Daiwa House Residential Investment Corporation

FINANCIAL STATEMENTS FOR THE TWENTIETH FISCAL PERIOD

(September 1, 2015 － February 29, 2016)

To Our Unitholders

We offer our deep gratitude for your unwavering support of Daiwa House Residential Investment Corporation ("DHI"). DHI celebrated the 10th anniversary of its listing on the stock exchange on March 22, 2016. This is primarily due to the understanding and support of our unitholders and we are deeply grateful for that.

Furthermore, we at DHI would like to express our deepest sympathies to all those who have been devastated by the 2016 Kumamoto earthquake. We hope for a swift recovery.

The following is a report concerning the operations and finances for the 20th fiscal period (from September 1, 2015 to February 29, 2016).

DHI acquired Castalia Kyoto Nishioji (acquisition price: ¥973 million) in November 2015.
As a result, we have achieved steady external growth, with total asset holdings as of the end of the current fiscal period (February 29, 2016) amounted to 142 properties (11,426 leasable units), with a total value of ¥256.3 billion (acquisition price basis).

Management of properties held by DHI was also favorable with an average occupancy rate for the current fiscal period of 96.1%, and an occupancy rate as of the end of February 2016 of 96.0%.
Our performance exceeded the forecast occupancy rate of 95.0%, which was announced in the financial report for the previous fiscal period, and as a result of upwardly revising rent upon tenant replacement, we recorded operating revenue of ¥9,662 million, which is ¥96 million in excess of the forecast of results.

In addition, earnings were positive, so we brought forward the repair and restoration works etc. that had been scheduled for the next fiscal period onward, in order to relieve future burden. As a result, we recorded operating income of ¥3,947 million, which is ¥7 million in excess of the forecast of results.

Furthermore, as a result of greatly reducing the interest on borrowings upon refinancing of ¥10.5 billion conducted in December, 2015, we recorded ordinary income and net income of ¥3,177 million each, which was around ¥19 million in excess of forecast of results in each category.

With regard to distributions, in addition to the reversal of ¥200 million from internal reserves (¥268 per investment unit), which is the amount equivalent to 10% of the amount equivalent to depreciation and amortization, we retained ¥12 million as internal reserves as allowance for restoration expenses, in accordance with DHI's distribution policy. Thus the total distribution amounted to ¥3,365 million or ¥4,501 per investment unit (an increase of ¥11 over forecast of results).

DHI concluded a merger agreement with Daiwa House REIT Investment Corporation on April 15, 2016. Through this merger, we will endeavor to provide maximum value to unitholders through ensuring stable revenue and steady growth of portfolio, while leveraging the integrated capabilities and know-how of the Daiwa House Group to the maximum extent possible.

In closing, we ask for the continued support and understanding of our unitholders and the investment community as we move forward.

Daiwa House Residential Investment Corporation
Executive Director
Jiro Kawanishi

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

Distribution per Unit (Yen) **¥4,501**
Actual
20th Fiscal Period: (September 1, 2015 – February 29, 2016)

Distribution per Unit (Yen) **¥4,510**
Forecast *1
21th Fiscal Period: (March 1, 2016 – August 31, 2016)

*1) Forecast distributions refer to the forecast as of April 15, 2016, and actual distributions per unit may vary from this figure. These forecasts also do not guarantee the amount of distributions.

1. FINANCIAL HIGHLIGHT

(1) Operating results

(Millions of yen)

	Operating Revenues	Operating Income	Ordinary Income	Net Income
20th Fiscal Period	**¥9,662**	**¥3,947**	**¥3,177**	**¥3,177**
19th Fiscal Period	**¥9,356**	**¥3,925**	**¥3,146**	**¥3,145**
18th Fiscal Period	**¥8,693**	**¥3,881**	**¥3,081**	**¥3,080**
17th Fiscal Period	**¥8,578**	**¥3,906**	**¥3,082**	**¥3,081**
16th Fiscal Period	**¥8,316**	**¥3,559**	**¥2,704**	**¥2,703**

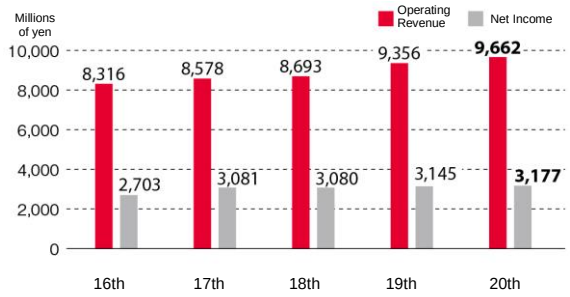
(Millions of yen, Yen; days)

	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
20th Fiscal Period	**¥4,501**	**¥3,365**	**182**
19th Fiscal Period	**¥4,460**	**¥3,334**	**184**
18th Fiscal Period	**¥8,691**	**¥3,249**	**181**
17th Fiscal Period	**¥8,686**	**¥3,247**	**184**
16th Fiscal Period	**¥8,688**	**¥3,248**	**181**

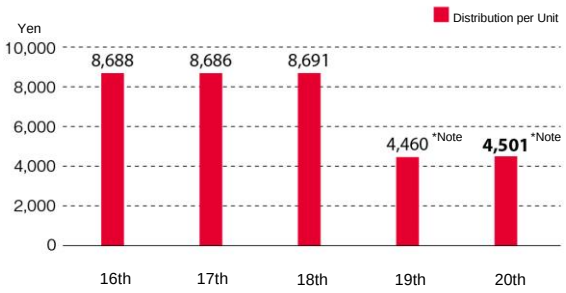
Notes:
1. 20th Fiscal Period: September 1, 2015 － February 29, 2016
   19th Fiscal Period: March 1, 2015 － August 31, 2015
   18th Fiscal Period: September 1, 2014 － February 28, 2015
   17th Fiscal Period: March 1, 2014 － August 31, 2014
   16th Fiscal Period: September 1, 2013 － February 28, 2014

2. The funds from which distributions are paid out are the amount including the reversal of internal reserves and differ from "net income".

< Operating Revenue / Net Income >



< Distribution per Unit >



*) DHI implemented a 2-for-1 split of investment units on March 1, 2015 as the effective date.

(2) Financial conditions

(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Net Assets (Millions of yen)	Equity Ratio (%)	Net Assets per Unit (Yen)	Total interest-bearing Debt (Millions of yen)	LTV (%)
20th Fiscal Period	**¥258,590**	**¥111,194**	**43.0%**	**¥148,707**	**¥141,663**	**54.8%**
19th Fiscal Period	**¥258,400**	**¥111,352**	**43.1%**	**¥148,918**	**¥141,663**	**54.8%**
18th Fiscal Period	**¥238,730**	**¥111,455**	**46.7%**	**¥149,056 *3**	**¥122,463**	**51.3%**
17th Fiscal Period	**¥238,092**	**¥111,622**	**46.9%**	**¥149,280 *3**	**¥121,666**	**51.1%**
16th Fiscal Period	**¥237,934**	**¥111,789**	**47.0%**	**¥299,006**	**¥121,666**	**51.1%**

Notes:

1. 20th Fiscal Period: September 1, 2015 － February 29, 2016
   19th Fiscal Period: March 1, 2015 － August 31, 2015
   18th Fiscal Period: September 1, 2014 － February 28, 2015
   17th Fiscal Period: March 1, 2014 － August 31, 2014
   16th Fiscal Period: September 1, 2013 － February 28, 2014

2. DHI implemented a 2-for-1 split of investment units split on March 1, 2015 as the effective date.
   "Net assets per unit" are calculated on the assumption that the split of investment units was implemented at the beginning of the 17th fiscal period.

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Building a better working world

Independent Auditor's Report

The Board of Directors
Daiwa House Residential Investment Corporation

We have audited the accompanying financial statements of Daiwa House Residential Investment Corporation which comprise the balance sheet as at February 29, 2016, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House Residential Investment Corporation as at February 29, 2016, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 17 to the financial statements, which describes that Daiwa House Residential Investment Corporation resolved the merger with Daiwa House REIT Investment Corporation and concluded a merger agreement, effective on September 1, 2016, at the meeting of the Board of Directors held on April 15, 2016.Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

May 20, 2016
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Daiwa House Residential Investment Corporation

Balance Sheets

As of August 31, 2015 and February 29, 2016

	As of August 31, 2015	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Assets			
Current assets:			
Cash and bank deposits (including trust accounts)	¥ 7,668,757	¥ 7,997,194	$ 70,385
Rental receivables	85,467	96,884	852
Prepaid expenses	348,569	319,970	2,816
Consumption taxes receivable	78,484	–	–
Other current assets	43,078	45,357	399
Allowance for doubtful accounts	(3,440)	(3,921)	(34)
Total current assets	8,220,917	8,455,484	74,418
Property and equipment:			
Land	21,908,825	22,453,013	197,614
Buildings and structures	28,731,991	29,262,030	257,542
Machinery and equipment	456,634	479,422	4,219
Tools, furniture and fixtures	670,176	676,340	5,952
Land in trust	85,002,219	85,002,219	748,127
Construction in progress in trust	12,000	–	–
Buildings and structures in trust	119,159,380	119,899,518	1,055,267
Machinery and equipment in trust	1,900,424	1,928,225	16,970
Tools, furniture and fixtures in trust	437,363	531,039	4,673
Less – accumulated depreciation	(17,210,261)	(19,172,851)	(168,745)
Net property and equipment	241,068,755	241,058,958	2,121,624
Investments and other assets:			
Long-term prepaid expenses	445,727	453,702	3,993
Guarantee deposits	10,195	10,261	90
Leasehold rights in trust	5,354,762	5,317,233	46,798
Software	2,326	2,033	17
Trademark rights	3,731	3,385	29
Lease and guarantee deposits in trust	3,250,134	3,250,134	28,605
Total investments and other assets	9,066,878	9,036,751	79,534
Deferred assets:			
Investment corporation bond issuance costs	43,982	38,956	342
Total deferred assets	43,982	38,956	342
Total assets	¥ 258,400,533	¥ 258,590,152	$ 2,275,921

	As of August 31, 2015	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Liabilities and net assets			
Current liabilities:			
Trade and other payables	¥ 837,986	¥ 1,164,980	$ 10,253
Short-term loans	10,000,000	10,000,000	88,012
Current portion of long-term loans	18,100,000	39,400,000	346,769
Accrued expenses	543,089	520,944	4,584
Consumption taxes payable	-	40,265	354
Rent received in advance	903,634	899,666	7,918
Deposits received	258,258	308,560	2,715
Total current liabilities	30,642,969	52,334,417	460,609
Long-term liabilities:			
Investment corporation bonds	9,000,000	9,000,000	79,211
Long-term loans	104,563,000	83,263,000	732,819
Tenant leasehold and security deposits	302,369	288,518	2,539
Tenant leasehold and security deposits in trust	2,124,653	2,089,742	18,392
Asset retirement obligations	415,079	419,792	3,694
Total long-term liabilities	116,405,102	95,061,053	836,657
Total liabilities	147,048,071	147,395,471	1,297,266
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 4,000,000			
Units issued and outstanding: 747,740	61,703,224	61,703,224	543,066
Capital surplus	28,241,587	28,241,587	248,561
Reserve for distribution	18,261,746	18,072,729	159,062
Retained earnings	3,145,903	3,177,139	27,962
Total unitholders' equity	111,352,461	111,194,680	978,654
Total net assets	111,352,461	111,194,680	978,654
Total liabilities and net assets	¥ 258,400,533	¥ 258,590,152	$ 2,275,921

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Income and Retained Earnings

For the period from March 1, 2015 to August 31, 2015
and for the period from September 1, 2015 to February 29, 2016

	From March 1, 2015 to August 31, 2015	From September 1, 2015 to February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Operating revenues:			
Rental revenues	¥ 9,356,103	¥ 9,662,326	$ 85,040
Total operating revenues	9,356,103	9,662,326	85,040
Operating expenses:			
Real estate rental expenses	4,438,425	4,688,094	41,261
Asset management fees	620,236	645,418	5,680
Asset custodian and consignment fees	21,424	23,065	203
Administrative service and consignment fees	57,810	62,720	552
Directors' remuneration	6,600	6,600	58
Provision of allowance for doubtful accounts	1,223	1,551	13
Other operating expenses	284,534	287,675	2,531
Total operating expenses	5,430,254	5,715,125	50,300
Operating income	3,925,849	3,947,200	34,740
Non-operating income (expenses):			
Interest income	505	515	4
Interest expense	(575,549)	(572,250)	(5,036)
Gain on exclusion of distribution payable	4,518	4,021	35
Interest expenses on investment corporation bonds	(32,543)	(31,748)	(279)
Amortization of investment corporation bond issuance costs	(5,025)	(5,025)	(44)
Financing related expenses	(169,651)	(163,502)	(1,439)
Other, net	(1,593)	(1,466)	(12)
Total non-operating income (expenses)	(779,340)	(769,456)	(6,772)
Ordinary income	3,146,508	3,177,744	27,968
Income before income taxes	3,146,508	3,177,744	27,968
Income taxes:			
Current	605	605	5
Total income taxes	605	605	5
Net income	3,145,903	3,177,139	27,962
Retained earnings at end of period	¥ 3,145,903	¥ 3,177,139	$ 27,962

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Changes in Net Assets

For the period from March 1, 2015 to August 31, 2015

	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
	(Thousands of yen)						
Balance as of March 1, 2015	747,740	¥61,703,224	¥28,241,587	¥18,430,566	¥3,080,483	¥111,455,862	¥111,455,862
Changes during the fiscal period:							
Reversal of reserve for distribution	–	–	–	(168,820)	168,820	–	–
Dividends from retained earnings	–	–	–	–	(3,249,304)	(3,249,304)	(3,249,304)
Net income	–	–	–	–	3,145,903	3,145,903	3,145,903
Total changes during the fiscal period	–	–	–	(168,820)	65,419	(103,400)	(103,400)
Balance as of August 31, 2015	747,740	¥61,703,224	¥28,241,587	¥18,261,746	¥3,145,903	¥111,352,461	¥111,352,461

For the period from September 1, 2015 to February 29, 2016

	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
	(Thousands of yen)						
Balance as of September 1, 2015	747,740	¥61,703,224	¥28,241,587	¥18,261,746	¥3,145,903	¥111,352,461	¥111,352,461
Changes during the fiscal period:							
Reversal of reserve for distribution	–	–	–	(189,016)	189,016	–	–
Dividends from retained earnings	–	–	–	–	(3,334,920)	(3,334,920)	(3,334,920)
Net income	–	–	–	–	3,177,139	3,177,139	3,177,139
Total changes during the fiscal period	–	–	–	(189,016)	31,235	(157,781)	(157,781)
Balance as of February 29, 2016	747,740	¥61,703,224	¥28,241,587	¥18,072,729	¥3,177,139	¥111,194,680	¥111,194,680

For the period from September 1, 2015 to February 29, 2016

	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
	(Thousands of U.S. dollars)						
Balance as of September 1, 2015	747,740	$543,066	$248,561	$160,726	$ 27,687	$980,042	$980,042
Changes during the fiscal period:							
Reversal of reserve for distribution	–	–	–	(1,663)	1,663	–	–
Dividends from retained earnings	–	–	–	–	(29,351)	(29,351)	(29,351)
Net income	–	–	–	–	27,962	27,962	27,962
Total changes during the fiscal period	–	–	–	(1,663)	274	(1,388)	(1,388)
Balance as of February 29, 2016	747,740	$543,066	$248,561	$159,062	$27,962	$978,654	$978,654

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation
Statements of Cash Flows

For the period from March 1, 2015 to August 31, 2015
and for the period from September 1, 2015 to February 29, 2016

	From March 1, 2015 to August 31, 2015	From September 1, 2015 to February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Cash flows from operating activities			
Income before income taxes	¥ 3,146,508	¥ 3,177,744	$ 27,968
Depreciation and amortization	1,897,265	2,012,584	17,713
Amortization of investment corporation bond issuance costs	5,025	5,025	44
Loss on retirement of noncurrent assets	2,640	45,399	399
Amortization of trademark rights	359	346	3
Amortization of software	292	292	2
Interest income	(505)	(515)	(4)
Interest expense	608,093	603,998	5,315
Change in rental receivables	(43,148)	(11,416)	(100)
Change in consumption taxes receivable	(101,191)	118,750	1,045
Change in advance payments	(28,844)	28,599	251
Change in trade payables	209,654	(38,039)	(334)
Change in other payables	(7,018)	(5,288)	(46)
Change in accrued expenses	32,557	5,013	44
Change in deposits received	2,907	40,803	359
Change in rent received in advance	38,362	(35,145)	(309)
Change in long-term prepaid expenses	24,589	(7,975)	(70)
Change in allowance for doubtful accounts	562	480	4
Change in lease and guarantee deposits in trust	(1,293,218)	–	–
Other	(95,395)	(52,198)	(459)
Subtotal	4,399,496	5,888,462	51,825
Interest received	505	515	4
Interest paid	(602,876)	(631,157)	(5,554)
Income taxes paid	(612)	(581)	(5)
Net cash provided by operating activities	3,796,512	5,257,238	46,270
Cash flows from investing activities			
Purchases of property and equipment	(53,670)	(1,095,441)	(9,641)
Purchases of property and equipment in trust	(17,105,008)	(548,305)	(4,825)
Purchases of intangible fixed assets	(259)	–	–
Purchases of intangible fixed assets in trust	(2,030,432)	–	–
Proceeds from tenant leasehold and security deposits	34,350	24,879	218
Payment of tenant leasehold and security deposits	(18,914)	(16,362)	(144)
Proceeds from tenant leasehold and security deposits in trust	383,229	131,252	1,155
Payment of tenant leasehold and security deposits in trust	(132,945)	(93,312)	(821)
Net cash used in investing activities	(18,923,652)	(1,597,290)	(14,058)
Cash flows from financing activities			
Proceeds from short-term loans	10,000,000	–	–
Repayment of short-term loans	(800,000)	–	–
Proceeds from long-term loans	10,000,000	10,500,000	92,413
Repayment of long-term loans	–	(10,500,000)	(92,413)
Dividend payment	(3,246,851)	(3,331,511)	(29,321)
Net cash provided by (used in) financing activities	15,953,148	(3,331,511)	(29,321)
Net increase (decrease) in cash and cash equivalents	826,009	328,437	2,890
Cash and cash equivalents at beginning of period	6,842,747	7,668,757	67,494
Cash and cash equivalents at end of period	¥ 7,668,757	¥ 7,997,194	$ 70,385

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Notes to Financial Statements

For the period from March 1, 2015 to August 31, 2015
and for the period from September 1, 2015 to February 29, 2016

1. Organization and Basis of Presentation

(a) Organization

Daiwa House Residential Investment Corporation ("DHI"), a Japanese real estate investment corporation, was established on June 7, 2005 with an initial capitalization of ¥300 million under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. DHI was formed to invest primarily in residential and retail properties in Japan. DHI is externally managed by a licensed asset management company, Daiwa House Asset Management Co., Ltd.

DHI has concentrated on its beautiful life and residence vision by focusing its investment efforts on real estate properties and aims to build a hybrid portfolio to secure stable revenues in the mid- to long-term periods. By selecting properties suitable for modern lifestyle that appeal to tenants and consumers residential properties using strict but transparent and high standards such as by considering the area, building quality and amenities, DHI aims to gain steady growth for its portfolio and expand its primary investment income.

(b) Basis of presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law, the Financial Instruments and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been compiled and translated into English (with certain reclassifications and expanded descriptions) from the financial statements of DHI prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law.

In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. DHI's fiscal period is a six-month period which ends at the end of February or August of each year. DHI has not prepared consolidated financial statements as it has no subsidiaries.

1. Organization and Basis of Presentation (continued)

The U.S. dollar amounts in the accompanying financial statements have been translated from yen amounts solely for the convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥113.62 = U.S.$1.00, the rate of exchange prevailing on February 29, 2016. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in trust, bank deposits and deposits in trust redeemable on demand, and short-term investments, which are readily convertible to cash, with an original maturity of three months or less, and an insignificant risk of price fluctuation.

(b) Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets ranging as stated below:

Buildings	2 – 69 years
Structures	6 – 63 years
Machinery and equipment	7 – 29 years
Tools, furniture and fixtures	2 – 28 years

(c) Intangible fixed assets

Amortization of intangible fixed assets is calculated on a straight-line basis.
The estimated useful life of software is 5 years.
Leasehold rights (fixed-term land lease rights in general) are amortized on a straight-line basis over the life of each contract.

(d) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized on a straight-line basis over the term of the bonds.

(e) Revenue recognition

Revenues from leasing of property are recognized on a straight-line accrual basis over the life of each lease contract.

(f) Taxes on property and equipment

Property and equipment are subject to various taxes, such as property taxes and city planning taxes. An owner of a property is registered in a record maintained by the local government of the applicable jurisdiction, and taxes are imposed on the owner registered in the record as of January 1, based on an assessment made by the local government. The taxes are determined in April to June each year and are paid in four installments during the year.

When a property is purchased prior to January 1 of any given calendar year, taxes for the previous year are imposed on the seller. DHI pays the seller the corresponding amount of the taxes for the period from the property's disposition date to December 31 of the previous year as included in the purchase price of the property, and capitalizes this amount as a cost of the property.

(g) Income taxes

Deferred tax assets and liabilities are computed based on the differences between the financial reporting and income tax bases of assets and liabilities using the enacted tax rates.

(h) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount considered sufficient to cover possible losses on collection.

(i) Consumption taxes

Consumption taxes withheld and consumption taxes paid are not included in the accompanying statements of income and retained earnings. Non-deductible consumption taxes for acquisition of assets are added on to the acquisition cost of each asset.

(j) Trust beneficiary interests

For trust beneficiary interests in real estate, each of the trust assets and liabilities as well as all income generated and expenses incurred in trusts are recorded in the relevant balance sheet and income statement accounts.

(k) Derivatives and hedge accounting

(1) Derivatives and hedge accounting
DHI adopts deferral hedge accounting. However, the special treatment is applied for interest-rate swaps that meet certain conditions.

(2) Hedging instruments and hedged items

Hedging instruments:	Interest-rate swaps
Hedged items:	Interest rates on loans

(3) Hedging policy
DHI utilizes derivative financial instruments in accordance with basic risk management policies for the purpose of hedging risks specified in its bylaws.

(4) Method of evaluating hedge effectiveness
Hedging effectiveness is assessed and validated by comparing the cumulative gains or losses on the hedging instrument with the cumulative gains or losses the underlying hedged item. However, the evaluation of hedging effectiveness is omitted for interest-rate swaps meeting specific criteria.

3. Cash and Cash Equivalents

A reconciliation of cash and bank deposits in the accompanying balance sheets at August 31, 2015 and February 29, 2016 with cash and cash equivalents in the accompanying statements of cash flows is as follows:

	As of August 31, 2015	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Cash and bank deposits	¥ 3,294,129	¥ 3,777,892	$ 33,250
Cash in trust and deposits in trust	4,374,627	4,219,302	37,135
Cash and cash equivalents	¥ 7,668,757	¥ 7,997,194	$ 70,385

4. Lease Transactions

Operating lease transactions as lessor at August 31, 2015 and February 29, 2016 are as follows:

	As of August 31, 2015	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Future lease receivable equivalents			
Due within one year	¥ 746,215	¥ 725,791	$ 6,387
Due after one year	516,354	467,336	4,113
Total	¥ 1,262,569	¥ 1,193,127	$ 10,501

5. Commitment Line

DHI has entered into separate commitment line agreements with four respective trading banks.

	As of August 31, 2015
	(Thousands of yen)
Total amount of commitment line	¥ 10,000,000
Outstanding loans at end of the period	—
Amount unutilized at end of the period	¥ 10,000,000

	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Total amount of commitment line	¥ 10,000,000	$ 88,012
Outstanding loans at end of the period	—	—
Amount unutilized at end of the period	¥ 10,000,000	$ 88,012

6. Details of Rental Revenues and Expenses

	From March 1, 2015 to August 31, 2015	From September 1, 2015 to February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Real estate rental revenues:			
Rental income	¥ 8,422,768	¥ 8,772,019	$ 77,204
Common service fees	293,561	304,799	2,682
Subtotal	8,716,329	9,076,818	79,887
Other rental revenues:			
Facility charges	284,130	291,639	2,566
Incidental revenues	52,750	51,426	452
Other rental business revenues	302,892	242,441	2,133
Subtotal	639,773	585,507	5,153
Total rental revenues	9,356,103	9,662,326	85,040
Real estate rental expenses:			
Management fees	903,562	879,036	7,736
Utilities	135,789	130,371	1,147
Taxes and public dues	489,716	489,583	4,308
Repairs	239,183	383,566	3,375
Insurance premiums	14,000	14,342	126
Restoration costs	291,732	208,470	1,834
Custodian fees	46,844	55,676	490
Depreciation and amortization	1,897,265	2,012,584	17,713
Other operating expenses	420,329	514,462	4,527
Total real estate rental expenses	4,438,425	4,688,094	41,261
Rental income	¥ 4,917,678	¥ 4,974,231	$ 43,779

6. Details of Rental Revenues and Expenses (continued)

Transactions with major unitholders

	From March 1, 2015 to August 31, 2015
	(Thousands of yen)
Business transaction	
Operating revenues	¥ 82,809
Non-business transaction	
Acquisition of trust beneficiary rights in real estate	17,750,000

	From September 1, 2015 to February 29, 2016	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Business transaction		
Operating revenues	¥ 82,809	$ 728
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	—	—

7. Financial Instruments

1. Status of Financial Instruments

(a) Policy for the use of financial instruments

As a policy, when acquiring real estate and other properties, as well as when repaying its obligations, DHI raises necessary funds through loans from banks, issuance of investment corporation bonds and issuance of investment units, etc. As for financing efforts, DHI carefully pays attention to the long-term, cost effectiveness and soundness of the financial instruments, while considering the diversification of financial methods and repayment deadlines.

DHI may use derivative financial instruments for such purposes as hedging interest rate fluctuation risk, but does not engage in speculative transactions using these instruments. DHI currently uses interest-rate swaps to hedge interest rate fluctuation risk.

Surplus funds can be invested in securities or monetary claims, however, as a current policy of DHI, they are deposited in interest-bearing accounts.

(b) Details of financial instruments, related risks and risk management system

Asset management companies stipulate basic provisions of risk management in their risk management rules.

Investment corporation bonds and loans are used to finance such efforts as acquisition of real estate and repayment of loans. These financial instruments are exposed to liquidity risk, though DHI controls such risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, diversifying repayment deadlines, and retaining a certain amount of highly liquid cash and deposits.

For floating rate borrowings exposed to the risk of interest rate fluctuations, DHI, in order to reduce the impact caused by rising interest rates, closely watches the movement of interest rates, and intends to increase the ratio of fixed rate loans, etc.

Deposits are exposed to credit risks, including collapse of the financial institutions where deposits are made, and, thus, are managed through the use of liquid deposits.

(c) Supplementary explanation concerning fair value of financial instruments

The fair values of financial instruments are determined by market prices, and in the case of financial instruments without observable market prices, reasonable estimates are included in valuation. Since certain assumptions are used to measure applicable fair values, the amounts are subject to change under the different assumptions.

7. Financial Instruments (continued)

2. Fair Value of Financial Instruments

The book value on the balance sheet, fair value and the difference as of August 31, 2015 and February 29, 2016 are as follows.

	As of August 31, 2015		
	(Thousands of yen)		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 7,668,757	¥ 7,668,757	—
(2) Short-term loans	10,000,000	10,000,000	—
(3) Current portion of long-term loans	18,100,000	18,117,777	¥(17,777)
(4) Investment corporation bonds	9,000,000	8,964,296	35,703
(5) Long-term loans	104,563,000	105,099,737	(536,737)
(6) Derivatives	—	—	—

	As of February 29, 2016		
	(Thousands of yen)		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 7,997,194	¥ 7,997,194	—
(2) Short-term loans	10,000,000	10,000,000	—
(3) Current portion of long-term loans	39,400,000	39,469,366	¥(69,366)
(4) Investment corporation bonds	9,000,000	9,137,179	(137,179)
(5) Long-term loans	83,263,000	84,243,652	(980,652)
(6) Derivatives	—	—	—

	As of February 29, 2016		
	(Thousands of U.S. dollars)		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	$ 70,385	$ 70,385	—
(2) Short-term loans	88,012	88,012	—
(3) Current portion of long-term loans	346,769	347,380	$ (610)
(4) Investment corporation bonds	79,211	80,418	(1,207)
(5) Long-term loans	732,819	741,450	(8,630)
(6) Derivatives	—	—	—

7. Financial Instruments (continued)

(Note 1) Methods of calculating the fair values of financial instruments.

(1) Cash and bank deposits (including trust accounts)

These instruments are settled in the short term and their fair values are approximately equal to their book values, thus, the measurement is based on their book values.

(2) Short-term loans

These instruments carry floating interest rates, and their fair values are approximately equal to their book values, thus, the measurement is based on their book values.

(4) Investment corporation bonds

The fair value of these bonds is measured as the present value, which is calculated by discounting the combined total of principal and interest by the interest rate determined taking into account the current maturity and corresponding credit risk.

(3) Current portion of long-term loans and (5) Long-term loans

These instruments carry floating interest rates, and their fair value is approximately equal to their book value, thus, the measurement is based on their book value. However, for long-term loans carrying floating interest rates that are hedged by interest-rate swaps meeting hedge accounting criteria, DHI employs a method to calculate the fair value by discounting the combined total of principal and interest under a separate accounting treatment as part of the corresponding interest-rate swaps, using an estimate of the interest rate to be applied to similar types of loans.

Those with fixed interest rates are measured based on a calculation method where the total principal is discounted at a reasonably estimated rate that would be applied if similar long-term loans and rehabilitation obligations (loans) were entered into.

(6) Derivatives

Please refer to "8. Derivative Transactions" below.

(Note 2) Redemptions (scheduled) for monetary claims after August 31, 2015 and February 29, 2016 are as follows.

	As of August 31, 2015	**As of February 29, 2016**	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
		Within one year	
Cash and bank deposits (including trust accounts)	¥7,668,757	¥7,997,194	$70,385
Total	¥7,668,757	¥7,997,194	$70,385

7. Financial Instruments (continued)

(Note 3) Repayments (scheduled) for short-term loans, investment corporation bonds and long-term loans after August 31, 2015 and February 29, 2016 are as follows.

As of August 31, 2015

(Thousands of yen)

	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	¥10,000,000	—	—	—	—	—
Current portion of long-term loans	18,100,000	—	—	—	—	—
Investment corporation bonds	—	¥3,000,000	—	—	—	¥6,000,000
Long-term loans	—	59,295,000	—	¥4,000,000	¥18,910,000	22,358,000
Total	¥28,100,000	¥62,295,000	—	¥4,000,000	¥18,910,000	¥28,358,000

As of February 29, 2016

(Thousands of yen)

	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	¥10,000,000	—	—	—	—	—
Current portion of long-term loans	39,400,000	—	—	—	—	—
Investment corporation bonds	—	¥3,000,000	—	—	¥3,000,000	¥3,000,000
Long-term loans	—	27,495,000	—	¥22,910,000	3,500,000	29,358,000
Total	¥49,400,000	¥30,495,000	—	¥22,910,000	¥6,500,000	¥32,358,000

As of February 29, 2016

(Thousands of U.S. dollars)

	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	$88,012	—	—	—	—	—
Current portion of long-term loans	346,769	—	—	—	—	—
Investment corporation bonds	—	$26,403	—	—	$26,403	$26,403
Long-term loans	—	241,990	—	$201,637	30,804	258,387
Total	$434,782	$268,394	—	$201,637	$57,208	$284,791

8. Derivative Transactions

(1) Derivative transactions for which hedge accounting has not been applied
Not applicable.

(2) Derivative transactions for which hedge accounting has been applied
Contract amount, or amount equivalent to principal specified in the contract according to the hedge accounting method is shown as follows.

Hedge accounting method	Type of derivative transaction	Primary hedged item
Special treatment for interest-rate swaps	Interest-rate swap agreements Receive floating and pay fixed	Long-term loan

As of August 31, 2015

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥106,468,000	¥95,968,000	(Note)	―
Total	¥106,468,000	¥95,968,000	―	―

As of February 29, 2016

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥106,468,000	¥74,668,000	(Note)	―
Total	¥106,468,000	¥74,668,000	―	―

As of February 29, 2016

(Thousands of U.S. dollars)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	$937,053	$657,173	(Note)	―
Total	$937,053	$657,173	―	―

(Note) Interest-rate swaps subject to special accounting treatment are included in the accounting for the hedged long-term loan, thus, the fair value is included in the fair value of the corresponding applicable long-term loan. (Please refer to “7. Financial Instruments” above.)

9. Asset Retirement Obligations

1. Details of applicable asset retirement obligations

DHI has entered into agreements involving fixed-term land lease rights with the landowners of assets of the Company, and recognizes asset retirement obligations associated with restoration obligations upon expiration of the lease agreements.

2. Methods of calculating the amounts of applicable asset retirement obligations

DHI estimates the useful life of applicable assets as the remaining agreement period of the applicable fixed-term land lease rights (54-60 years), and uses a 2.1%-2.4% discount rate for the calculation of applicable asset retirement obligations.

3. Changes in applicable asset retirement obligations

	From March 1, 2015 to August 31, 2015
	(Thousands of yen)
Balance at beginning of the period	¥410,420
Accretion expense	4,659
Balance at end of the period	¥415,079

	From September 1, 2015 to February 29, 2016
	(Thousands of yen)
Balance at beginning of the period	¥415,079
Accretion expense	4,712
Balance at end of the period	¥419,792

	From September 1, 2015 to February 29, 2016
	(Thousands of U.S. dollars)
Balance at beginning of the period	$3,653
Accretion expense	41
Balance at end of the period	$3,694

10. Investment and Rental Properties

DHI owns residential housing for lease in Tokyo and other areas for the purpose of earning rental revenues. The book value on the balance sheet corresponding to these rental and other real estate properties, changes during the period and the fair value are as follows.

	As of August 31, 2015	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Book value on balance sheets			
Balance at beginning of the period	¥229,017,233	¥246,411,517	$2,168,733
Change during the period	17,394,284	(35,325)	(310)
Balance at end of the period	246,411,517	246,376,192	2,168,422
Fair value at end of the period	273,723,000	278,340,000	2,449,744

(Note 1) The book value on the balance sheet is the acquisition cost less accumulated depreciation.

(Note 2) The change during the period ended August 31, 2015 includes an increase of (¥19,000,210 thousand) primarily due to the acquisition of Royal Parks SEASIR, Castalia Honkomagome, Pacific Royal Court Minatomirai Urban Tower, L-Place Shinkoyasu and Royal Parks Musasikosugi and a decrease primarily due to depreciation and amortization.

The change during the period ended February 29, 2016 includes an increase of (¥1,054,104 thousand) ($9,277 thousand) primarily due to the acquisition of Castalia Kyoto Nishioji and a decrease primarily due to depreciation and amortization.

(Note 3) The fair value at end of the period represents the value assessed by a third-party real estate appraiser.

The profit or loss regarding rental and other real estate properties are as shown in “7. Details of Rental Revenues and Expenses.”

11. Segment Information

1. Segment Information

Since DHI has been engaged in a single segment of the real estate leasing business, and there is no other business segment for disclosure, segment information has been omitted.

2. Related Information

(1) Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHI's statements of income and retained earnings for the periods ended August 31, 2015 and February 29, 2016, information about products and services has been omitted.

(2) Information about geographic areas

(a) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHI's statements of income and retained earnings for the periods ended August 31, 2015 and February 29, 2016, information about geographic areas has been omitted.

(b) Property and equipment

Since over 90% of total property and equipment on the balance sheets as of August 31, 2015 and February 29, 2016 are located within Japan, information about geographic areas on such property and equipment has been omitted.

(3) Information about major customers

For the period from March 1, 2015 to August 31, 2015

(Thousands of yen)

Name	Operating revenues	Related segment
DAIWA LIVING Co., Ltd.	¥1,286,106	Real estate leasing

For the period from September 1, 2015 to February 29, 2016

(Thousands of yen)

Name	Operating revenues	Related segment
DAIWA LIVING Co., Ltd.	¥1,537,066	Real estate leasing

(Thousands of U.S. dollars)

Name	Operating revenues	Related segment
DAIWA LIVING Co., Ltd.	$13,528	Real estate leasing

12. Deferred Income Taxes

(a) Details of significant components of deferred tax assets and liabilities

	As of August 31, 2015 (Thousands of yen)
Deferred tax assets - current:	
Allowance for doubtful accounts	¥43
Others	19,554
Subtotal-Deferred tax assets - current	19,598
Valuation reserve	¥19,598
Total deferred tax assets - current	—
Net deferred tax assets - current	—
Deferred tax assets - non-current:	
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥1,577
Valuation difference from the time of merger (Land, Buildings)	1,601,372
Loss carryforward assumed at the time of merger	14,385,714
Asset retirement obligations	134,112
Others	31,794
Subtotal	16,154,571
Deferred tax liabilities - non-current:	
Valuation difference from the time of merger (Land, Buildings)	1,769,317
Asset retirement costs (associated with asset retirement obligations)	121,621
Subtotal	1,890,938
Valuation reserve	¥14,263,632
Total deferred tax assets - non-current	—
Net deferred tax assets - non-current	—

12. Deferred Income Taxes (continued)

	As of February 29, 2016	
	(Thousands of yen)	*(Thousands of U.S. dollars)*
Deferred tax assets - current:		
Allowance for doubtful accounts	¥620	$5
Others	19,857	174
Subtotal-Deferred tax assets - current	20,478	180
Valuation reserve	¥20,478	$180
Total deferred tax assets - current	—	—
Net deferred tax assets - current	—	—
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥1,348	$11
Valuation difference from the time of merger (Land, Buildings)	1,571,116	13,827
Loss carryforward assumed at the time of merger	14,385,714	126,612
Asset retirement obligations	135,634	1,193
Others	43,920	386
Subtotal	16,137,734	142,032
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	1,752,467	15,423
Asset retirement costs (associated with asset retirement obligations)	121,621	1,070
Subtotal	1,874,088	16,494
Valuation reserve	¥14,263,645	$125,538
Total deferred tax assets - non-current	—	—
Net deferred tax assets - non-current	—	—

(b) Details of main entries causing significant differences between the statutory tax rate and the effective tax rate after applying deferred income tax accounting

	From March 1, 2015 to August 31, 2015	From September 1, 2015 to February 29, 2016
Statutory tax rate	34.15%	32.31%
(Adjustment)		
Tax-deductible dividends paid	(34.18)	(32.37)
Other	0.05	0.08
Effective tax rate after applying deferred income tax accounting	0.02%	0.02%

13. Related Party Transactions

1) Controlling company and major corporate investors

(a) For the period from March 1, 2015 to August 31, 2015

Attribute	Name	Location	Capital *(Millions of yen)*	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount *(Thousands of yen)*	Account	Balance at end of period *(Thousands of yen)*
						Position of director(s) serving concurrently	Business relationship				
Major unitholder	DAIWA HOUSE INDUSTRY Co., Ltd.	Osaka City, Osaka	¥161,699	Construction industry	10.09	–	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥17,750,000	–	–

(Note 1) In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at the end of the period.
(Note 2) Transaction terms and conditions and policies for determining transaction terms and conditions: market value is considered in such determinations.
(Note 3) As for acquisition of trust beneficiary rights in real estate, the acquisition price is determined based on third party institution's appraisal value.

(b) For the period from September 1, 2015 to February 29, 2016
Not applicable.

2) Affiliates
Not applicable.

3) Sister companies

(a) For the period from March 1, 2015 to August 31, 2015

Attribute	Name	Location	Capital *(Millions of yen)*	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount *(Thousands of yen)*	Account	Balance at end of period *(Thousands of yen)*
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	–	–	Consigned asset-management operations	Asset-management compensation payment	¥ 691,236	Accrued expenses	¥ 397,259
Subsidiary of DHI's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100	Real estate property management	–	–	Property lease and management	Rental income etc.	1,286,106	Tenant leasehold and security deposits in trust	259,477
								Property lease and management compensation payment	961,357	Accrued operating expenses payable	273,092

(Note 1) In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at the end of the period.
(Note 2) Transaction terms and conditions and policies for determining transaction terms and conditions: market value is considered in such determinations.

(b) For the period from September 1, 2015 to February 29, 2016

Attribute	Name	Location	Capital *(Millions of yen) (Millions of U.S. dollars)*	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount *(Thousands of yen) (Thousands of U.S. dollars)*	Account	Balance at end of period *(Thousands of yen) (Thousands of U.S. dollars)*
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300 ($2)	Asset management	–	–	Consigned asset-management operations	Asset-management compensation payment	¥ 653,202 ($5,749)	Accrued expenses	¥ 402,241 ($3,540)
Subsidiary of DHI's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100 ($0)	Real estate property management	–	–	Property lease and management	Rental income etc.	1,537,066 (13,528)	Tenant leasehold and security deposits in trust	259,477 (2,283)
								Property lease and management compensation payment	1,011,274 (8,900)	Accrued operating expenses payable	302,467 (2,662)

(Note 1) In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at the end of the period.
(Note 2) Transaction terms and conditions and policies for determining transaction terms and conditions: market value is considered in such determinations.

4) Director and major individual investors

Not applicable.

14. Per Unit Information

(a) Information about net assets per unit and net income per unit:

	As of / For the six months ended August 31, 2015	As of / For the six months ended February 29, 2016	
	(yen)	*(yen)*	*(U.S. dollars)*
Net assets per unit	¥ 148,918	¥ 148,707	$1,308
Net income per unit	¥ 4,207	¥ 4,248	$37

Net income per unit is calculated by dividing net income by the average number of investment units weighted by the number of days in the period. Net income per unit after adjustment for latent units has not been reported because there were no latent units.

(b) Basis of calculation for the amounts of net income per unit is stated as follows:

	From March 1, 2015 to August 31, 2015	From September 1, 2015 to February 29, 2016	
	(Thousands of yen)	*(Thousands of yen)*	*(Thousands of U.S. dollars)*
Net income	¥ 3,145,903	¥ 3,177,139	$27,962
Amount not attributable to common unitholders	–	–	–
Net income attributable to common units	¥ 3,145,903	¥ 3,177,139	$27,962
Average number of investment units during the period (in units)	747,740	747,740	747,740

15. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand ($440 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

16. Significant Subsequent Events

(a) For the period from March 1, 2015 to August 31, 2015

1. Cash dividends

On October 8, 2015, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥4,460 per unit, aggregating to ¥3,334,920,400, to unitholders of record as of August 31, 2015.

(Method of calculation of cash dividends)

In accordance with Section 37.1.1 of the bylaws set forth by DHI for distributions of cash dividends, the amount of dividends payable is limited by the amount of income and more than 90% of income available for distribution of dividends of DHI as set forth in Section 67.15 of the Special Taxation Measures Law.

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,334,920,400 (¥4,460 per unit) was set as the amount for distribution of dividends.
The amount is the total of the current period's unappropriated income of ¥3,145,903,429 and the reversal of reserve for distribution of ¥189,016,971.

No cash distribution exceeding the income amount set forth in Section 37.1.2 of the bylaws of DHI shall be made.

(b) For the period from September 1, 2015 to February 29, 2016

1. Cash dividends

On April 15, 2016, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥4,501 ($39) per unit, aggregating to ¥3,365,577,740 ($29,621,349), to unitholders of record as of February 29, 2016.

(Method of calculation of cash dividends)

In accordance with Section 37.1.1 of the bylaws set forth by DHI for distributions of cash dividends, the amount of dividends payable is limited by the amount of income and more than 90% of income available for distribution of dividends of DHI as set forth in Section 67.15 of the Special Taxation Measures Law.

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,365,577,740 ($29,621,349) (¥4,501 per unit) ($39 per unit) was set as the amount for distribution of dividends.
The amount is the total of the current period's unappropriated income of ¥3,177,139,345 ($27,962,852) and the reversal of reserve for distribution of ¥200,892,593 ($1,768,109) less provision of reserve for distribution of ¥12,454,198 ($109,612).

No cash distribution exceeding the income amount set forth in Section 37.1.2 of the bylaws of DHI shall be made.

16. Significant Subsequent Events (continued)

2. Fund procurement and repayment

(1) DHI repaid a loan of ¥7,600 million ($66 million) that became due on March 31, 2016 and executed the following new loan as refinance funds on the same date.

Lender	Sumitomo Mitsui Trust Bank, Limited, Aozora Bank, Ltd., The Norinchukin Bank, The Chiba Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., The Shizuoka Bank, Ltd., The Bank of Fukuoka.
Amount *(Millions of yen)* *(Millions of U.S. dollars)*	¥7,600 ($66)
Interest rate	Basic interest rate (Japanese Bankers Association 1-month yen TIBOR) + 0.20%
Loan date	March 31, 2016
Repayment date	March 29, 2019
Repayment method	Principal in full on the due date
Collateral	Unsecured without warranty

(2) DHI concluded a loan modification agreement on April 26, 2016 with the goal of extending the repayment date of ¥10,000 million ($88 million) in short-term debt due for repayment on April 28, 2016. The details of said borrowings after the changes effected by the modification agreement are as follows:

Lender	Mizuho Bank, Ltd.
Amount *(Millions of yen)* *(Millions of U.S. dollars)*	¥3,250 ($28)
Interest rate	Basic interest rate (Japanese Bankers Association 1-month yen TIBOR) + 0.175%
Loan date	May 1, 2015
Repayment date	April 28, 2017
Repayment method	Principal in full on the due date
Collateral	Unsecured without warranty

Lender	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Amount *(Millions of yen)* *(Millions of U.S. dollars)*	¥3,250 ($28)
Interest rate	Basic interest rate (Japanese Bankers Association 1-month yen TIBOR) + 0.175%
Loan date	May 1, 2015
Repayment date	April 28, 2017
Repayment method	Principal in full on the due date
Collateral	Unsecured without warranty

Lender	Sumitomo Mitsui Trust Bank, Limited
Amount *(Millions of yen)* *(Millions of U.S. dollars)*	¥1,750 ($15)
Interest rate	Basic interest rate (Japanese Bankers Association 1-month yen TIBOR) + 0.175%
Loan date	May 1, 2015
Repayment date	April 28, 2017
Repayment method	Principal in full on the due date
Collateral	Unsecured without warranty

Lender	Sumitomo Mitsui Banking Corporation
Amount *(Millions of yen)* *(Millions of U.S. dollars)*	¥1,750 ($15)
Interest rate	Basic interest rate (Japanese Bankers Association 1-month yen TIBOR) + 0.175%
Loan date	May 1, 2015
Repayment date	April 28, 2017
Repayment method	Principal in full on the due date
Collateral	Unsecured without warranty

3. Merger between DHI and Daiwa House REIT Investment Corporation

DHI and Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") resolved at meetings of their respective Boards of Directors held on April 15, 2016 to execute a merger (hereinafter referred to as the "Merger"), coming into effect on September 1, 2016 and concluded the merger agreement (hereinafter referred to as the "Merger Agreement") as of April 15, 2016.

(1) Major reason for business combination

DHI and DHR (collectively referred to as 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 few available strategies for positioning in the logistics REIT sector or for efficiently swapping out investments and achieving internal growth at its current portfolio size.
Under these circumstances, for addressing these challenges and promoting the future growth of both companies, the Investment Corporations determined that the Merger was the most effective strategy for maximizing unitholder value based on stable income and stabilized/improved distribution through solid growth of the portfolio. As such, the Investment Corporations have executed the Merger Agreement as of April 15, 2016.

(2) Date of business combination

September 1, 2016 (Scheduled)

(3) Legal form of the merger

An "absorption-type merger" in which DHI will be the surviving company and DHR will be the absorbed company

(4) Name of the investment corporation after the date of business combination

Daiwa House REIT Investment Corporation (the name is scheduled to be changed from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation on September 1, 2016)

(5) Merger ratio

In the Merger, 1 investment unit of DHR will be exchanged for 2.2 investment units of DHI. As a result, for DHR's unitholders, the number of investment units granted will include fractions of less than one unit. These fractional investment units shall, in

accordance with the provisions of the law, be sold in the market and the proceeds from the sale of these fractional units shall be granted to the unitholders in proportion to their fractional units.

(6) Cash distributions on merger

Instead of cash distributions to DHR's unitholders for the operating period ending on the day before the date on which the merger comes into effect, DHI will make a cash distribution within a reasonable period of time after the date on which the merger becomes effective, to the unitholders listed or recorded in the final unitholders' register as of the date on which the merger comes into effect ("Allotted Unitholders") consisting of a distribution amount equivalent to the cash distribution for the same operating period (DHR's distributable earnings for the period up to the day before the date on which the Merger comes into effect, divided by the number of investment units issued and outstanding of DHR on the day before the date on which the merger comes into effect, from which investment units held by unitholders other than the Allotted Unitholders have been deducted).

4. Acquisition of assets

On April 15, 2016, DHI concluded an agreement to acquire the following assets, and intends to acquire said assets, with the effectuation of the merger as a condition precedent.

Property name	Castalia Ningyocho III (Roygent Ningyocho) (Note 3)
Asset type	Trust beneficiary rights in real estate (Note 4)
Expected acquisition price (Note 1) *(Thousands of yen)* *(Thousands of U.S. dollars)*	 ¥2,000,000 ($17,602)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Date of purchase agreement	April 15, 2016
Scheduled acquisition date	September 28, 2016
Funds for acquisition	Loans and own funds
Property name	Royal Parks Umejima
Asset type	Trust beneficiary rights in real estate (Note 4)
Expected acquisition price (Note 1) *(Thousands of yen)* *(Thousands of U.S. dollars)*	 ¥2,020,000 ($17,778)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Date of purchase agreement	April 15, 2016
Scheduled acquisition date	September 28, 2016
Funds for acquisition	Loans and own funds

(Note 1) Acquisition price does not include expenses incurred in connection with the acquisition, settlement of taxes and public dues, and consumption taxes.

(Note 2) As the seller is a party having a special interest in DHI and or the Asset Manager, the transaction was executed in accordance with certain procedures prescribed in the internal rule "regulations on transactions with interested parties" of the Asset Manager.

(Note 3) DHI plans to change the property name. The new name is provided with the current name as of April 15, 2016 in parentheses.

(Note 4) The asset to be acquired represents physical real estate as of April 15, 2016. By the planned acquisition date, the current owner will entrust the property to a trustee, and DHI will acquire trust beneficiary rights in the entrusted property.

On April 15, 2016, DHR concluded an agreement to the effect that it will acquire D Project Hibiki Nada, D Project Morioka II, Sports Depo and Golf 5 Kokurahigashi

IC store and Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi) on September 28, 2016.

DHI is scheduled to inherit the position, rights and obligations of the buyer as per the purchase agreement for the assets DHR is scheduled to acquire.

The effectuation of the merger is a condition precedent to the planned acquisition of these assets.

17. Other Supplementary Information

1) Detailed Schedule of Portfolio
Not applicable.

2) Contract Amount and Fair Value of Derivative Transactions as of February 29, 2016

(Thousands of yen)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	¥106,468,000	¥74,668,000	—
Total		¥106,468,000	¥74,668,000	—

(Thousands of U.S. dollars)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	$937,053	$657,173	—
Total		$937,053	$657,173	—

(Note 1) Contract amount is based on notional principal amount.
(Note 2) Interest rate swap agreements are subject to special accounting treatment. (Please see "8. Financial Instruments" for details.)

3) General Overview of Detailed Schedule of Real Estate as of February 29, 2016

(Thousands of yen)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	¥28,480,803	¥526,161	¥265	¥29,006,699	¥3,331,692	¥296,587	¥25,675,007
	Structures	251,188	4,142	—	255,331	30,835	2,906	224,495
	Machinery and equipment	456,634	22,787	—	479,422	93,704	9,316	385,717
	Tools, furniture and fixtures	670,176	7,556	1,392	676,340	271,600	22,659	404,740
	Land	21,908,825	544,187	—	22,453,013	—	—	22,453,013
	Buildings in trust	118,204,930	754,576	53,322	118,906,184	14,440,415	1,527,541	104,465,769
	Structures in trust	954,449	38,883	—	993,333	156,015	20,698	837,318
	Machinery and equipment in trust	1,900,424	27,801	—	1,928,225	643,786	71,630	1,284,439
	Tools, furniture and fixtures in trust	437,363	100,390	6,714	531,039	204,800	23,912	326,238
	Land in trust	85,002,219	—	—	85,002,219	—	—	85,002,219
	Construction in progress in trust	12,000	—	12,000	—	—	—	—
	Total	¥258,279,016	¥2,026,488	¥73,695	¥260,231,809	¥19,172,851	¥1,975,253	¥241,058,958
Intangible fixed assets	Leasehold rights in trust	¥5,453,067	—	—	¥5,453,067	¥135,833	¥37,528	¥5,317,233
	Software	2,928	—	—	2,928	894	292	2,033
	Trademark rights	8,738	—	—	8,738	5,353	346	3,385
	Total	¥5,464,734	—	—	¥5,464,734	¥142,081	¥38,167	¥5,322,652

17. Other Supplementary Information (continued)

(Thousands of U.S. dollars)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	$250,667	$4,630	2	$255,295	$ 29,323	$2,610	$225,972
	Structures	2,210	36	–	2,247	271	25	1,975
	Machinery and equipment	4,018	200	–	4,219	824	81	3,394
	Tools, furniture and fixtures	5,898	66	$12	5,952	2,390	199	3,562
	Land	192,825	4,789	–	197,614	–	–	197,614
	Buildings in trust	1,040,353	6,641	469	1,046,525	127,093	13,444	919,431
	Structures in trust	8,400	342	–	8,742	1,373	182	7,369
	Machinery and equipment in trust	16,726	244	–	16,970	5,666	630	11,304
	Tools, furniture and fixtures in trust	3,849	883	59	4,673	1,802	210	2,871
	Land in trust	748,127	–	–	748,127	–	–	748,127
	Construction in progress in trust	105	–	105	–	–	–	–
	Total	$2,273,182	$17,835	$648	$2,290,369	$168,745	$17,384	$2,121,624
Intangible fixed assets	Leasehold rights in trust	$47,993	–	–	$47,993	$1,195	$330	$46,798
	Software	25	–	–	25	7	2	17
	Trademark rights	76	–	–	76	47	3	29
	Total	$48,096	–	–	$48,096	$1,250	$335	$46,846

(Note) Details of the increase (decrease) during the period are shown below.

1. Increase in buildings etc. (increase by acquisition and disposition etc.)

(Thousands of yen)

Kyoto City, Kyoto	Castalia Kyoto Nishioji	Building etc.	¥ 509,917

(Thousands of U.S. dollars)

Kyoto City, Kyoto	Castalia Kyoto Nishioji	Building etc.	$ 4,487

2. Increase in land (increase by acquisition and disposition etc.)

(Thousands of yen)

Kyoto City, Kyoto	Castalia Kyoto Nishioji	Land	¥ 544,187

(Thousands of U.S. dollars)

Kyoto City, Kyoto	Castalia Kyoto Nishioji	Land	$ 4,789

17. Other Supplementary Information (continued)

4) Detailed Schedule of Other Specific Assets
Not applicable.

5) Detailed Schedule of Investment Corporation Bonds

(Thousands of yen)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation No. 1 Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	¥3,000,000	—	¥3,000,000	1.12%	March 9, 2017	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation No. 2 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	3,000,000	—	3,000,000	0.35%	Jan. 22, 2021	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation No. 3 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	3,000,000	—	3,000,000	0.67%	Jan. 22, 2025	(Note 3)	Unsecured
Total	—	¥9,000,000	—	¥9,000,000	—	—	—	—

(Thousands of U.S. dollars)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation No. 1 Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	$26,403	—	$26,403	1.12%	March 9, 2017	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation No. 2 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	26,403	—	26,403	0.35%	Jan. 22, 2021	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation No. 3 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	26,403	—	26,403	0.67%	Jan. 22, 2025	(Note 3)	Unsecured
Total	—	$79,211	—	$79,211	—	—	—	—

(Note 1) This bond is issued with special pari passu conditions among specified DHI Bonds.
(Note 2) Proceeds are used as funds for repayment of existing loans.
(Note 3) To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
(Note 4) Scheduled payment per year for the investment corporation bonds within a period of 5 years subsequent to February 29, 2016 is as follows.

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	¥3,000,000	—	—	¥3,000,000
Total	¥3,000,000	—	—	¥3,000,000

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	$26,403	—	—	$26,403
Total	$26,403	—	—	$26,403

17. Other Supplementary Information (continued)

6) Detailed Schedule of Loans as of February 29, 2016

Classification	Lender	Balance at beginning of the period *(Thousands of yen) (Thousands of U.S. dollars)*	Increase during the period *(Thousands of yen) (Thousands of U.S. dollars)*	Decrease during the period *(Thousands of yen) (Thousands of U.S. dollars)*	Balance at end of the period *(Thousands of yen) (Thousands of U.S. dollars)*	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Short-term loans	Mizuho Bank, Ltd.	¥3,250,000 ($28,604)	–	–	¥3,250,000 ($28,604)	0.30%	April 28, 2016	(Note 14)	Unsecured without warranty
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,250,000 (28,604)	–	–	3,250,000 (28,604)	0.30%	April 28, 2016	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	1,750,000 (15,402)	–	–	1,750,000 (15,402)	0.30%	April 28, 2016	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,750,000 (15,402)	–	–	1,750,000 (15,402)	0.30%	April 28, 2016	(Note 14)	Unsecured without warranty
	Subtotal	10,000,000 (88,012)	–	–	10,000,000 (88,012)	–	–	–	–
Current portion of long-term loans	Sumitomo Mitsui Banking Corporation	1,800,000 (15,842)	–	1,800,000 (15,842)	–	1.40% (Note 2)	December 28, 2015	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,800,000 (15,842)	–	1,800,000 (15,842)	–				
	Mizuho Bank, Ltd.	1,800,000 (15,842)	–	1,800,000 (15,842)	–				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (15,842)	–	1,800,000 (15,842)	–				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (12,321)	–	1,400,000 (12,321)	–				
	Resona Bank, Ltd.	1,400,000 (12,321)	–	1,400,000 (12,321)	–				
	Shinsei Bank, Limited.	500,000 (4,400)	–	500,000 (4,400)	–				
	Sumitomo Mitsui Trust Bank, Limited.	2,000,000 (17,602)	–	–	2,000,000 (17,602)	0.43%	March 31, 2016	(Note 16)	Unsecured without warranty
	Aozora Bank, Ltd.	2,000,000 (17,602)	–	–	2,000,000 (17,602)				
	The Norinchukin Bank	1,000,000 (8,801)	–	–	1,000,000 (8,801)				
	The Chiba Bank, Ltd.	600,000 (5,280)	–	–	600,000 (5,280)				
	Sumitomo Mitsui Banking Corporation	500,000 (4,400)	–	–	500,000 (4,400)				
	Mizuho Bank, Ltd.	500,000 (4,400)	–	–	500,000 (4,400)				
	The Shizuoka Bank, Ltd.	500,000 (4,400)	–	–	500,000 (4,400)				
	The Bank of Fukuoka	500,000 (4,400)	–	–	500,000 (4,400)				

17. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period *(Thousands of yen) (Thousands of U.S. dollars)*	Increase during the period *(Thousands of yen) (Thousands of U.S. dollars)*	Decrease during the period *(Thousands of yen) (Thousands of U.S. dollars)*	Balance at end of the period *(Thousands of yen) (Thousands of U.S. dollars)*	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Current portion of long-term loans	Sumitomo Mitsui Trust Bank, Limited.	–	5,200,000 (45,766)	–	5,200,000 (45,766)	1.10% (Note 3)	September 30, 2016	(Note 17)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	–	5,200,000 (45,766)	–	5,200,000 (45,766)				
	Mizuho Bank, Ltd.	–	5,200,000 (45,766)	–	5,200,000 (45,766)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	–	5,200,000 (45,766)	–	5,200,000 (45,766)				
	Aozora Bank, Ltd.	–	4,500,000 (39,605)	–	4,500,000 (39,605)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	–	3,000,000 (26,403)	–	3,000,000 (26,403)				
	Resona Bank, Ltd.	–	2,500,000 (22,003)	–	2,500,000 (22,003)				
	Shinsei Bank, Limited.	–	1,000,000 (8,801)	–	1,000,000 (8,801)				
	Subtotal	18,100,000 (159,302)	31,800,000 (279,880)	10,500,000 (92,413)	39,400,000 (346,769)	–	–	–	–
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	5,200,000 (45,766)	–	5,200,000 (45,766)	–	1.10% (Note 3)	September 30, 2016	(Note 17)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	5,200,000 (45,766)	–	5,200,000 (45,766)	–				
	Mizuho Bank, Ltd.	5,200,000 (45,766)	–	5,200,000 (45,766)	–				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,200,000 (45,766)	–	5,200,000 (45,766)	–				
	Aozora Bank, Ltd.	4,500,000 (39,605)	–	4,500,000 (39,605)	–				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000 (26,403)	–	3,000,000 (26,403)	–				
	Resona Bank, Ltd.	2,500,000 (22,003)	–	2,500,000 (22,003)	–				
	Shinsei Bank, Limited.	1,000,000 (8,801)	–	1,000,000 (8,801)	–				
	Sumitomo Mitsui Banking Corporation	3,000,000 (26,403)	–	–	3,000,000 (26,403)	1.03% (Note 4)	March 31, 2017	(Note 18)	Unsecured without warranty
	Aozora Bank, Ltd.	1,500,000 (13,201)	–	–	1,500,000 (13,201)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000 (13,201)	–	–	1,500,000 (13,201)				
	Shinkin Central Bank	1,000,000 (8,801)	–	–	1,000,000 (8,801)				
	Mizuho Bank, Ltd.	3,000,000 (26,403)	–	–	3,000,000 (26,403)	1.03% (Note 4)	March 31, 2017	(Note 18)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,000,000 (26,403)	–	–	3,000,000 (26,403)				
	Mizuho Trust & Banking Co., Ltd.	1,000,000 (8,801)	–	–	1,000,000 (8,801)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000 (35,205)	–	–	4,000,000 (35,205)	1.07% (Note 5)	March 27, 2019	(Note 18)	Unsecured without warranty
	Resona Bank, Ltd.	1,095,000 (9,637)	–	–	1,095,000 (9,637)	0.77%	March 31, 2017	(Note 19)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,480,000 (30,628)	–	–	3,480,000 (30,628)	0.70% (Note 6)	July 31, 2017	(Note 19)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,480,000 (30,628)	–	–	3,480,000 (30,628)				
	Mizuho Bank, Ltd.	3,480,000 (30,628)	–	–	3,480,000 (30,628)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,960,000 (17,250)	–	–	1,960,000 (17,250)				

17. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period *(Thousands of yen) (Thousands of U.S. dollars)*	Increase during the period *(Thousands of yen) (Thousands of U.S. dollars)*	Decrease during the period *(Thousands of yen) (Thousands of U.S. dollars)*	Balance at end of the period *(Thousands of yen) (Thousands of U.S. dollars)*	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	4,430,000 (38,989)	–	–	4,430,000 (38,989)	0.96% (Note 7)	January 31, 2020	(Note 16)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,260,000 (28,692)	–	–	3,260,000 (28,692)				
	Aozora Bank, Ltd.	2,700,000 (23,763)	–	–	2,700,000 (23,763)				
	Mizuho Bank, Ltd.	1,930,000 (16,986)	–	–	1,930,000 (16,986)				
	Mizuho Trust & Banking Co., Ltd.	1,830,000 (16,106)	–	–	1,830,000 (16,106)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,350,000 (11,881)	–	–	1,350,000 (11,881)				
	The Norinchukin Bank	1,000,000 (8,801)	–	–	1,000,000 (8,801)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000 (8,009)	–	–	910,000 (8,009)				
	Development Bank of Japan Inc.	1,500,000 (13,201)	–	–	1,500,000 (13,201)	0.96% (Note 8)	January 31, 2020	(Note 16)	Unsecured without warranty
	The Norinchukin Bank	3,500,000 (30,804)	–	–	3,500,000 (30,804)	0.90% (Note 9)	January 31, 2021	(Note 16)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,599,000 (14,073)	–	–	1,599,000 (14,073)	0.61% (Note 10)	January 31, 2022	(Note 16)	Unsecured without warranty
	The Norinchukin Bank	1,510,000 (13,289)	–	–	1,510,000 (13,289)				
	Aozora Bank, Ltd.	1,169,000 (10,288)	–	–	1,169,000 (10,288)				
	Sumitomo Mitsui Banking Corporation	936,000 (8,237)	–	–	936,000 (8,237)				
	Mizuho Bank, Ltd.	603,000 (5,307)	–	–	603,000 (5,307)				
	Mizuho Trust & Banking Co., Ltd.	454,000 (3,995)	–	–	454,000 (3,995)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	226,000 (1,989)	–	–	226,000 (1,989)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	211,000 (1,857)	–	–	211,000 (1,857)				
	The Chiba Bank, Ltd.	150,000 (1,320)	–	–	150,000 (1,320)				
	Development Bank of Japan Inc.	2,000,000 (17,602)	–	–	2,000,000 (17,602)	0.88% (Note 11)	January 31, 2024	(Note 16)	Unsecured without warranty

17. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period *(Thousands of yen)* *(Thousands of U.S. dollars)*	Increase during the period *(Thousands of yen)* *(Thousands of U.S. dollars)*	Decrease during the period *(Thousands of yen)* *(Thousands of U.S. dollars)*	Balance at end of the period *(Thousands of yen)* *(Thousands of U.S. dollars)*	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	2,030,000 (17,866)	–	–	2,030,000 (17,866)	0.66% (Note 12)	April 28, 2022	(Note 14)	Unsecured without warranty
	The Norinchukin Bank	1,600,000 (14,082)	–	–	1,600,000 (14,082)				
	Sumitomo Mitsui Banking Corporation	1,354,500 (11,921)	–	–	1,354,500 (11,921)				
	Aozora Bank, Ltd.	1,192,000 (10,491)	–	–	1,192,000 (10,491)				
	Mizuho Bank, Ltd.	1,017,000 (8,950)	–	–	1,017,000 (8,950)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	616,000 (5,421)	–	–	616,000 (5,421)				
	Mizuho Trust & Banking Co., Ltd.	524,000 (4,611)	–	–	524,000 (4,611)				
	Nippon Life Insurance Company	500,000 (4,400)	–	–	500,000 (4,400)				
	Development Bank of Japan Inc.	400,000 (3,520)	–	–	400,000 (3,520)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	291,500 (2,565)	–	–	291,500 (2,565)				
	The Shizuoka Bank, Ltd.	260,000 (2,288)	–	–	260,000 (2,288)				
	The Chiba Bank, Ltd.	215,000 (1,892)	–	–	215,000 (1,892)				
	Sumitomo Mitsui Banking Corporation	–	1,800,000 (15,842)	–	1,800,000 (15,842)	0.59% (Note 13)	December 28, 2022	(Note 19)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	–	1,800,000 (15,842)	–	1,800,000 (15,842)				
	Mizuho Bank, Ltd.	–	1,800,000 (15,842)	–	1,800,000 (15,842)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	–	1,800,000 (15,842)	–	1,800,000 (15,842)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	–	1,400,000 (12,321)	–	1,400,000 (12,321)				
	Resona Bank, Ltd.	–	1,400,000 (12,321)	–	1,400,000 (12,321)				
	Shinsei Bank, Limited.	–	500,000 (4,400)	–	500,000 (4,400)				
	Subtotal	104,563,000 (920,286)	10,500,000 (92,413)	31,800,000 (279,880)	83,263,000 (732,819)	–	–	–	–
Total		¥132,663,000 ($1,167,602)	¥42,300,000 ($372,293)	¥42,300,000 ($372,293)	¥132,663,000 ($1,167,602)	–	–	–	–

(Note 1) Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders, and are rounded off to the nearest second decimal place.

(Note 2) On and after March 31, 2011, interest rate is substantially fixed at an annual rate of 1.40% based on interest-rate swap agreement dated on March 23, 2011.

(Note 3) On and after December 30, 2011, interest rate is substantially fixed at an annual rate of 1.096% based on interest-rate swap agreement dated on December 20, 2011.

(Note 4) On and after June 29, 2012, interest rate is substantially fixed at an annual rate of 1.025% based on interest-rate swap agreement dated on June 7, 2012.

(Note 5) This loan carries a fixed interest rate.

(Note 6) On and after July 31, 2012, the interest rate is substantially fixed at an annual rate of 0.69536% based on interest-rate swap agreement dated on July 24, 2012.

(Note 7) On and after February 28, 2013, the interest rate is substantially fixed at an annual rate of 0.9585% based on interest-rate swap agreement dated on February 4, 2013.

17. Other Supplementary Information (continued)

(Note 8) This loan carries a fixed interest rate.

(Note 9) On and after February 28, 2014, the interest rate is substantially fixed at an annual rate of 0.89825% based on interest-rate swap agreement dated on February 17, 2014.

(Note 10) On and after April 30, 2015, the interest rate is substantially fixed at an annual rate of 0.6076% based on interest-rate swap agreement dated on April 27, 2015.

(Note 11) This loan carries a fixed interest rate.

(Note 12) On and after May 29, 2015, the interest rate is substantially fixed at an annual rate of 0.661% based on interest-rate swap agreement dated on May 27, 2015.

(Note 13) On and after December 28, 2015, the interest rate is substantially fixed at an annual rate of 0.585% based on interest-rate swap agreement dated on December 24, 2015.

(Note 14) To be used to purchase real estate trust beneficiary rights and related expenses.

(Note 15) To be used to purchase rehabilitation obligations (others), purchase rehabilitation obligations (investment corporation bonds) and repay part of rehabilitation obligations (loans).

(Note 16) To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 17) To be used to refinance existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).

(Note 18) To be used to purchase rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 19) To be used for repayment of existing loans (refinance fund).

(Note 20) Payment schedule for long-term loans over five years subsequent to February 29, 2016 is as follows:

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥27,495,000	–	¥22,910,000	¥3,500,000

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	$241,990	–	$201,637	$30,804