entered into commitment line contacts with main banks with which DHR has business, preparing and updating monthly statements of cash flows based on reports of the Asset Manager, and maintaining liquidity on hand.

Floating-rate loans payable are exposed to the risk of fluctuations in interest rates. DHR mitigates the effects of rising interest rates by closely monitoring the movement of interest rates and increasing the proportion of fixed-rate loans, etc. As of February 29, 2016, DHR had a derivative (interest rate swap) as a hedging instrument for the purpose of fixing the amount of interest paid for long-term loans payable with floating interest rate to avoid the risk of fluctuations in interests payable. The assessment of hedge effectiveness is omitted based on the judgment that the interest rate swap satisfies the requirements for special treatment.

Tenant leasehold and security deposits in trust, which are deposits provided by tenants, are exposed to liquidity risks due to move-out of tenants and others. These risks are managed through deposits in assets in trust and other methods.

#### (3) Supplementary remarks on fair value, etc. of financial instruments

The fair value of financial instruments is based on market prices or reasonably calculated value if there is no market price available. As certain assumptions are used in calculating these values, if different assumptions, etc. are used, these values could vary.

2. Matters regarding fair value, etc. of financial instruments

Balance sheet carrying amounts, fair values, and the difference between the two values as of August 31, 2015, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in the table below (see Note 2).

(Unit: Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	11,110,239	11,110,239	—
(2) Cash and deposits in trust	12,048,374	12,048,374	—
(3) Investment securities Held-to-maturity bonds	6,455	7,460	1,004
Total assets	23,165,069	23,166,074	1,004
(4) Short-term loans payable	4,000,000	4,000,000	—
(5) Current portion of long-term loans payable	20,000,000	20,008,388	8,388
(6) Investment corporation bonds	2,000,000	2,004,000	4,000
(7) Long-term loans payable	72,000,000	72,570,747	570,747
(8) Tenant leasehold and security deposits in trust	293,571	287,988	(5,582)
Total liabilities	98,293,571	98,871,124	577,553
Derivative transactions	—	—	—

Balance sheet carrying amounts, fair values, and the difference between the two values as of February 29, 2016, are as shown below. Financial instruments whose fair value is considered to be extremely difficult to determine are not included in the table below (see Note 2).

(Unit: Thousands of yen)

	Balance sheet carrying amount	Fair value	Difference
(1) Cash and deposits	11,271,952	11,271,952	—
(2) Cash and deposits in trust	12,497,527	12,497,527	—
(3) Investment securities Held-to-maturity bonds	6,535	8,583	2,047
Total assets	23,776,015	23,778,062	2,047
(4) Short-term loans payable	4,000,000	4,000,000	—
(5) Current portion of long-term loans payable	15,000,000	15,022,469	22,469
(6) Investment corporation bonds	2,000,000	2,067,600	67,600
(7) Long-term loans payable	81,000,000	83,058,328	2,058,328
(8) Tenant leasehold and security deposits in trust	269,926	271,065	1,138
Total liabilities	102,269,926	104,419,462	2,149,536
Derivative transactions	—	—	—

(Note 1) Measurement methods for fair values of financial instruments

Assets

(1) Cash and deposits, (2) Cash and deposits in trust

The book value is used as the fair value of these assets, given that the fair value is approximate to the book value, as it is settled in a short time.

(3) Investment securities

The fair value is based on reference bond trading statistics.

For the balance sheet carrying amount and fair value of held-to-maturity bonds and the difference between the two values, please refer to “Securities” described later.

Liabilities

(4) Short-term loans payable

The book value is used as the fair value of these liabilities, given that the fair value is approximate to the book value, as it is settled in a short time.

(5) Current portion of long-term loans payable, (7) Long-term loans payable

Because long-term loans payable that carry floating interest rates are reviewed on a short-term interval to reflect market interest rates and their fair value is approximate to the book value, the book value is used as the fair value of these liabilities. However, for long-term loans payable with floating interest rate to which special treatment for interest rate swaps is applied, the fair value is the value calculated by discounting the sum of principal and interest, which are treated in combination with the said interest rate swap, at a reasonable rate estimated for a similar loan that is made corresponding to the remaining period. The fair value of long-term loans payable carrying fixed interest rates is calculated by discounting the total of principal and interest at the rate assumed when a new loan corresponding to the remaining period is made.

(6) Investment corporation bonds

The fair value is based on reference bond trading statistics.

(8) Tenant leasehold and security deposits in trust

The fair value is measured based on the discounted cash flows, using rates reflecting the period up to payment.

Derivative transactions

Please refer to “Derivative Transactions” described later.

(Note 2) Balance sheet carrying amount of financial instruments whose fair value is considered to be extremely difficult to determine

(Unit: Thousands of yen)

Category	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
Tenant leasehold and security deposits in trust *	8,785,717	9,259,214

\* Tenant leasehold deposits in trust are not subject to fair value disclosure because there are no market prices for them, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease agreement, which in turn makes it difficult to reasonably estimate future cash flow.

(Note 3) Redemption schedule for monetary claims and securities with maturity after balance sheet date  
(August 31, 2015)

(Unit: Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and deposits	11,110,239	—	—	—	—	—
Cash and deposits in trust	12,048,374	—	—	—	—	—
Investment securities Held-to-maturity bonds	—	—	—	—	—	10,000
Total	23,158,614	—	—	—	—	10,000

Redemption schedule for monetary claims and securities with maturity after balance sheet date  
(February 29, 2016)

(Unit: Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and deposits	11,271,952	—	—	—	—	—
Cash and deposits in trust	12,497,527	—	—	—	—	—
Investment securities Held-to-maturity bonds	—	—	—	—	—	10,000
Total	23,769,479	—	—	—	—	10,000

(Note 4) Expected amount of repayments of investment corporation bonds and loans payable after balance sheet date  
(August 31, 2015)

(Unit: Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Short-term loans payable	4,000,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	—	2,000,000
Long-term loans payable	20,000,000	15,000,000	16,000,000	—	11,000,000	30,000,000
Total	24,000,000	15,000,000	16,000,000	—	11,000,000	32,000,000

Expected amount of repayments of investment corporation bonds and loans payable after balance sheet date  
(February 29, 2016)

(Unit: Thousands of yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Short-term loans payable	4,000,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	—	2,000,000
Long-term loans payable	15,000,000	16,000,000	—	10,000,000	1,000,000	54,000,000
Total	19,000,000	16,000,000	—	10,000,000	1,000,000	56,000,000

## Securities

Previous fiscal period (As of August 31, 2015)

Held-to-maturity bonds

(Unit: Thousands of yen)

		Balance sheet carrying amount	Fair value	Difference
Bonds with fair value exceeding the balance sheet carrying amount	Government bonds	6,455	7,460	1,004
Bonds with fair value not exceeding the balance sheet carrying amount	—	—	—	—
Total		6,455	7,460	1,004

Current fiscal period (As of February 29, 2016)

Held-to-maturity bonds

(Unit: Thousands of yen)

		Balance sheet carrying amount	Fair value	Difference
Bonds with fair value exceeding the balance sheet carrying amount	Government bonds	6,535	8,583	2,047
Bonds with fair value not exceeding the balance sheet carrying amount	—	—	—	—
Total		6,535	8,583	2,047

## Derivative Transactions

### 1. Derivative transactions not applying hedge accounting

Not applicable as of August 31, 2015 and February 29, 2016.

### 2. Derivative transactions applying hedge accounting

The following table shows contracted amount or principal amount equivalent or the like set forth in the contract as of the balance sheet date for each hedge accounting method.

Previous fiscal period (As of August 31, 2015)

(Unit: Thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Calculation method for fair value
				Portion due after one year		
Special treatment for interest rate swap	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	24,500,000	24,500,000	(Note)	—

(Note) Fair value of interest rate swap with the special treatment is included in fair value of hedged long-term loans payable as such interest rate swap and the hedged long-term loans payable are processed as a single unit. (Please refer to “Financial Instruments, 2. Matters regarding fair value, etc. of financial instruments, (Note 1) (7)” above.)

Current fiscal period (As of February 29, 2016)

(Unit: Thousands of yen)

Hedge accounting method	Type of derivative transaction	Major hedged item	Contracted amount		Fair value	Calculation method for fair value
				Portion due after one year		
Special treatment for interest rate swap	Interest rate swap transaction Payment: fixed interest rate Receipt: floating interest rate	Long-term loans payable	47,500,000	47,500,000	(Note)	—

(Note) Fair value of interest rate swap with the special treatment is included in fair value of hedged long-term loans payable as such interest rate swap and the hedged long-term loans payable are processed as a single unit. (Please refer to “Financial Instruments, 2. Matters regarding fair value, etc. of financial instruments, (Note 1) (7)” above.)

## Related Party Transactions

### 1. Parent company and major corporate unitholders

Previous fiscal period (From March 1, 2015 to August 31, 2015)

Classification	Name	Location (city or ward, prefecture)	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of yen) (Note 1)	Account title	Ending balance (Thousands of yen) (Note 1)
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	161,699	Construction business	12.2	Master lessee and entrustment of property management	Outsourcing expenses	86,915	Operating accounts payable	16,182
							Repairs and maintenance expenses, etc. (Note 3)	5,915		
							Purchase of trust beneficiary interests in real estate (Note 4)	43,120,000	—	—
							Rental revenues, etc.	238,500	Advances received	42,930
							—	—	Tenant leasehold and security deposits in trust	238,500

(Note 1) The amount of transaction does not include consumption taxes while the ending balance does.

(Note 2) Method of determining transaction terms, etc.: Transaction terms are based on current market practices.

(Note 3) Repairs and maintenance expenses, etc. include amounts of repairs and maintenance expenses as well as capital expenditures and repairs covered by insurance, etc.

(Note 4) The amount of transaction for purchase of trust beneficiary interests in real estate does not include acquisition expenses which were incurred in connection with the acquisition, settlement money such as taxes and duties, and consumption taxes.

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

Classification	Name	Location (city or ward, prefecture)	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of yen) (Note 1)	Account title	Ending balance (Thousands of yen) (Note 1)
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	161,699	Construction business	12.2	Master lessee and entrustment of property management	Outsourcing expenses	89,205	Operating accounts payable	20,418
							Repairs and maintenance expenses, etc. (Note 3)	29,645		
							Rental revenues, etc.	238,500	Advances received	42,930
							—	—	Tenant leasehold and security deposits in trust	238,500

(Note 1) The amount of transaction does not include consumption taxes while the ending balance does.

(Note 2) Method of determining transaction terms, etc.: Transaction terms are based on current market practices.

(Note 3) Repairs and maintenance expenses, etc. include amounts of repairs and maintenance expenses as well as capital expenditures and repairs covered by insurance, etc.

### 2. Associates, etc.

Previous fiscal period (From March 1, 2015 to August 31, 2015)

Not applicable.

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

Not applicable.



3. Sister companies, etc.

Previous fiscal period (From March 1, 2015 to August 31, 2015)

Classification	Name	Location (city or ward, prefecture)	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of yen) (Note 1)	Account title	Ending balance (Thousands of yen) (Note 1)
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	200	Asset management business	—	Master lessee and entrustment of property management	Outsourcing expenses	49,906	Operating accounts payable	27,929
							Cost of utilities	30,688		
							Other expenses related to rent business	2,639		
							Repairs and maintenance expenses, etc. (Note 3)	11,636		
							—	—	Tenant leasehold and security deposits in trust	879,288
							Rental revenues, etc.	439,644	Advances received	76,950
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Royal Co., Ltd.	Chiyoda- ku, Tokyo	500	Asset management business	—	Entrustment of property management	Outsourcing expenses	7,694	Operating accounts payable	1,805
							Other expenses related to rent business	4,103		
							Repairs and maintenance expenses, etc. (Note 3)	3,611		
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa LifeNext Co., Ltd. (Note 4)	Minato-ku, Tokyo	130	Asset management business	—	Repairs and maintenance, etc. of real estate held	Outsourcing expenses	6,209	Operating accounts payable	6,805
							Repairs and maintenance expenses, etc. (Note 3)	7,399		
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Energy Co., Ltd.	Abeno-ku, Osaka	50	Environment business	—	Lease of equipment held	Rental revenues, etc.	11,616	Advances received	2,090
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Logistics Co., Ltd.	Nishi-ku, Osaka	3,764	Transport business	—	Lease of real estate held	Rental revenues, etc.	241,500	Advances received	42,262
							—	—	Tenant leasehold and security deposits in trust	313,648
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa House Reform Co., Ltd.	Kita-ku, Osaka	100	Renovation business	—	Repairs and maintenance, etc. of real estate held	Repairs and maintenance expenses, etc. (Note 3)	5,262	—	—

Classification	Name	Location (city or ward, prefecture)	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of yen) (Note 1)	Account title	Ending balance (Thousands of yen) (Note 1)
Company of which a majority of voting rights are held by DHR's major corporate unitholder	MEDIA TECH INC.	Nishi-ku, Osaka	50	Information and communication business	—	Use of homepage server	Other operating expenses	148	Accounts payable— other	26
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa House REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	—	Entrustment of asset management	Asset management fee (Note 5)	497,197	Accrued expenses	406,239

(Note 1) The amount of transaction does not include consumption taxes while the ending balance does.

(Note 2) Method of determining transaction terms, etc.: Transaction terms are based on current market practices.

(Note 3) Repairs and maintenance expenses, etc. include amounts of repairs and maintenance expenses as well as capital expenditures and repairs covered by insurance, etc.

(Note 4) Daiwa Service Co., Ltd. merged with Daiwa LifeNext Co., Ltd. on April 1, 2015, thus becoming Daiwa LifeNext Co., Ltd. Accordingly, the amount of transaction with Daiwa LifeNext Co., Ltd. includes the aggregate of the amount of transaction with Daiwa Service Co., Ltd. until March 31, 2015 and the amount of transaction with Daiwa LifeNext Co., Ltd. from April 1, 2015.

(Note 5) Asset management fee includes ¥121,050 thousand in management fees associated with property acquisitions factored into acquisition costs of individual investment properties, etc.

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

Classification	Name	Location (city or ward, prefecture)	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of yen) (Note 1)	Account title	Ending balance (Thousands of yen) (Note 1)
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	200	Asset management business	—	Master lessee and entrustment of property management	Outsourcing expenses	85,800	Operating accounts payable	69,883
							Cost of utilities	86,916		
							Other expenses related to rent business	9,482		
							Repairs and maintenance expenses, etc. (Note 3)	31,496		
							Purchase of trust beneficiary interests in real estate (Note 4)	7,790,000	—	—
							Rental revenues, etc.	440,919	Advances received	76,950
							—	—	Tenant leasehold and security deposits in trust	879,288
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Royal Co., Ltd.	Chiyoda- ku, Tokyo	500	Asset management business	—	Entrustment of property management	Outsourcing expenses	7,983	Operating accounts payable	3,577
							Other expenses related to rent business	13,580		
							Repairs and maintenance expenses, etc. (Note 3)	56,208		
							Rental revenues, etc.	750	—	—
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa LifeNext Co., Ltd.	Minato-ku, Tokyo	130	Asset management business	—	Repairs and maintenance, etc. of real estate held	Outsourcing expenses	6,289	Operating accounts payable	16,638
							Repairs and maintenance expenses, etc. (Note 3)	16,662		
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Energy Co., Ltd.	Abeno-ku, Osaka	50	Environment business	—	Lease of equipment held	Rental revenues, etc.	11,616	Advances received	2,090
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa Logistics Co., Ltd.	Nishi-ku, Osaka	3,764	Transport business	—	Lease of real estate held	Rental revenues, etc.	241,500	Advances received	42,262
							—	—	Tenant leasehold and security deposits in trust	313,648
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa House Reform Co., Ltd.	Kita-ku, Osaka	100	Renovation business	—	Repairs and maintenance, etc. of real estate held	Repairs and maintenance expenses, etc. (Note 3)	155	Operating accounts payable	167

Classification	Name	Location (city or ward, prefecture)	Capital stock or investment in capital (Millions of yen)	Business or occupation	Ratio of voting rights owning (owned) (%)	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of yen) (Note 1)	Account title	Ending balance (Thousands of yen) (Note 1)
Company of which a majority of voting rights are held by DHR's major corporate unitholder	ENESERVE CORPORATION	Otsu-shi, Shiga	7,629	Environment business	—	Management of real estate held	Outsourcing expenses	360	—	—
Company of which a majority of voting rights are held by DHR's major corporate unitholder	MEDIA TECH INC.	Nishi-ku, Osaka	50	Information and communication business	—	Use of homepage server	Other operating expenses	148	Accounts payable—other	26
Company of which a majority of voting rights are held by DHR's major corporate unitholder	KOKANKYO ENGINEERING Corp.	Shibuya-ku, Tokyo	73	Environment business	—	Management of real estate held	Outsourcing expenses	990	—	—
Company of which a majority of voting rights are held by DHR's major corporate unitholder	DesignArc Co., Ltd.	Nishi-ku, Osaka	450	Interior business	—	Repairs and maintenance, etc. of real estate held	Repairs and maintenance expenses, etc. (Note 3)	130	—	—
Company of which a majority of voting rights are held by DHR's major corporate unitholder	Daiwa House REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	—	Entrustment of asset management	Asset management fee (Note 5)	484,927	Accrued expenses	502,688

(Note 1) The amount of transaction does not include consumption taxes while the ending balance does.

(Note 2) Method of determining transaction terms, etc.: Transaction terms are based on current market practices.

(Note 3) Repairs and maintenance expenses, etc. include amounts of repairs and maintenance expenses as well as capital expenditures and repairs covered by insurance, etc.

(Note 4) The amount of transaction for purchase of trust beneficiary interests in real estate does not include acquisition expenses which were incurred in connection with the acquisition, settlement money such as taxes and duties, and consumption taxes.

(Note 5) Asset management fee includes ¥19,475 thousand in management fees associated with property acquisitions factored into acquisition costs of individual investment properties, etc.

4. Directors and principal individual unitholders

Previous fiscal period (From March 1, 2015 to August 31, 2015)

Not applicable.

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

Not applicable.

**Tax Effect Accounting**

1. Significant components of deferred tax assets and liabilities

	(Unit: Thousands of yen)	
	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
Deferred tax assets (fixed)		
Tax loss carried forward	179,825	179,542
Subtotal deferred tax assets (fixed)	179,825	179,542
Valuation allowance	(179,825)	(179,542)
Total deferred tax assets (fixed)	—	—
Net deferred tax assets (fixed)	—	—

2. Reconciliation of significant difference between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	(Unit: %)	
	Previous fiscal period (As of August 31, 2015)	Current fiscal period (As of February 29, 2016)
Statutory effective tax rate	34.15	32.31
(Adjustments)		
Distributions paid included in deductibles	(34.14)	(32.30)
Change in valuation allowance	(0.01)	(0.01)
Other	0.02	0.02
Effective tax rate after application of tax effect accounting	0.02	0.02

2. Tax rate changes after balance sheet date

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) were promulgated on March 31, 2016. With this revision, corporation tax rates will be reduced from the fiscal period beginning on or after April 1, 2016. In conjunction with this, the normal statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from the pre-revision rate of 32.31%. The rate will be 31.74% for temporary differences expected to be reversed in the fiscal periods beginning on or after September 1, 2017, and to 31.59% for temporary differences expected to be reversed in the fiscal periods beginning on or after September 1, 2018, but this will have no impact.

## Investment and Rental Properties

DHR holds rental logistics and retail properties in the greater Tokyo area and other regions for rental revenues. The balance sheet carrying amounts, changes during the fiscal period, and fair values of these rental properties are as follows:

	(Unit: Thousands of yen)	
	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Balance sheet carrying amount		
Balance at beginning of period	143,439,633	190,886,420
Changes during period	47,446,786	6,449,917
Balance at end of period	190,886,420	197,336,338
Fair value at end of period	218,038,000	230,328,000

(Note 1) The balance sheet carrying amount is the acquisition cost less accumulated depreciation.

(Note 2) In the changes during period, the increase in the previous fiscal period is mainly due to acquisition of D Project Kuki III, D Project Kuki IV, D Project Kuki V, D Project Kuki VI, D Project Yashio, D Project Nishiyodogawa, and D Project Matsudo (¥48,802,743 thousand), while the decrease is principally attributable to depreciation (¥1,359,422 thousand). In the current fiscal period, the increase is mainly due to acquisition of DREAM TOWN ALi (¥7,830,871 thousand), while the decrease is principally attributable to depreciation (¥1,487,307 thousand).

(Note 3) The fair value at end of period is the appraisal value or survey price provided by an external real estate appraiser, in accordance with the method and criteria of asset valuation set forth in the Articles of Incorporation of DHR and the rules established by the Investment Trusts Association, Japan.

The income or loss concerning investment and rental properties is indicated under “Notes to Statements of Income.”

## Segment Information

### 1. Segment information

#### (1) Summary of reportable segments

DHR’s reportable segments are components of DHR for which separate financial information is available that is evaluated regularly by the highest decision making body to determine allocation of management resources and assess performance.

DHR manages assets that are rental logistics and retail properties located in Japan.

Thus, DHR’s segments consist of segments by types of portfolio assets and DHR has two reportable segments: “logistics property leasing business” and “retail property leasing business.”

#### (2) Method for measuring profit, assets, liabilities and other items of reportable segments

The accounting method for reported business segments is basically the same as the method described in “Notes on Important Accounting Policies.” Profits of reportable segments are reported on the basis of operating income.

(3) Information about profit, assets, liabilities and other items of reportable segments

Previous fiscal period (From March 1, 2015 to August 31, 2015)

(Unit: Thousands of yen)

	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1)	5,021,497	1,283,808	—	6,305,305
Segment profit	3,357,655	790,970	(464,718)	3,683,907
Segment assets	168,609,873	34,396,706	13,930,360	216,936,941
Other items				
Depreciation	1,147,206	212,215	340	1,359,762
Increase in property, plant and equipment and intangible assets	48,786,447	1,501	—	48,787,948

(Note 1) DHR's operating revenues are fully from external customers.

(Note 2) Adjustment of segment profit of negative ¥464,718 thousand is corporate expenses that are not allocated to any particular reportable segments. Corporate expenses mainly consist of asset management fee, asset custody fee, administrative service fees, Directors' compensation, etc. that are not attributable to any particular reportable segments.

Adjustment of segment assets of ¥13,930,360 thousand includes current assets of ¥13,424,828 thousand, investments and other assets of ¥484,894 thousand and deferred assets of ¥19,108 thousand.

Adjustment of depreciation of ¥340 thousand presented in other items is depreciation of intangible assets in corporate assets.

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

(Unit: Thousands of yen)

	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1)	5,328,696	1,610,251	—	6,938,947
Segment profit	3,557,566	972,626	(560,778)	3,969,415
Segment assets	167,346,812	42,597,025	12,138,065	222,081,904
Other items				
Depreciation	1,226,737	260,570	340	1,487,647
Increase in property, plant and equipment and intangible assets	62,426	7,878,687	—	7,941,114

(Note 1) DHR's operating revenues are fully from external customers.

(Note 2) Adjustment of segment profit of negative ¥560,778 thousand is corporate expenses that are not allocated to any particular reportable segments. Corporate expenses mainly consist of asset management fee, asset custody fee, administrative service fees, Directors' compensation, etc. that are not attributable to any particular reportable segments.

Adjustment of segment assets of ¥12,138,065 thousand includes current assets of ¥11,437,412 thousand, investments and other assets of ¥681,387 thousand and deferred assets of ¥18,075 thousand.

Adjustment of depreciation of ¥340 thousand presented in other items is depreciation of intangible assets in corporate assets.

## 2. Related information

Previous fiscal period (From March 1, 2015 to August 31, 2015)

### (1) Information about product and service

Information about product and service is omitted since DHR's reportable segments are composed of by product and service. (Please refer to "Information about profit, assets, liabilities and other items of reportable segments.")

### (2) Information about geographical area

#### i) Operating revenues

Information about operating revenues is omitted since operating revenues from external customers in Japan exceeded 90% of operating revenues on the statements of income.

#### ii) Property, plant and equipment

Information about property, plant and equipment is omitted since the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the balance sheet.

### (3) Information about major customers

(Unit: Thousands of yen)

Name	Operating revenues	Related segment
Hitachi Capital Corporation	– (Note)	Logistics property leasing business

(Note) Undisclosed as consent for disclosure of rent, etc. has not been obtained from the lessee.

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

### (1) Information about product and service

Information about product and service is omitted since DHR's reportable segments are composed of by product and service. (Please refer to "Information about profit, assets, liabilities and other items of reportable segments.")

### (2) Information about geographical area

#### i) Operating revenues

Information about operating revenues is omitted since operating revenues from external customers in Japan exceeded 90% of operating revenues on the statements of income.

#### ii) Property, plant and equipment

Information about property, plant and equipment is omitted since the amount of property, plant and equipment located in Japan exceeded 90% of property, plant and equipment on the balance sheet.

### (3) Information about major customers

(Unit: Thousands of yen)

Name	Operating revenues	Related segment
Hitachi Capital Corporation	– (Note)	Logistics property leasing business

(Note) Undisclosed as consent for disclosure of rent, etc. has not been obtained from the lessee.



## Per Unit Information

	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Net assets per unit	¥309,183	¥310,353
Basic earnings per unit	¥8,657	¥9,642
(Note 1) Basic earnings per unit is calculated by dividing profit by the day-weighted average number of investment units for the period. Fully diluted earnings per investment unit is not stated, as there is no potential investment unit.		
(Note 2) The basis for calculating basic earnings per unit is as follows:		
	Previous fiscal period (From March 1, 2015 to August 31, 2015)	Current fiscal period (From September 1, 2015 to February 29, 2016)
Profit (Thousands of yen)	2,971,619	3,381,646
Amount not attributable to common unitholders (Thousands of yen)	—	—
Profit attributable to common investment units (Thousands of yen)	2,971,619	3,381,646
Average number of investment units for the period (Units)	343,234	350,700

## Major Subsequent Events

### 1 Merger between DHR and Daiwa House Residential Investment Corporation

DHR and DHI resolved at meetings of their respective boards of directors held on April 15, 2016, to implement an absorption-type merger with DHI as the surviving corporation and DHR as the absorbed corporation (the “Merger”) effective as of September 1, 2016 and have executed a merger agreement (the “Merger Agreement”) as of today’s date.

#### (A) Purpose of the Merger

DHR and DHI (the “Investment Corporations”) have to date used their individual strengths to work towards securing stable income over the medium to long term and steadily growing their assets, with the aim of sustainably increasing unitholder value. However, each faces its own challenges: DHI’s LTV ratio remains high, and its portfolio specialized in residential properties offers limited opportunities for internal growth, while DHR has relatively limited available strategies for efficiently swapping out investments and achieving internal growth at its positioning in the logistics REIT sector and its current portfolio size. It was with this in mind that the Investment Corporations first agreed to begin negotiations for a merger as one option for addressing these challenges and promoting the future growth of both companies. After careful deliberations, the Investment Corporations determined that the Merger was the most effective strategy for maximizing unitholder value based on improved distribution through stable cash flow and solid growth of the portfolio. As such, the Investment Corporations have today executed the Merger Agreement.

Note that, along with the Merger, an absorption-type merger (the “Asset Manager Merger”) will be implemented effective as of September 1, 2016 with Daiwa House Asset Management Co., Ltd., the asset manager of DHI, as the surviving company and the Asset Manager as the absorbed company, subject to the Merger taking effect, in order for the assets held by the surviving corporation after the Merger to be managed efficiently.

(b) Method of the Merger

The Merger will be an absorption-type merger wherein DHI will be the surviving corporation and DHR will be dissolved.

(c) Merger Ratio

For the Merger, 2.2 units of DHI per unit of DHR will be allotted to the unitholders of DHR. Since this will generate fractions less than one unit for the number of investment units to be issued, those fractional units less than one unit will be sold through a market transaction in accordance with statutory provisions, and the proceeds from the sale will be delivered to the unitholders who hold fractions in proportion to the size of their holdings.

(d) Cash payment upon the Merger

In lieu of cash distributions to the unitholders of DHR for DHR's fiscal period ending on the day immediately preceding the effective date of the Merger, DHI plans to make a payment upon the merger that will be equivalent to the cash distributions of DHR for that fiscal period (a merger payment equal to the distributable profit amount of DHR as of the day immediately preceding the effective date of the Merger divided by the number of investment units after deducting the number of investment units held by unitholders other than the Allotted Unitholders (defined below) of DHR from the total number of outstanding investment units of DHR as of the day immediately preceding the effective date of the Merger), to its unitholders (excluding unitholders who have requested the purchase of their investment units in accordance with Article 149-3 of the Investment Trusts Act) (the "Allotted Unitholders") entered in or recorded on the final unitholders register of DHR as of the day immediately preceding the effective date of the Merger, within a reasonable period after the effective date of the Merger. Details will be announced as soon as they are determined.

(e) Performance of the surviving corporation (DHI) in the latest fiscal period ended February 29, 2016

Business purpose: Management of the assets of the investment corporation in accordance with the Investment Trusts Act by investing them mainly in real estate properties, etc.

Operating revenues	¥9,662 million
Profit	¥3,177 million
Assets	¥258,590 million
Liabilities	¥147,395 million
Net assets	¥111,194 million

## 2. Acquisition of assets

DHR has concluded the purchase agreements regarding the acquisition of the following assets on April 15, 2016. The surviving corporation after the Merger is then expected to acquire the respective assets subject to the effectuation of the Merger, etc.

Property name	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)
Planned acquisition price (Note 1)	¥7,600,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd. DO Shin-Toshin Development Tokutei Mokuteki Kaisha
Asset type	Trust beneficiary interest in real estate (Note 4)
Location (Address)	1-1-12, Omoromachi, Naha-shi, Okinawa
Planned acquisition date (Note 3)	September 28, 2016

Property name	D Project Hibiki Nada
Planned acquisition price (Note 1)	¥2,080,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate (Note 4)
Location	3-1-5, Hibiki-machi, Wakamatsu-ku, Kitakyushu-shi, Fukuoka
Planned acquisition date (Note 3)	September 28, 2016

Property name	D Project Morioka II
Planned acquisition price (Note 1)	¥1,280,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate (Note 4)
Location (Address)	3-15, Ogama-kazabayashi, Takizawa-shi, Iwate
Planned acquisition date (Note 3)	September 28, 2016

Property name	Sports Depo, GOLF5 Kokurahigashi IC Store
Planned acquisition price (Note 1)	¥2,230,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location (Address)	2-18-17, Kamikuzuhara, Kokuraminami-ku, Kitakyushu-shi, Fukuoka
Planned acquisition date (Note 3)	September 28, 2016

(Note 1) Acquisition price does not include acquisition expenses which were incurred in connection with the acquisition, settlement money such as taxes and duties, and consumption taxes.

(Note 2) As Daiwa House Industry Co., Ltd. is an interested party, etc. as defined in the Investment Trusts Act, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its internal rules to avoid transactions with conflicts of interest.

DO Shin-Toshin Development Tokutei Mokuteki Kaisha, the seller of Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi), is not an interested party, etc. under the Investment Trusts Act. The said Tokutei Mokuteki Kaisha, however, is a special purpose company set up with the aim of acquiring, holding and disposing of specified assets partially invested in by Daiwa House Industry Co., Ltd., which is the parent company of the Asset Manager, and is classified as an interested party as stipulated in the Asset Manager's internal rules to avoid transactions with conflicts of interest. As such, the Asset Manager has gone through the necessary discussion and resolution procedures.

(Note 3) The purchase agreement for acquisition of each above property is deemed a forward commitment, etc. (a forward-dated purchase agreement in which settlement and transfer of the property are carried out at least one month after the agreement is concluded, as well as certain other similar agreements).

Under the purchase agreement, if a party breaches the respective purchase agreement, then the non-breaching

party may cancel the purchase agreement upon notice to the breaching party, but only if the non-breaching party is no longer able to fulfill the purpose of the respective purchase agreement due to the other party's breach. In the event the purchase agreement is cancelled, the non-breaching party may demand the breaching party to pay a penalty in the amount equal to approximately 20% of the respective purchase price (however, the amount equal to approximately 10% with regard to the purchase agreement of acquiring Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi) between DO Shin-Toshin Development Tokutei Mokuteki Kaisha) (as such penalty is expected to constitute damage payment, the non-breaching party may not claim for damages in the amount exceeding such penalty amount).

The payment of the respective purchase price by the surviving corporation after the Merger, however, is subject to the surviving corporation after the Merger completing the financing necessary to pay the respective purchase price. Hence, if the surviving corporation after the Merger is unable to complete the financing necessary to pay the purchase price, the respective purchase agreement will expire without the surviving corporation after the Merger assuming any obligations under the purchase agreement, including payment of any penalty or compensation such as payment of damages. Thus, if the surviving corporation after the Merger cannot fulfill the forward commitment, etc. due to failing to complete the financing, it is unlikely that such non-fulfillment will have any material impact on the financial situation of the surviving corporation after the Merger.

- (Note 4) As of the date of this financial results report, the asset to be acquired stands as physical real estate. By the time of planned acquisition date, however, the asset is expected to be transferred to the trustee by the current owner and the surviving corporation after the Merger is expected to acquire the beneficiary interest in the respective real estate.

## Additional Information

### Acquisition of assets

DHR plans to acquire the following asset based on the purchase agreement as of October 29, 2015.

Property name	D Project Tosu (Extended Building)
Planned acquisition price (Note 1)	¥2,600,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate (Note 4)
Location	1623-1, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga, and others
Planned acquisition date (Note 3)	June 15, 2016

- (Note 1) Acquisition price does not include acquisition expenses which were incurred in connection with the acquisition, settlement money such as taxes and duties, and consumption taxes.

- (Note 2) As Daiwa House Industry Co., Ltd. is an interested party, etc. as defined in the Investment Trusts Act, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its internal rules to avoid transactions with conflicts of interest.

- (Note 3) The purchase agreement for acquisition of this property is deemed a forward commitment, etc. (a forward-dated purchase agreement in which settlement and transfer of the property are carried out at least one month after the agreement is concluded, as well as certain other similar agreements).

Under the purchase agreement, if a party breaches the purchase agreement, then the non-breaching party may cancel the purchase agreement upon notice to the breaching party, but only if the non-breaching party is no longer able to fulfill the purpose of the purchase agreement due to the other party's breach. In the event the purchase agreement is cancelled, the non-breaching party may demand the breaching party to pay a penalty in the amount equal to approximately 20% of the purchase price (as such penalty is expected to constitute damage payment, the non-breaching party may not claim for damages in the amount exceeding such penalty amount).

DHR's payment of the purchase price, however, is subject to DHR completing the financing necessary to pay the purchase price. Hence, if DHR is unable to complete the financing necessary to pay the purchase price, the purchase agreement will expire without DHR assuming any obligations under the purchase agreement, including payment of any penalty or compensation such as payment of damages. Thus, if DHR cannot fulfill the forward commitment, etc. due to failing to complete the financing, it is unlikely that such non-fulfillment will have any material impact on the financial situation of DHR.

Regarding this property, an appraisal report with the appraisal date of February 29, 2016 has been obtained from The Tanizawa Sōgō Appraisal Co., Ltd., the appraisal value according to which amounts to ¥3,000 million as of the appraisal date.

- (Note 4) As of the date of this financial results report, Daiwa House Industry Co., Ltd. was constructing an extension. After its completion and by the time of planned acquisition date, however, the asset is expected to be transferred to the trustee by Daiwa House Industry Co., Ltd. and DHR is expected to acquire the beneficiary interest in the real estate.

## Omission of Disclosure

Disclosure is omitted for items for notes including retirement benefits, asset retirement obligations, equity in earnings or losses of equity-method investments, since necessity for their disclosure in the financial results report is not deemed to be significant.

## (9) Changes in Number of Investment Units Issued

During the current period, there were no changes in the total number of investment units issued and unitholders' capital.

DHR's total number of investment units issued and changes in unitholders' capital for the most recent five years until February 29, 2016 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Millions of yen)		Remarks
		Change	Balance	Change	Balance	
November 27, 2012	Capital increase through public offering	102,800	117,400	49,601	56,901	(Note 1)
December 26, 2012	Capital increase through third-party allotment	5,140	122,540	2,480	59,381	(Note 2)
March 1, 2014	Split of investment units	122,540	245,080	—	59,381	(Note 3)
March 19, 2014	Capital increase through public offering	44,000	289,080	16,970	76,351	(Note 4)
April 14, 2014	Capital increase through third-party allotment	4,400	293,480	1,697	78,048	(Note 5)
March 23, 2015	Capital increase through public offering	52,000	345,480	24,910	102,958	(Note 6)
April 14, 2015	Capital increase through third-party allotment	5,220	350,700	2,500	105,459	(Note 7)

(Note 1) New investment units were issued by public offering with an issue value of ¥482,500 per unit in order to raise funds for the acquisition of new properties and repayments of loans payable.

(Note 2) New investment units were issued through third-party allotment with an issue value of ¥482,500 per unit in line with a capital increase through public offering of investment units.

(Note 3) A 2-for-1 split of investment units was implemented with an effective date of March 1, 2014.

(Note 4) New investment units were issued by public offering with an issue value of ¥385,687 per unit in order to raise funds for the acquisition of new properties, etc.

(Note 5) New investment units were issued through third-party allotment with an issue value of ¥385,687 per unit in line with a capital increase through public offering of investment units.

(Note 6) New investment units were issued by public offering with an issue value of ¥479,044 per unit in order to raise funds for the acquisition of new properties, etc.

(Note 7) New investment units were issued through third-party allotment with an issue value of ¥479,044 per unit in line with a capital increase through public offering of investment units.

## 4. Changes in Officers

### (1) Changes in DHR's Directors

The following table shows about the DHR's Directors as of the date of this financial result report.

Title and post	Name	Major career summary		Number of investment units held (Units)
Executive Director	<i>Masazumi Kakei</i>	Apr. 1972	Joined Mitsui Trust Bank, Limited (currently Sumitomo Mitsui Trust Bank, Limited)	—
		May 1994	Became General Manager of the Gotanda Branch	
		Jul. 1996	Became General Manager attached to the Financial Planning Department	
		May 1997	Became General Manager of the Global Credit Supervision Department I	
		Apr. 2000	Became General Manager of the Nihonbashi Sales Department III of The Chuo Mitsui Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited)	
		Jun. 2000	Became Executive Director and General Manager of the Nihonbashi Sales Department III	
		Mar. 2001	Became Executive Director and General Manager of the Osaka Branch	
		Jun. 2003	Appointed as Senior Managing Director of Daitobo Woolen Spinning & Weaving Co., Ltd.	
		Jun. 2006	Appointed as President of Daitobo Woolen Spinning & Weaving Co., Ltd.	
		Jun. 2008	Appointed as Corporate Auditor of NIHON TRIM Co., Ltd.	
		Jun. 2010	Became Advisor to Chuo Mitsui Guarantee Co., Ltd. (currently Sumitomo Mitsui Trust Guarantee Co., Ltd.)	
		Jun. 2012	Appointed as Corporate Auditor of System Trust Laboratory Co., Ltd.	
		Sep. 2012	Appointed as Executive Director of Daiwa House REIT Investment Corporation (current post)	
Supervisory Director	<i>Shuichi Sasaki</i>	Apr. 1980	Registered Lawyer (Tokyo Bar Association) Joined Sanada Law Office	—
		Apr. 1985	Established Sasaki Law Office	
		Feb. 1993	Established Sasaki & Suzuki Law Office (currently Sasaki Sōgō Law Office) and became Partner (currently Representative Lawyer) (current post)	
		Sep. 2005	Appointed as Outside Director of ISEHANHONTEN Co., Ltd. (current post)	
		Sep. 2007	Appointed as a Supervisory Director of Daiwa House REIT Investment Corporation (current post)	

Title and post	Name	Major career summary		Number of investment units held (Units)
Supervisory Director	<i>Tatsuro Sasaki</i>	Dec. 2008 Jan. 2009 Nov. 2011 Nov. 2013 Nov. 2015	Registered Lawyer (Tokyo Bar Association) Joined TMI Associates Tokyo Office Joined KATO-NISHIDA & HASEGAWA LAW FIRM Joined Sasaki & Suzuki Law Office (currently Sasaki Sōgō Law Office) (current post) Appointed as Supervisory Director of Daiwa House REIT Investment Corporation (current post)	—

## (2) Changes in Officers of Asset Manager

The following table shows about the Officers of the Asset Manager as of the date of this financial result report.

Title and post	Name	Major career summary		Number of shares held (Shares)
Representative Director, President and CEO (Full-time)	<i>Hiroataka Najima</i>	Apr. 1983 Apr. 1996 Jun. 1999 Dec. 2001 Apr. 2004 Jun. 2006 Apr. 2011 Jun. 2012 Jul. 2012 Aug. 2012 Apr. 2013	Joined Daiwa House Industry Co., Ltd. Became Manager of the Accounting General Affairs Section, Kurashiki Branch Became Manager of the Accounting Section, Accounting Division, Head Office Became Group Manager of the Tax Affairs and Accounting Group, Accounting Division, Administration Became Assistant Manager of the Accounting Division, Administration and Manager of the Tax Affairs and Accounting Group Became Executive Manager of the Administration, Head Office Became Executive Manager of the Accounting Division, Tokyo Office Became Executive Manager of the Accounting Division, Head Office Seconded as an advisor to Daiwa House REIT Management Co., Ltd. Appointed as Representative Director, President and Chief Executive Officer of Daiwa House REIT Management Co., Ltd. (current post) Transferred to Daiwa House REIT Management Co., Ltd.	—

Title and post	Name	Major career summary		Number of shares held (Shares)
Managing Director, Executive Manager of the Investment Management Department (Chief Investment Officer) (Full-time)	<i>Kenjiro Matsutake</i>	Apr. 1983 Jan. 1994 Oct. 1999 Apr. 2004 Jan. 2005 Nov. 2005 Oct. 2006 May 2009 Aug. 2012 Apr. 2015	Joined Daiwa House Industry Co., Ltd. Became Manager of the Sales Department of the Commercial Facilities, Osaka Head Office Became Manager of the Sales Office of the Commercial Facilities, Shiga Branch Became Manager of the LOC Promotion Office, Commercial Facilities Business Promotion Division, Sales Division Seconded to Morimoto Asset Management Co., Ltd. (currently Daiwa House Asset Management Co., Ltd.) and appointed as Director and Executive Manager of the Planning Department Appointed as Senior Executive Director (in charge of the Investment Management Division), Morimoto Asset Management Co., Ltd. Seconded to Daiwa House REIT Management Co., Ltd. and appointed as Director and Executive Manager of the Investment Management Department Appointed as Representative Director, President and Chief Executive Officer of Daiwa House REIT Management Co., Ltd. Also appointed as Executive Director of Daiwa House REIT Investment Corporation Appointed as Director and Executive Manager of the Investment Management Department, Daiwa House REIT Management Co., Ltd. Appointed as Managing Director and Executive Manager of the Investment Management Department (current post)	—
Director, Executive Manager of the Finance Department (Chief Financial Officer) (Full-time)	<i>Haruto Tsukamoto</i>	Apr. 1983 Apr. 2000 Aug. 2003 Nov. 2004 Jul. 2006 Jan. 2008 Jul. 2009 Mar. 2011 Apr. 2013 Nov. 2014 Apr. 2016	Joined Mitsui Trust Bank, Limited (currently Sumitomo Mitsui Trust Bank, Limited) The Chuo Mitsui Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited) Became Branch Manager of the Yachiyo Branch Became General Manager of the Sales Department I of the Nagoya Branch, and Satellite Office Manager of the Kanayamabashi Satellite Office Became General Manager of the Sales Department II of the Nagoya Branch Became Branch Manager of the Urawa Branch Became Chief Operational Auditor of the Operational Audit Group of the Internal Audit Department Seconded to Mitsui Memorial Hospital Became Deputy Director-General of the Internal Audit Department of Sumitomo Mitsui Trust Bank, Limited Seconded to Daiwa House REIT Management Co., Ltd. and appointed as Director and Executive Manager of the Finance Department (current post) Transferred to Daiwa House REIT Management Co., Ltd.	—



Title and post	Name	Major career summary		Number of shares held (Shares)
Director, Executive Manager of the Operations Planning Department (Chief Administration Officer) (Full-time)	<i>Masaomi Yamadaira</i>	Apr. 1987 Jul. 2001 Apr. 2002 Apr. 2004 Apr. 2007 Apr. 2008 Jan. 2009 May 2011 Oct. 2011 Apr. 2015 Oct. 2015	Joined Daiwa House Industry Co., Ltd. Became Section Manager of the General Construction Promotion Department Became Senior Chief of the General Construction Promotion Group (in charge of public sector and stationed in Tokyo), Corporate Strategy Division, President's Office Became Senior Chief of the Real Estate Business Development, Administration Became Group Manager of the Comprehensive Development Support Group, Real Estate Business Development, Management Administration (Administration) Became Manager of the Real Estate Business Development, Management Administration (Administration) Appointed as Director of Morimoto Asset Management Co., Ltd. (currently Daiwa House Asset Management Co., Ltd.) Appointed as Director of Daiwa House Australia Pty Ltd Seconded to Daiwa House Australia Pty Ltd and appointed as Managing Director Seconded to Daiwa House REIT Management Co., Ltd. and appointed as General Manager of the Operations Planning Department Appointed as Director and Executive Manager of the Operations Planning Department (current post)	—
Corporate Auditor (Part-time)	<i>Ei Hagihara</i>	Apr. 1994 Oct. 2000 Oct. 2001 May 2006 Jan. 2007 Jan. 2008 Apr. 2008 Feb. 2013 Feb. 2013 Apr. 2013 Apr. 2016	Joined Hagihara Accounting Office Registered as a tax accountant Joined Asahi & Co. (currently KPMG AZSA LLC) Registered as a certified public accountant Assumed office of Chief of Ei Hagihara Certified Public Accounting Office (current post) Became office member of the Tokyo Office of Phoenix Certified Public Tax Accountants' Corporation Appointed as Corporate Auditor of Daiwa House REIT Management Co., Ltd. (current post) Appointed as Corporate Auditor of Breitling Asia Co, Ltd. (current post) Appointed as Corporate Auditor of K・I・S Co., Ltd. Appointed as Corporate Auditor of Breitling Japan Ltd. (current post) Appointed as Representative Director of Market Planning Co., Ltd. (current post)	—

## 5. Reference Information

### (1) Status of Investment

The status of DHR's investment as of February 29, 2016 is shown below.

Type of assets	Property type	Area		Total amount held (Millions of yen) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate in trust	Logistics properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	117,904	53.1
			Greater Nagoya area	10,517	4.7
			Greater Osaka area	14,001	6.3
		Other		15,799	7.1
		Subtotal		158,222	71.2
	Retail properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	16,295	7.3
			Greater Nagoya area	1,968	0.9
			Greater Osaka area	4,561	2.1
		Other		16,288	7.3
		Subtotal		39,113	17.6
	Total			197,336	88.9
Deposits and other assets			24,745	11.1	
Total assets (Note 4)			222,081	100.0	
Total liabilities (Note 4)			113,240	51.0	
Total net assets (Note 4)			108,840	49.0	

(Note 1) Three major metropolitan areas of Japan are the Greater Tokyo area, the Greater Nagoya area and the Greater Osaka area. The Greater Tokyo area consists of Tokyo, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture; the Greater Nagoya area consists of Aichi Prefecture, Gifu Prefecture and Mie Prefecture; and the Greater Osaka area consists of Osaka Prefecture, Kyoto Prefecture, Hyogo Prefecture, Nara Prefecture, and Shiga Prefecture. The same shall apply hereinafter.

(Note 2) The total amount held represents the amount recorded in the balance sheets as of February 29, 2016 (for real estate in trust, book value less depreciation expenses). The amounts are rounded down to the nearest million yen.

(Note 3) Figures for the percentage to total assets are rounded to the nearest tenth.

(Note 4) Total assets, total liabilities and total net assets represent the book values.

### (2) Investment Assets

#### i) Major investment securities

The status of investment securities held by DHR as of February 29, 2016 is shown below.

(Unit: Thousands of yen)

Type	Issue name	Total face value	Book value	Interest rate	Maturity	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Investment ratio	Remark
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	6,535	—	September 20, 2037	—	—	8,583	2,047	0.0 %	Deposited as business security deposit
Total		10,000	6,535	—	—	—	—	8,583	2,047	0.0 %	

#### ii) Investment properties

Not applicable.

### iii) Other major investment assets

#### (A) Summary of real estate in trust

The summary of real estate in trust held by DHR as of February 29, 2016 is shown below.

##### a. Summary of real estate in trust

Property number (Note 1)	Real estate in trust (Property name)	Acquisition price (Millions of yen) (Note 2)	Investment ratio (%) (Note 3)	Book value at end of period (Millions of yen) (Note 4)	Assessed value at end of period (Millions of yen) (Note 5)	Acquisition date
L-B-1	D Project Machida	7,600	3.7	7,331	9,200	November 29, 2012
L-B-2	D Project Hachioji	12,600	6.2	11,986	15,400	November 29, 2012
L-B-3	D Project Aikawa-Machi	2,600	1.3	2,515	3,320	November 28, 2012
L-B-4	D Project Shin-Misato	4,440	2.2	4,293	5,720	November 29, 2012
L-B-5	D Project Urayasu I	7,700	3.8	7,458	9,080	November 28, 2012
L-B-6	D Project Urayasu II	21,400	10.5	20,805	25,400	November 29, 2012
L-B-7	D Project Akanehama	2,550	1.3	2,478	2,890	November 28, 2012
L-B-8	D Project Noda	5,100	2.5	4,840	6,200	November 28, 2012
L-B-9	D Project Inuyama	6,650	3.3	6,324	8,520	November 28, 2012
L-B-10	D Project Gifu	900	0.4	846	1,100	November 29, 2012
L-B-11	D Project Neyagawa	4,600	2.3	4,431	5,830	November 28, 2012
L-B-12	D Project Sapporo Minami	600	0.3	561	818	November 28, 2012
L-B-13	D Project Morioka	1,000	0.5	936	1,200	November 29, 2012
L-B-14	D Project Sendai Minami	1,250	0.6	1,161	1,520	November 28, 2012
L-B-15	D Project Tsuchiura	2,880	1.4	2,711	3,390	November 29, 2012
L-B-16	D Project Gotenba	950	0.5	912	1,140	November 28, 2012
L-B-17	D Project Nishi-Hiroshima	990	0.5	955	1,210	November 28, 2012
L-B-18	D Project Fukuoka Umi	3,100	1.5	2,941	4,150	November 29, 2012
L-B-19	D Project Tosu	2,100	1.0	1,983	2,730	November 29, 2012
L-B-20	D Project Kuki I	3,500	1.7	3,439	3,910	April 1, 2014
L-B-21	D Project Kuki II	7,200	3.5	7,001	8,100	April 1, 2014
L-B-22	D Project Kawagoe I	3,100	1.5	3,054	3,480	April 1, 2014
L-B-23	D Project Kawagoe II	4,250	2.1	4,176	4,730	April 1, 2014
L-B-24	DPL Inuyama	3,380	1.7	3,347	3,850	April 1, 2014
L-B-25	D Project Fukuoka Hakozaki	3,700	1.8	3,636	4,250	April 1, 2014
L-B-26	D Project Kuki III	7,340	3.6	7,277	7,640	April 1, 2015
L-B-27	D Project Kuki IV	5,300	2.6	5,262	5,490	April 1, 2015
L-B-28	D Project Kuki V	8,010	3.9	7,970	8,280	April 1, 2015
L-B-29	D Project Kuki VI	4,980	2.4	4,935	5,130	April 1, 2015
L-B-30	D Project Yashio	6,140	3.0	6,103	6,400	April 1, 2015
L-B-31	D Project Nishiyodogawa	9,660	4.7	9,569	10,300	April 1, 2015
L-B-32	D Project Matsudo	6,990	3.4	6,972	7,370	June 1, 2015
Logistics Properties Total		162,560	79.8	158,222	187,748	
R-M-1	ACROSSMALL Shinkamagaya	7,419	3.6	6,496	7,640	December 12, 2007
R-M-2	FOLEO Hirakata	5,040	2.5	4,561	4,580	December 11, 2008
R-M-3	QiZ GATE URAWA	5,360	2.6	4,760	4,740	December 11, 2008
R-M-4	UNICUS Takasaki	2,570	1.3	2,582	2,950	March 27, 2013
R-M-5	ACROSSPLAZA Miyoshi (land)	3,390	1.7	3,413	3,710	September 30, 2014
R-M-6	DREAM TOWN ALi	7,790	3.8	7,783	8,100	September 28, 2015
R-R-1	LIFE Sagami-hara Wakamatsu	1,650	0.8	1,625	1,640	December 11, 2008
R-R-2	FOLEO Sendai Miyanomori	6,040	3.0	5,922	6,840	November 29, 2012
R-R-3	ACROSSPLAZA Inazawa (land)	1,944	1.0	1,968	2,380	February 25, 2014
Retail Properties Total		41,203	20.2	39,113	42,580	
Portfolio Total		203,763	100.0	197,336	230,328	

(Note 1) Property numbers are assigned according to the use categories: L (meaning logistics properties) and R (meaning retail properties), which are further classified into L-B (Built-to-Suit (BTS) type), R-R (roadside type) and R-M (mall type). The same shall apply hereinafter.

(Note 2) Acquisition price represents transaction price. Transaction price excludes consumption tax and local consumption tax and expenses required for the acquisition, and is rounded to the nearest million yen. The same shall apply hereinafter.

(Note 3) Investment ratio represents the percentage of the acquisition price for each asset to the total acquisition price. Figures are rounded to the nearest tenth.

(Note 4) Book value at end of period represents book value less depreciation expenses (not including the amount of construction in progress in trust) as of February 29, 2016, rounded down to the nearest million yen.

- (Note 5) Assessed value at end of period represents the appraisal value or survey value provided by The Tanizawa Sōgō Appraisal Co., Ltd. and Japan Real Estate Institute, with the date of appraisal value as of February 29, 2016, in accordance with the method and criteria of asset valuation set forth in the Articles of Incorporation of DHR and the rules stipulated by the Investment Trusts Association, Japan, rounded down to the nearest million yen.

b. Location, date of construction, number of tenants, annual rent, total leasable area, total leased area and occupancy rate of real estate in trust are shown below.

Property number	Real estate in trust (Property name)	Location (city or county, prefecture)	Date of construction (Note 1)	Number of tenants (Note 2)	Annual rent (not including consumption tax) (Millions of yen) (Note 3)	Total leasable area (m <sup>2</sup> ) (Note 4)	Total leased area (m <sup>2</sup> ) (Note 5)	Occupancy rate (%) (Note 6)
L-B-1	D Project Machida	Machida, Tokyo	October 1, 2006	1 [1]	– (Note 7)	50,490.39	50,490.39	100.00
L-B-2	D Project Hachioji	Hachioji, Tokyo	December 1, 2008	2	– (Note 7)	62,394.17	62,394.17	100.00
L-B-3	D Project Aikawa-Machi	Aiko, Kanagawa	June 30, 2006	1	– (Note 7)	14,240.84	14,240.84	100.00
L-B-4	D Project Shin-Misato	Misato, Saitama	April 15, 2009	1	– (Note 7)	11,289.91	11,289.91	100.00
L-B-5	D Project Urayasu I	Urayasu, Chiba	May 31, 2005	1	– (Note 7)	36,515.81	36,515.81	100.00
L-B-6	D Project Urayasu II	Urayasu, Chiba	April 10, 2007	1 [1]	– (Note 7)	72,320.01	72,320.01	100.00
L-B-7	D Project Akanehama	Narashino, Chiba	October 11, 2005	1	– (Note 7)	11,663.39	11,663.39	100.00
L-B-8	D Project Noda	Noda, Chiba	September 30, 2007	1	– (Note 7)	29,232.53	29,232.53	100.00
L-B-9	D Project Inuyama	Inuyama, Aichi	December 10, 2009	1	– (Note 7)	43,723.70	43,723.70	100.00
L-B-10	D Project Gifu	Anpachi, Gifu	February 28, 2009	1	– (Note 7)	7,669.91	7,669.91	100.00
L-B-11	D Project Neyagawa	Neyagawa, Osaka	July 23, 2009	1	– (Note 7)	11,151.51	11,151.51	100.00
L-B-12	D Project Sapporo Minami	Kitahiroshima, Hokkaido	October 30, 2007	1	– (Note 7)	6,749.10	6,749.10	100.00
L-B-13	D Project Morioka	Takizawa, Iwate	September 13, 2002	1	– (Note 7)	9,558.32	9,558.32	100.00
L-B-14	D Project Sendai Minami	Iwanuma, Miyagi	March 28, 2006	1	– (Note 7)	11,052.27	11,052.27	100.00
L-B-15	D Project Tsuchiura	Tsuchiura, Ibaraki	February 19, 2009	1	– (Note 7)	17,448.86	17,448.86	100.00
L-B-16	D Project Gotenba	Gotenba, Shizuoka	January 15, 2009	1	– (Note 7)	6,737.53	6,737.53	100.00
L-B-17	D Project Nishi-Hiroshima	Hiroshima, Hiroshima	January 10, 2008	2	– (Note 7)	5,093.51	5,093.51	100.00
L-B-18	D Project Fukuoka Umi	Kasuya, Fukuoka	May 1, 2006	4	246	24,729.56	24,729.56	100.00
L-B-19	D Project Tosu	Tosu, Saga	February 19, 2009	1	– (Note 7)	8,826.00	8,826.00	100.00
L-B-20	D Project Kuki I	Kuki, Saitama	October 5, 2011	1	– (Note 7)	22,708.72	22,708.72	100.00
L-B-21	D Project Kuki II	Kuki, Saitama	June 21, 2013	1	– (Note 7)	50,490.00	50,490.00	100.00
L-B-22	D Project Kawagoe I	Kawagoe, Saitama	April 30, 2011	1	206	16,150.88	16,150.88	100.00
L-B-23	D Project Kawagoe II	Kawagoe, Saitama	September 3, 2012	1	277	19,872.00	19,872.00	100.00
L-B-24	DPL Inuyama	Inuyama, Aichi	September 18, 2013	1	– (Note 7)	21,628.50	21,628.50	100.00
L-B-25	D Project Fukuoka Hakozaki	Fukuoka, Fukuoka	October 1, 2012	1	– (Note 7)	34,710.80	34,710.80	100.00
L-B-26	D Project Kuki III	Kuki, Saitama	June 28, 2013	1	– (Note 7)	26,937.41	26,937.41	100.00
L-B-27	D Project Kuki IV	Kuki, Saitama	June 30, 2009	1	– (Note 7)	26,460.00	26,460.00	100.00
L-B-28	D Project Kuki V	Kuki, Saitama	May 21, 2012	1	– (Note 7)	47,320.89	47,320.89	100.00
L-B-29	D Project Kuki VI	Kuki, Saitama	August 9, 2013	1	– (Note 7)	29,244.66	29,244.66	100.00
L-B-30	D Project Yashio	Yashio, Saitama	August 1, 2011	2	– (Note 7)	21,965.04	21,965.04	100.00
L-B-31	D Project Nishiyodogawa	Osaka, Osaka	April 15, 2011	1	– (Note 7)	39,584.80	39,584.80	100.00
L-B-32	D Project Matsudo	Matsudo, Chiba	April 9, 2011	1	– (Note 7)	26,776.67	26,776.67	100.00
Logistics Properties Total				38	10,588	824,737.69	824,737.69	100.00

Property number	Real estate in trust (Property name)	Location (city or county, prefecture)	Date of construction (Note 1)	Number of tenants (Note 2)	Annual rent (not including consumption tax) (Millions of yen) (Note 3)	Total leasable area (m <sup>2</sup> ) (Note 4)	Total leased area (m <sup>2</sup> ) (Note 5)	Occupancy rate (%) (Note 6)
R-M-1	ACROSSMALL Shinkamagaya	Kamagaya, Chiba	October 31, 2006	1	551	41,742.84	41,742.84	100.00
R-M-2	FOLEO Hirakata	Hirakata, Osaka	November 20, 2006	1 [25]	376	16,380.78	16,380.78	100.00
R-M-3	QiZ GATE URAWA	Saitama, Saitama	February 17, 2008	9	338	9,705.31	9,522.59	98.11
R-M-4	UNICUS Takasaki	Takasaki, Gunma	November 5, 2008	1	260	9,277.08	9,277.08	100.00
R-M-5	ACROSSPLAZA Miyoshi (land)	Iruma, Saitama	—	1	189	24,018.00	24,018.00	100.00
R-M-6	DREAM TOWN ALi	Aomori, Aomori	August 29, 2007	1 [34]	584	22,196.81	21,911.46	98.71
R-R-1	LIFE Sagami-hara Wakamatsu	Sagami-hara, Kanagawa	April 25, 2007	1	— (Note 7)	2,973.44	2,973.44	100.00
R-R-2	FOLEO Sendai Miyanomori	Sendai, Miyagi	October 6, 2009	1	477	19,845.72	19,845.72	100.00
R-R-3	ACROSSPLAZA Inazawa (land)	Inazawa, Aichi	—	1	139	31,981.70	31,981.70	100.00
Retail Properties Total				17	3,015	178,121.68	177,653.61	99.73
Portfolio Total				55	13,603	1,002,859.37	1,002,391.30	99.95

- (Note 1) Date of construction of the main building, as described in the property registry, is represented. For properties with several main buildings, the construction date of the oldest building is listed.
- (Note 2) Number of tenants is equal to the number of tenants per property based upon each lease agreement in relation to each property in trust as of February 29, 2016. However, the number of end-tenants is indicated in brackets after the number of master lessees in the case of a property subject to a pass-through type master lease agreement, under which rent is in principle the same amount as the rent received by the master lessee from end-tenants. Meanwhile, only the master lessee is indicated as a tenant with respect to a property subject to a sublease type master lease agreement, under which a certain amount of rent is received regardless of fluctuations in the sublease occupancy rate.
- (Note 3) Annual rent means the annual rent of the property as indicated in each lease agreement in relation to each property in trust as of February 29, 2016 or the amount calculated by multiplying the monthly rent by 12 on an annual basis (as to properties in trust for which multiple lease agreements are entered into, the total amount indicated in such lease agreements), rounded to the nearest million yen. However, in the case of a pass-through type master lease agreement, under which rent is in principle the same amount as the rent received by the master lessee from end-tenants, the annual rent is as indicated in each sublease agreement in relation to each property in trust as of February 29, 2016 or the amount calculated by multiplying the monthly rent by 12 on an annual basis (as to properties in trust for which multiple sublease agreements are entered into, the total amount indicated in such sublease agreements), rounded to the nearest million yen. For revenue-based rent, a monthly amount linked to sales in February 2016 is used. Therefore, the sums of the annual rent of each property may not add up due to rounding and may differ from the total in the portfolio.
- (Note 4) Total leasable area means the leasable area of the building in relation to each property in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building.
- (Note 5) Total leased area means the total of leased area as indicated in each lease agreement in relation to each property in trust as of February 29, 2016. However, the leased area as indicated in each sublease agreement for each properties in trust as of February 29, 2016 that are subject to a pass-through type master lease agreement, under which rent is in principle the same amount as the rent received by the master lessee from end-tenants, are added up and shown. In some properties, total leasable area and total leased area are larger than gross floor area due to differences in measurement of floor area in real property registration and lease agreements. Gross floor area is based on the real property registration, while total leasable area and total leased area are based on each lease agreement. In particular at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area.
- (Note 6) Occupancy rate as of February 29, 2016 is calculated by dividing total leased area for each property by the total leasable area, rounded down to the nearest 100th. Therefore, figures in the table may not add up to totals.
- (Note 7) Undisclosed as consent for disclosure has not been obtained from lessees.

(B) Status of revenues from real estate in trust

The overview of revenues from real estate in trust including revenues from property leasing business is as follows.

Figures related to revenues are calculated in accordance with the following:

- (i) Amounts are presented in thousands of yen and rounded down to the nearest thousand yen. Therefore, the sum of figures shown in the tables may not necessarily be equal to the total amount.
- (ii) Other lease business revenues include revenues from common service fees, parking lot usage fees, signboard usage fees, utilities expenses, vending machines, renewal commissions, facilities fees, restoration and early termination penalty.
- (iii) In principle, property taxes and city planning taxes, which are included in taxes and public dues, are imposed on the owner as of January 1 of each year. The amount of adjustment equivalent to prepaid property taxes and city planning taxes with the former owner at the acquisition are included in the acquisition cost of real estate, etc. as part of incidental expenses, and are not recorded in expenses related to rent business.
- (iv) Outsourcing expenses include property management fees and facility management fees.
- (v) Since repairs and maintenance expenses significantly fluctuate from year to year and do not arise regularly, the repairs and maintenance expenses in the fiscal period may differ substantially from the amount of such expenses incurred when DHR continues to hold the asset for a long term.
- (vi) Insurance represents the amount calculated based on premiums paid in relation to the relevant term.
- (vii) Other expenses related to rent business include utilities expenses and trust fees.
- (viii) Depreciation represents the amount in relation to the number of months in the disclosure period.

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Financial Results for the Fiscal Period Ended February 29, 2016

Property number	L-B-1	L-B-2	L-B-3	L-B-4
Property name	D Project Machida	D Project Hachioji	D Project Aikawa-Machi	D Project Shin-Misato
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	– (Note)	– (Note)	– (Note)
Other lease business revenues	– (Note)	– (Note)	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Taxes and public dues	– (Note)	– (Note)	– (Note)	– (Note)
Outsourcing expenses	– (Note)	– (Note)	– (Note)	– (Note)
Insurance	– (Note)	– (Note)	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	– (Note)	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	– (Note)	– (Note)	– (Note)
(C) NOI (= A – B)	220,439	352,671	82,218	151,419
(D) Depreciation	49,764	104,896	15,812	26,771
(E) Income (loss) from rent business (= C – D)	170,674	247,775	66,406	124,647

Property number	L-B-5	L-B-6	L-B-7	L-B-8
Property name	D Project Urayasu I	D Project Urayasu II	D Project Akanehama	D Project Noda
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	– (Note)	– (Note)	– (Note)
Other lease business revenues	– (Note)	– (Note)	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Taxes and public dues	– (Note)	– (Note)	– (Note)	– (Note)
Outsourcing expenses	– (Note)	– (Note)	– (Note)	– (Note)
Insurance	– (Note)	– (Note)	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	– (Note)	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	– (Note)	– (Note)	– (Note)
(C) NOI (= A – B)	204,679	553,309	61,988	154,438
(D) Depreciation	44,192	109,201	15,751	44,532
(E) Income (loss) from rent business (= C – D)	160,487	444,107	46,236	109,905

Property number	L-B-9	L-B-10	L-B-11	L-B-12
Property name	D Project Inuyama	D Project Gifu	D Project Neyagawa	D Project Sapporo Minami
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	– (Note)	– (Note)	– (Note)
Other lease business revenues	– (Note)	– (Note)	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Taxes and public dues	– (Note)	– (Note)	– (Note)	– (Note)
Outsourcing expenses	– (Note)	– (Note)	– (Note)	– (Note)
Insurance	– (Note)	– (Note)	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	– (Note)	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	– (Note)	– (Note)	– (Note)
(C) NOI (= A – B)	227,332	31,523	143,322	24,251
(D) Depreciation	56,621	9,562	30,234	7,081
(E) Income (loss) from rent business (= C – D)	170,710	21,961	113,087	17,169



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Property number	L-B-13	L-B-14	L-B-15	L-B-16
Property name	D Project Morioka	D Project Sendai Minami	D Project Tsuchiura	D Project Gotenba
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	– (Note)	– (Note)	– (Note)
Other lease business revenues	– (Note)	– (Note)	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Taxes and public dues	– (Note)	– (Note)	– (Note)	– (Note)
Outsourcing expenses	– (Note)	– (Note)	– (Note)	– (Note)
Insurance	– (Note)	– (Note)	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	– (Note)	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	– (Note)	– (Note)	– (Note)
(C) NOI (= A – B)	36,972	41,953	100,094	33,249
(D) Depreciation	11,211	15,183	28,702	8,854
(E) Income (loss) from rent business (= C – D)	25,760	26,769	71,392	24,395

Property number	L-B-17	L-B-18	L-B-19	L-B-20
Property name	D Project Nishi-Hiroshima	D Project Fukuoka Umi	D Project Tosu	D Project Kuki I
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	122,391	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	121,346	– (Note)	– (Note)
Other lease business revenues	– (Note)	1,045	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	26,856	– (Note)	– (Note)
Taxes and public dues	– (Note)	9,250	– (Note)	– (Note)
Outsourcing expenses	– (Note)	14,686	– (Note)	– (Note)
Insurance	– (Note)	233	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	2,185	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	501	– (Note)	– (Note)
(C) NOI (= A – B)	38,250	95,535	73,626	102,240
(D) Depreciation	7,316	27,964	20,144	24,901
(E) Income (loss) from rent business (= C – D)	30,934	67,571	53,482	77,339

Property number	L-B-21	L-B-22	L-B-23	L-B-24
Property name	D Project Kuki II	D Project Kawagoe I	D Project Kawagoe II	DPL Inuyama
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	102,762	138,738	– (Note)
Rent revenues - real estate	– (Note)	102,762	138,738	– (Note)
Other lease business revenues	– (Note)	–	–	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	12,046	14,151	– (Note)
Taxes and public dues	– (Note)	9,377	11,888	– (Note)
Outsourcing expenses	– (Note)	1,800	1,800	– (Note)
Insurance	– (Note)	168	212	– (Note)
Repairs and maintenance expenses	– (Note)	450	–	– (Note)
Other expenses related to rent business	– (Note)	250	250	– (Note)
(C) NOI (= A – B)	216,328	90,715	124,586	99,412
(D) Depreciation	69,959	19,037	28,741	27,087
(E) Income (loss) from rent business (= C – D)	146,369	71,678	95,844	72,325

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Property number	L-B-25	L-B-26	L-B-27	L-B-28
Property name	D Project Fukuoka Hakozaiki	D Project Kuki III	D Project Kuki IV	D Project Kuki V
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	– (Note)	– (Note)	– (Note)
Other lease business revenues	– (Note)	– (Note)	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Taxes and public dues	– (Note)	– (Note)	– (Note)	– (Note)
Outsourcing expenses	– (Note)	– (Note)	– (Note)	– (Note)
Insurance	– (Note)	– (Note)	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	– (Note)	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	– (Note)	– (Note)	– (Note)
(C) NOI (= A – B)	111,838	216,148	170,087	247,249
(D) Depreciation	28,468	62,485	42,609	67,035
(E) Income (loss) from rent business (= C – D)	83,369	153,663	127,477	180,214

Property number	L-B-29	L-B-30	L-B-31	L-B-32
Property name	D Project Kuki VI	D Project Yashio	D Project Nishiyodogawa	D Project Matsudo
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Rent revenues - real estate	– (Note)	– (Note)	– (Note)	– (Note)
Other lease business revenues	– (Note)	– (Note)	– (Note)	– (Note)
(B) Expenses related to rent business Subtotal	– (Note)	– (Note)	– (Note)	– (Note)
Taxes and public dues	– (Note)	– (Note)	– (Note)	– (Note)
Outsourcing expenses	– (Note)	– (Note)	– (Note)	– (Note)
Insurance	– (Note)	– (Note)	– (Note)	– (Note)
Repairs and maintenance expenses	– (Note)	– (Note)	– (Note)	– (Note)
Other expenses related to rent business	– (Note)	– (Note)	– (Note)	– (Note)
(C) NOI (= A – B)	150,280	171,221	284,342	191,651
(D) Depreciation	47,924	45,611	88,068	41,006
(E) Income (loss) from rent business (= C – D)	102,356	125,609	196,273	150,644

Property number	Logistics Properties Total
Property name	
Period for asset management	
(A) Rent revenues Subtotal	5,328,696
Rent revenues - real estate	5,291,571
Other lease business revenues	37,124
(B) Expenses related to rent business Subtotal	525,317
Taxes and public dues	353,502
Outsourcing expenses	112,204
Insurance	8,584
Repairs and maintenance expenses	37,218
Other expenses related to rent business	13,806
(C) NOI (= A – B)	4,803,379
(D) Depreciation	1,226,737
(E) Income (loss) from rent business (= C – D)	3,576,641

Daiwa House REIT Investment Corporation (3263)  
Financial Results for the Fiscal Period Ended February 29, 2016

Property number	R-M-1	R-M-2	R-M-3	R-M-4
Property name	ACROSSMALL Shinkamagaya	FOLEO Hirakata	QiZ GATE URAWA	UNICUS Takasaki
Period for asset management	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	275,700	190,028	227,828	129,870
Rent revenues - real estate	275,700	188,870	169,202	129,870
Other lease business revenues	—	1,158	58,626	—
(B) Expenses related to rent business Subtotal	45,582	56,626	88,315	34,416
Taxes and public dues	25,694	23,115	14,010	10,067
Outsourcing expenses	8,703	7,983	32,924	20,360
Insurance	454	330	157	111
Repairs and maintenance expenses	10,231	9,217	9,686	3,378
Other expenses related to rent business	500	15,980	31,537	500
(C) NOI (= A - B)	230,117	133,401	139,513	95,453
(D) Depreciation	72,221	43,496	51,956	14,341
(E) Income (loss) from rent business (= C - D)	157,896	89,905	87,556	81,111

Property number	R-M-5	R-M-6	R-R-1	R-R-2
Property name	ACROSSPLAZA Miyoshi (land)	DREAM TOWN ALi	LIFE Sagamihara Wakamatsu	FOLEO Sendai Miyanomori
Period for asset management	From September 1, 2015 to February 29, 2016	From September 28, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016	From September 1, 2015 to February 29, 2016
(A) Rent revenues Subtotal	94,284	334,379	— (Note)	238,500
Rent revenues - real estate	94,284	249,422	— (Note)	238,500
Other lease business revenues	—	84,956	— (Note)	—
(B) Expenses related to rent business Subtotal	9,734	91,634	— (Note)	31,217
Taxes and public dues	9,534	—	— (Note)	22,864
Outsourcing expenses	—	24,086	— (Note)	3,600
Insurance	—	269	— (Note)	231
Repairs and maintenance expenses	—	2,228	— (Note)	4,022
Other expenses related to rent business	200	65,050	— (Note)	500
(C) NOI (= A - B)	84,550	242,744	43,838	207,282
(D) Depreciation	—	47,686	4,272	26,595
(E) Income (loss) from rent business (= C - D)	84,550	195,057	39,565	180,687

Property number	R-R-3	Retail Properties Total	Portfolio Total
Property name	ACROSSPLAZA Inazawa (land)		
Period for asset management	From September 1, 2015 to February 29, 2016		
(A) Rent revenues Subtotal	69,660	1,610,251	6,938,947
Rent revenues - real estate	69,660	1,465,510	6,757,082
Other lease business revenues	—	144,741	181,865
(B) Expenses related to rent business Subtotal	7,354	371,043	896,360
Taxes and public dues	7,154	116,271	469,774
Outsourcing expenses	—	99,457	211,662
Insurance	—	1,583	10,167
Repairs and maintenance expenses	—	38,762	75,981
Other expenses related to rent business	200	114,968	128,775
(C) NOI (= A - B)	62,306	1,239,207	6,042,586
(D) Depreciation	—	260,570	1,487,307
(E) Income (loss) from rent business (= C - D)	62,306	978,637	4,555,278

(Note) Undisclosed as consent for disclosure has not been obtained from lessees.

(C) Trend of occupancy rate

- a. The trend of portfolio occupancy rate of real estate in trust as of each fiscal period-end is as follows:

	Number of investment properties	Total leasable area (m <sup>2</sup> )	Total leased area (m <sup>2</sup> )	Occupancy rate (%) (Note)
7th fiscal period (August 31, 2011)	5	74,224.40	74,116.72	99.85
8th fiscal period (February 29, 2012)	4	70,802.37	70,694.69	99.84
9th fiscal period (August 31, 2012)	4	70,802.37	70,734.16	99.90
10th fiscal period (February 28, 2013)	24	531,535.41	531,521.94	99.99
11th fiscal period (August 31, 2013)	25	540,812.49	540,799.02	99.99
12th fiscal period (February 28, 2014)	26	572,794.19	572,537.79	99.95
13th fiscal period (August 31, 2014)	32	738,355.09	738,194.62	99.97
14th fiscal period (February 28, 2015)	33	762,373.09	762,164.49	99.97
15th fiscal period (August 31, 2015)	40	980,662.56	980,418.24	99.97
16th fiscal period (February 29, 2016)	41	1,002,859.37	1,002,391.30	99.95

(Note) Occupancy rate is calculated by dividing total leased area for each property by the total leasable area, rounded down to the nearest 100th.

- b. The trend of occupancy rate by property in trust as of each fiscal period-end is as follows:

(Unit: %)

Property number	Property name	7th fiscal period (August 31, 2011)	8th fiscal period (February 29, 2012)	9th fiscal period (August 31, 2012)	10th fiscal period (February 28, 2013)	11th fiscal period (August 31, 2013)	12th fiscal period (February 28, 2014)	13th fiscal period (August 31, 2014)	14th fiscal period (February 28, 2015)	15th fiscal period (August 31, 2015)	16th fiscal period (February 29, 2016)
L-B-1	D Project Machida	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-2	D Project Hachioji	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-3	D Project Aikawa-Machi	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-4	D Project Shin-Misato	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-5	D Project Urayasu I	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-6	D Project Urayasu II	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-7	D Project Akanehana	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-8	D Project Noda	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-9	D Project Inuyama	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-10	D Project Gifu	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-11	D Project Neyagawa	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-12	D Project Sapporo Minami	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-13	D Project Morioka	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-14	D Project Sendai Minami	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-15	D Project Tsuchiura	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-16	D Project Gotenba	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-17	D Project Nishi-Hiroshima	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-18	D Project Fukuoka Umi	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-19	D Project Tosu	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
L-B-20	D Project Kuki I	—	—	—	—	—	—	100.00	100.00	100.00	100.00
L-B-21	D Project Kuki II	—	—	—	—	—	—	100.00	100.00	100.00	100.00
L-B-22	D Project Kawagoe I	—	—	—	—	—	—	100.00	100.00	100.00	100.00
L-B-23	D Project Kawagoe II	—	—	—	—	—	—	100.00	100.00	100.00	100.00
L-B-24	DPL Inuyama	—	—	—	—	—	—	100.00	100.00	100.00	100.00
L-B-25	D Project Fukuoka Hakozaki	—	—	—	—	—	—	100.00	100.00	100.00	100.00
L-B-26	D Project Kuki III	—	—	—	—	—	—	—	—	100.00	100.00
L-B-27	D Project Kuki IV	—	—	—	—	—	—	—	—	100.00	100.00
L-B-28	D Project Kuki V	—	—	—	—	—	—	—	—	100.00	100.00
L-B-29	D Project Kuki VI	—	—	—	—	—	—	—	—	100.00	100.00
L-B-30	D Project Yashio	—	—	—	—	—	—	—	—	100.00	100.00
L-B-31	D Project Nishiyodogawa	—	—	—	—	—	—	—	—	100.00	100.00
L-B-32	D Project Matsudo	—	—	—	—	—	—	—	—	100.00	100.00
R-M-1	ACROSSMALL Shinkamagaya	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
R-M-2	FOLEO Hirakata	99.91	99.91	99.91	99.91	99.91	99.33	99.91	99.62	99.62	100.00
R-M-3	QIZ GATE URAWA	99.02	99.02	99.43	100.00	100.00	98.48	98.48	98.48	98.11	98.11
R-M-4	UNICUS Takasaki	—	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00

Property number	Property name	7th fiscal period (August 31, 2011)	8th fiscal period (February 29, 2012)	9th fiscal period (August 31, 2012)	10th fiscal period (February 28, 2013)	11th fiscal period (August 31, 2013)	12th fiscal period (February 28, 2014)	13th fiscal period (August 31, 2014)	14th fiscal period (February 28, 2015)	15th fiscal period (August 31, 2015)	16th fiscal period (February 29, 2016)
R-M-5	ACROSSPLAZA Miyoshi (land)	—	—	—	—	—	—	—	100.00	100.00	100.00
R-M-6	DREAM TOWN ALi	—	—	—	—	—	—	—	—	—	98.71
R-R-1	LIFE Sagami-hara Wakamatsu	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
R-R-2	FOLEO Sendai Miyanomori	—	—	—	100.00	100.00	100.00	100.00	100.00	100.00	100.00
R-R-3	ACROSSPLAZA Inazawa (land)	—	—	—	—	—	100.00	100.00	100.00	100.00	100.00

(Note) Occupancy rate by property in trust at the end of each period, rounded down to the nearest 100th, is shown in this table.

#### (D) Summary of major tenants

##### a. Summary of major tenants

DHR's rent revenues for the period and leased area for major tenants and by tenant as of February 29, 2016 are as follows. A major tenant is a tenant for which leased area accounts for 10% or more of the total leased area (total of leased areas in the entire portfolio).

Tenant	Business	Property name	Rent revenues for the period (Millions of yen)	Rent revenues ratio (%) (Note 1)	Leased area (m <sup>2</sup> )	Area ratio (%) (Note 1)
Hitachi Capital Corporation	Other financial business	D Project Machida D Project Urayasu II	— (Note 2)	— (Note 2)	122,810.40	12.3
Total of all tenants	—	—	6,757	100.0	1,002,391.30	100.0

(Note 1) Figures are rounded to the nearest tenth.

(Note 2) Undisclosed as consent for disclosure has not been obtained from the lessee.

##### b. Lease terms for major tenants

DHR's lease terms for major tenants as of February 29, 2016 are as follows:

Tenant	Property name	Expiration date	Contract renewal method	Annual rent (Millions of yen)	Leasehold and security deposit (Millions of yen)
Hitachi Capital Corporation	D Project Machida	February 28, 2027	There is no agreement on contract renewal.	— (Note)	— (Note)
	D Project Urayasu II	May 31, 2027	There is no agreement on contract renewal.	— (Note)	— (Note)

(Note) Undisclosed as consent for disclosure has not been obtained from the lessee.

(E) Summary on appraisal report

Property number	Real estate in trust (Property name)	Appraisal agency	Date of value appraised	Appraisal value (Millions of yen)	Return price (Millions of yen)				
					Price based on direct capitalization method	Capitalization rate (%)	Price based on DCF method	Discount rate (%)	Terminal capitalization rate (%)
L-B-1	D Project Machida	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	9,200	9,380	4.7	9,120	4.6	4.9
L-B-2	D Project Hachioji	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	15,400	15,300	4.6	15,500	1st to 3rd year 4.5 4th to 10th year 4.6	4.8
L-B-3	D Project Aikawa-Machi	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	3,320	3,350	4.9	3,300	4.9	5.1
L-B-4	D Project Shin-Misato	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	5,720	5,780	5.3	5,690	5.3	5.5
L-B-5	D Project Urayasu I	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	9,080	9,310	4.4	8,980	4.5	4.6
L-B-6	D Project Urayasu II	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	25,400	25,500	4.3	25,300	4.3	4.5
L-B-7	D Project Akanehama	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	2,890	2,920	4.8	2,870	4.9	5.0
L-B-8	D Project Noda	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	6,200	6,250	4.9	6,180	4.8	5.1
L-B-9	D Project Inuyama	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	8,520	8,410	5.2	8,560	1st to 9th year 5.1 10th year 5.2	5.4
L-B-10	D Project Gifu	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	1,100	1,090	5.7	1,100	1st to 8th year 5.6 9th year and later 5.7	5.9
L-B-11	D Project Neyagawa	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	5,830	5,850	4.9	5,820	4.9	5.1
L-B-12	D Project Sapporo Minami	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	818	817	6.2	819	1st to 2nd year 6.0 3rd to 10th year 6.1	6.4
L-B-13	D Project Morioka	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	1,200	1,200	6.1	1,200	6.0	6.3
L-B-14	D Project Sendai Minami	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	1,520	1,510	5.4	1,530	1st to 5th year 5.2 6th to 10th year 5.3	5.6
L-B-15	D Project Tsuchiura	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	3,390	3,280	5.4	3,430	5.3	5.6
L-B-16	D Project Gotenba	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	1,140	1,130	5.6	1,150	5.5	5.8
L-B-17	D Project Nishi-Hiroshima	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	1,210	1,170	5.6	1,220	Tower A 1st to 7th year 5.6 8th to 10th year 5.7 Tower B 5.6	5.8
L-B-18	D Project Fukuoka Umi	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	4,150	4,130	5.4	4,160	Tower A 1st to 5th year 5.2 6th year and later 5.3 Tower B 1st to 6th year 5.1 7th year and later 5.3 Tower C 5.3 Tower D 1st to 5th year 5.2 6th year and later 5.3	5.6

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Property number	Real estate in trust (Property name)	Appraisal agency	Date of value appraised	Appraisal value (Millions of yen)	Return price (Millions of yen)				
					Price based on direct capitalization method	Capitalization rate (%)	Price based on DCF method	Discount rate (%)	Terminal capitalization rate (%)
L-B-19	D Project Tosu	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	2,730	2,760	5.4	2,710	1st to 8th year 5.4 9th year and later 5.5	5.6
L-B-20	D Project Kuki I	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	3,910	3,920	5.1	3,900	1st to 9th year 5.1 10th year 5.2	5.3
L-B-21	D Project Kuki II	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	8,100	8,170	5.1	8,070	1st to 7th year 5.1 8th year and later 5.2	5.3
L-B-22	D Project Kawagoe I	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	3,480	3,490	5.2	3,480	5.2	5.4
L-B-23	D Project Kawagoe II	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	4,730	4,790	5.2	4,700	5.2	5.4
L-B-24	DPL Inuyama	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	3,850	3,860	5.2	3,850	5.1	5.4
L-B-25	D Project Fukuoka Hakozaki	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	4,250	4,280	5.1	4,230	5.0	5.3
L-B-26	D Project Kuki III	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	7,640	7,810	5.1	7,570	1st to 7th year 5.1 8th year and later 5.2	5.3
L-B-27	D Project Kuki IV	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	5,490	5,460	5.1	5,500	1st to 8th year 5.1 9th to 10th year 5.2	5.3
L-B-28	D Project Kuki V	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	8,280	8,340	5.1	8,260	1st to 6th year 5.1 7th to 10th year 5.2	5.3
L-B-29	D Project Kuki VI	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	5,130	5,190	5.1	5,110	1st to 7th year 5.1 8th to 10th year 5.2	5.3
L-B-30	D Project Yashio	Japan Real Estate Institute	February 29, 2016	6,400	6,440	4.8	6,350	4.3	5.1
L-B-31	D Project Nishiyodogawa	Japan Real Estate Institute	February 29, 2016	10,300	10,300	5.0	10,200	4.7	5.2
L-B-32	D Project Matsudo	Japan Real Estate Institute	February 29, 2016	7,370	7,380	4.8	7,350	4.5	4.9
Logistics Properties Total				187,748	188,567	—	187,209	—	—
R-M-1	ACROSSMALL Shinkamagaya	Japan Real Estate Institute	February 29, 2016	7,640	7,670	6.1	7,610	5.8	6.3
R-M-2	FOLEO Hirakata	Japan Real Estate Institute	February 29, 2016	4,580	4,610	6.4	4,540	5.9	6.5
R-M-3	QiZ GATE URAWA	Japan Real Estate Institute	February 29, 2016	4,740	4,750	6.2	4,730	5.5	6.0
R-M-4	UNICUS Takasaki	Japan Real Estate Institute	February 29, 2016	2,950	2,960	6.6	2,940	6.3	6.8
R-M-5	ACROSSPLAZA Miyoshi (land)	The Tanizawa Sōgō Appraisal Co., Ltd.	February 29, 2016	3,710	— (Note 1)	— (Note 1)	3,710	4.6	— (Note 2)
R-M-6	DREAM TOWN ALi	Japan Real Estate Institute	February 29, 2016	8,100	8,200	6.0	7,990	5.8	6.3
R-R-1	LIFE Sagamihara Wakamatsu	Japan Real Estate Institute	February 29, 2016	1,640	1,650	5.3	1,620	4.9	5.4
R-R-2	FOLEO Sendai Miyanomori	Japan Real Estate Institute	February 29, 2016	6,840	6,870	6.1	6,810	5.8	6.3
R-R-3	ACROSSPLAZA Inazawa (land)	Japan Real Estate Institute	February 29, 2016	2,380	— (Note 1)	— (Note 1)	2,380	5.5	— (Note 2)
Retail Properties Total				42,580	36,710	—	42,330	—	—
Portfolio Total				230,328	225,277	—	229,539	—	—

- (Note 1) In this appraisal, because the contractual terms prescribe the restoration of land to its original state at the expiry of the agreement and the direct capitalization method where net cash flow over a period of time is capitalized at the capitalization rate is not suitable, the price based on the direct capitalization method was not calculated.
- (Note 2) Since the capitalization method was not applied in the calculation of price of selling the vacant lot, the terminal capitalization rate was not presented.



(F) Summary on engineering report

DHR obtains engineering reports such as reports on building deterioration diagnosis, short- and long-term repair and maintenance plans prepared, survey on legal compliance with the Building Standards Act, etc. and survey on buildings containing harmful substances from Tokio Marine & Nichido Risk Consulting Co., Ltd. The summary of engineering reports is as follows:

Property number	Real estate in trust (Property name)	Month and year of survey	Emergency repair (Thousands of yen)	Short-term repair and maintenance (Thousands of yen) (Note 1)	Long-term repair and maintenance (Thousands of yen) (Note 1)
L-B-1	D Project Machida	September 2012	—	—	6,288
L-B-2	D Project Hachioji	September 2012	—	—	3,292
L-B-3	D Project Aikawa-Machi	September 2012	—	—	600
L-B-4	D Project Shin-Misato	September 2012	—	—	—
L-B-5	D Project Urayasu I	September 2012	—	—	5,489
L-B-6	D Project Urayasu II	September 2012	—	—	3,850
L-B-7	D Project Akanehama	September 2012	—	—	430
L-B-8	D Project Noda	September 2012	—	—	1,342
L-B-9	D Project Inuyama	September 2012	—	—	2,525
L-B-10	D Project Gifu	September 2012	—	—	—
L-B-11	D Project Neyagawa	September 2012	—	—	—
L-B-12	D Project Sapporo Minami	September 2012	—	—	354
L-B-13	D Project Morioka	September 2012	—	—	2,633
L-B-14	D Project Sendai Minami	September 2012	—	—	634
L-B-15	D Project Tsuchiura	September 2012	—	—	—
L-B-16	D Project Gotenba	September 2012	—	—	54
L-B-17	D Project Nishi-Hiroshima	September 2012	—	—	828
L-B-18	D Project Fukuoka Umi	September 2012	—	—	3,154
L-B-19	D Project Tosu	September 2012	—	—	—
L-B-20	D Project Kuki I	February 2014	—	—	486
L-B-21	D Project Kuki II	February 2014	—	—	854
L-B-22	D Project Kawagoe I	February 2014	—	—	587
L-B-23	D Project Kawagoe II	February 2014	—	—	436
L-B-24	DPL Inuyama	February 2014	—	—	403
L-B-25	D Project Fukuoka Hakozaiki	February 2014	—	—	3,386
L-B-26	D Project Kuki III	February 2015	—	—	3,579
L-B-27	D Project Kuki IV	February 2015	—	—	976
L-B-28	D Project Kuki V	February 2015	—	—	4,949
L-B-29	D Project Kuki VI	February 2015	—	—	3,448
L-B-30	D Project Yashio	February 2015	—	—	5,802
L-B-31	D Project Nishiyodogawa	February 2015	—	—	1,743
L-B-32	D Project Matsudo	February 2015	—	—	1,739
R-M-1	ACROSSMALL Shinkamagaya	September 2012	—	—	24,941
R-M-2	FOLEO Hirakata	September 2012	—	—	20,471
R-M-3	QiZ GATE URAWA	September 2012	—	—	10,776
R-M-4	UNICUS Takasaki	March 2013	—	—	6,448
R-M-5	ACROSSPLAZA Miyoshi (land) (Note 2)	—	—	—	—
R-M-6	DREAM TOWN ALi	September 2015	—	—	18,281
R-R-1	LIFE Sagamihara Wakamatsu	September 2012	—	—	2,768
R-R-2	FOLEO Sendai Miyanomori	September 2012	—	—	1,387
R-R-3	ACROSSPLAZA Inazawa (land) (Note 2)	—	—	—	—
Portfolio Total			—	—	144,932

(Note 1) Short-term repair and maintenance show repairs and maintenance expenses required within one year as of each survey date, which are estimated by Tokio Marine & Nichido Risk Consulting Co., Ltd.

Long-term repair and maintenance show the annual average amount that the asset management company calculated based on repairs and maintenance expenses for 12 years as of each survey date estimated by Tokio Marine & Nichido Risk Consulting Co., Ltd., rounded to the nearest thousand yen. Therefore, the sum of long-term repair and maintenance may not be equal to the portfolio total.

(Note 2) For ACROSSPLAZA Miyoshi (land) and ACROSSPLAZA Inazawa (land), figures were not presented because only the land was acquired and the building was not acquired.

(G) Summary of report on earthquake risk assessment

PML for real estate in trust is as follows. Figures of PML are based on the report on earthquake risk assessment provided by Tokio Marine & Nichido Risk Consulting Co., Ltd. Earthquake insurance is not taken out on the real estate in trust as of the date of this financial results report.

Property number	Real estate in trust (Property name)	PML (%)
L-B-1	D Project Machida	2.7
L-B-2	D Project Hachioji	6.0
L-B-3	D Project Aikawa-Machi	5.5
L-B-4	D Project Shin-Misato	0.8
L-B-5	D Project Urayasu I	3.5
L-B-6	D Project Urayasu II	2.1
L-B-7	D Project Akanehama	1.7
L-B-8	D Project Noda	1.7
L-B-9	D Project Inuyama	3.4
L-B-10	D Project Gifu	4.1
L-B-11	D Project Neyagawa	2.7
L-B-12	D Project Sapporo Minami	1.9
L-B-13	D Project Morioka	8.1
L-B-14	D Project Sendai Minami	1.5
L-B-15	D Project Tsuchiura	1.6
L-B-16	D Project Gotenba	7.0
L-B-17	D Project Nishi-Hiroshima	2.3
L-B-18	D Project Fukuoka Umi	1.3
L-B-19	D Project Tosu	4.2
L-B-20	D Project Kuki I	0.5
L-B-21	D Project Kuki II	3.4
L-B-22	D Project Kawagoe I	7.6
L-B-23	D Project Kawagoe II	3.2
L-B-24	DPL Inuyama	7.0
L-B-25	D Project Fukuoka Hakozaki	10.9
L-B-26	D Project Kuki III	0.1
L-B-27	D Project Kuki IV	1.7
L-B-28	D Project Kuki V	2.8
L-B-29	D Project Kuki VI	2.0
L-B-30	D Project Yashio	1.6
L-B-31	D Project Nishiyodogawa	7.3
L-B-32	D Project Matsudo	3.1
R-M-1	ACROSSMALL Shinkamagaya	2.4
R-M-2	FOLEO Hirakata	13.3
R-M-3	QiZ GATE URAWA	1.8
R-M-4	UNICUS Takasaki	1.0
R-M-5	ACROSSPLAZA Miyoshi (land) (Note 1)	—
R-M-6	DREAM TOWN ALi	1.8
R-R-1	LIFE Sagamihara Wakamatsu	11.0
R-R-2	FOLEO Sendai Miyanomori	2.8
R-R-3	ACROSSPLAZA Inazawa (land) (Note 1)	—
Portfolio Total (Note 2)		1.7

(Note 1) For ACROSSPLAZA Miyoshi (land) and ACROSSPLAZA Inazawa (land), PML was not calculated because only the land was acquired and the building was not acquired.

(Note 2) The figure shown in Portfolio Total is aggregate PML for 39 properties excluding ACROSSPLAZA Miyoshi (land) and ACROSSPLAZA Inazawa (land) for which only the land was acquired. It is calculated in the same way as an individual property based on the report on earthquake risk assessment provided by Tokio Marine & Nichido Risk Consulting Co., Ltd. (portfolio PML).

(H) Status of collaterals provided on real estate in trust

Not applicable.

#### iv) Status of portfolio diversification

The overview of portfolio on real estate in trust as of February 29, 2016 is as follows:

##### (A) By property type

Property type	Number of properties	Acquisition price (Millions of yen)	Percentage of total acquisition price (%) (Note 1)
Logistics Properties	32	162,560	79.8
Retail Properties	9	41,203	20.2
Total	41	203,763	100.0

##### (B) By location

Location		Number of properties	Acquisition price (Millions of yen)	Percentage of total acquisition price (%) (Note 1)	
Three major metropolitan areas of Japan	Greater Tokyo area	22	138,619	68.0	83.8
	Greater Nagoya area	4	12,874	6.3	
	Greater Osaka area	3	19,300	9.5	
Other areas		12	32,970	16.2	
Total		41	203,763	100.0	

##### (C) By lease term (Note 2)

###### By lease term

Lease term	Number of tenants (Note 3)	Annual rent (not including consumption tax) (Millions of yen) (Note 4)	Percentage of annual rent (%) (Note 5)
10 years or more	74	13,235	97.3
Less than 10 years	38	369	2.7
Total	112	13,603	100.0

###### By remaining lease term

Remaining lease term	Number of tenants (Note 3)	Annual rent (not including consumption tax) (Millions of yen) (Note 4)	Percentage of annual rent (%) (Note 5)
15 years or more	8	2,000	14.7
10 years or more but less than 15 years	32	7,876	57.9
5 years or more but less than 10 years	17	2,398	17.6
Less than 5 years	55	1,330	9.8
Total	112	13,603	100.0

(D) By property age

Property age (Note 6)	Number of properties	Acquisition price (Millions of yen)	Percentage of total acquisition price (%) (Note 1)
Less than 5 years	12	68,250	34.4
5 years or more but less than 10 years	24	118,929	59.9
10 years or more	3	11,250	5.7
Total	39	198,429	100.0

Average property age (*)	6.8 years
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(\*) Based on the acquisition price (weighted average)

(E) By lease type

Lease type	Number of properties	Annual rent (not including consumption tax) (Millions of yen) (Note 4)	Percentage of annual rent (%) (Note 5)
Sublease-type master lease	3	1,288	9.5
Pass-through type master lease	4	2,673	19.7
Direct lease	34	9,642	70.9
Total	41	13,603	100.0

(F) By rent type (based on leased area)

Rent type	Number of tenants (Note 3)	Leased area (m <sup>2</sup> )	Percentage of leased area (%)
Fixed rent	96	991,152.42	98.9
Fixed rent and revenue-based rent	12	10,760.48	1.1
Revenue-based rent	4	478.40	0.0
Total	112	1,002,391.30	100.0

(G) By contract type (based on annual rent)

Contract type	Number of tenants (Note 3)	Annual rent (not including consumption tax) (Millions of yen) (Note 4)	Percentage of annual rent (%) (Note 5)
Fixed-term lease contract of property (including land)	92	7,740	56.9
Other	20	5,863	43.1
Total	112	13,603	100.0

(Note 1) Percentage of total acquisition price means the ratio of the total amount of the acquisition prices of each property corresponding to each category to the total amount of the acquisition prices of the all properties, rounded to the nearest tenth. Therefore, the sum of figures shown may not be equal to the figure in Total.

(Note 2) Lease term is based on each lease agreement concluded for each corresponding property in trust as of February 29, 2016.

(Note 3) Number of tenants is the number of end-tenants of each property in trust as of February 29, 2016. However, with respect to properties with sublease-type master lease agreements, only the master lease company is indicated as the tenant.

(Note 4) Annual rent means the annual rent of the properties as indicated in each lease agreement entered into in relation to each property in trust as of February 29, 2016 or the amount calculated by multiplying the monthly rent by 12 on an annual basis (provided, however, in the case of a pass-through type master lease agreement, under which rents are directly received from end-tenants in principle, the annual rent is as indicated in each sublease agreement entered into between a master lease company and end-tenants in relation to each property as of February 29, 2016 or the amount calculated by multiplying the monthly rent by 12 on an annual basis), rounded to the nearest million yen. For revenue-based rent, a monthly amount linked to sales in February 2016 is used. Therefore, the sums of the annual rent of each property may not add up due to rounding and may differ from the total in the portfolio.

(Note 5) Percentage of annual rent indicates the ratio of the total annual rent corresponding to each category to the total annual rent in the portfolio of the relevant properties, rounded to the nearest tenth. Sums of figures indicated may not add up due to rounding.

(Note 6) Property age is based on the age of each property as of February 29, 2016.

## v) Capital expenditures for properties held

### (A) Schedule of capital expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc., for real estate in trust held as of February 29, 2016. The estimated construction cost includes the portion charged to expenses.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Millions of yen)		
			Total amount	Payment for the period	Total amount paid
D Project Fukuoka Umi (Kasuya, Fukuoka)	Installment of LED lights and other	From March 2016 to May 2016	11	—	—
D Project Kawagoe II (Kawagoe, Saitama)	Installment of LED lights	From May 2016 to July 2016	26	—	—
D Project Kuki IV (Kuki, Saitama)	Installment of LED lights	From May 2016 to June 2016	43	—	—
LIFE Sagamihara Wakamatsu (Sagamihara, Kanagawa)	Painting of exterior walls	From March 2016 to May 2016	24	—	—

### (B) Capital expenditures during the period

For real estate in trust held, an overview of major construction work conducted by DHR during the fiscal period under review that falls into capital expenditure is as follows:

Property name (Location)	Purpose	Period	Construction cost (Millions of yen)
D Project Akanehama (Narashino, Chiba)	Installment of LED lights	From November 2015 to November 2015	12
D Project Gotenba (Gotenba, Shizuoka)	Repair work of exterior walls	From August 2015 to September 2015	10
DPL Inuyama (Inuyama, Aichi)	Installment of LED lights	From February 2016 to February 2016	21
FOLEO Hirakata (Hirakata, Osaka)	Installment of LED lights	From November 2015 to November 2015	39

(C) Cash reserves for long-term repair and maintenance plans

Based on long-term repair and maintenance plans compiled for each property, DHR sets aside the following cash reserves from cash flows during the fiscal period in order to provide for payment of funds for large repair and maintenance, etc., over the medium to long term.

(Unit: Millions of yen)

Operating period	12th period From September 1, 2013 to February 28, 2014	13th period From March 1, 2014 to August 31, 2014	14th period From September 1, 2014 to February 28, 2015	15th period From March 1, 2015 to August 31, 2015	16th period From September 1, 2015 to February 29, 2016
Balance of reserves at beginning of period	180	239	300	362	430
Amount of reserves during period	58	60	62	67	77
Amount of reversal of reserves during period	—	—	—	—	—
Reserves carried forward	239	300	362	430	507