

Daiwa House REIT

14th

Asset Management Focused Predominantly on “Stability”



Distributions per unit

14th Period (ended February 28, 2015)

¥ **8,674**

[Reference]

15th Period (ending August 31, 2015)

¥ **8,150**

16th Period (ending February 29, 2016)

¥ **8,800**

Overview of the Investment Corporation

To Our Unitholders	04	Planned New Acquisitions in the 15th Period	13	III. Statements of Income and Retained Earnings	44
Financial Highlights	05	Pipeline with Sponsor	14	IV. Statements of Changes in Net Assets	45
Investment Strategy	06	Financial Strategy	15	V. Statements of Cash Flows	46
Growth Strategy	07	Portfolio Map	16	VI. Notes to Financial Statements	47
Acquisitions in the 14th Period	08	Properties Held at the End of the 14th Period	18	VII. Independent Auditor's Report	71
Capital Increase through Public Offering (15th Period)	09	Portfolio Summary	24	Investor Information	72
New Acquisitions in the 15th Period	10	I. Asset Management Report	25		
		II. Balance Sheets	42		



D Project Kuki V



D Project Nishiyodogawa



Topics

■ Conclusion of Support Agreements

In December 2014, Daiwa House REIT Investment Corporation (“DHR”) newly concluded support agreements with each of Daiwa House Group companies, Daiwa Logistics Co., Ltd., Daiwa Information Service Co., Ltd. and Daiwa Royal Co., Ltd. (hereinafter referred to as the “Supporting Companies”). As the Supporting Companies carry out development and management and administration of logistics and retail properties, collaboration with Daiwa House Group is expected to further develop through direct contact with the Supporting Companies such as exchanging information on properties.

■ Acquisition of ACROSSPLAZA Miyoshi (land)

After Daiwa Information Service Co., Ltd., a member of the Daiwa House Group, acquired a property (land and building) from a third party, DHR leveraged the collaboration with the Daiwa House Group to acquire only the land in September 2014.

■ Capital Increase through Public Offering (15th Period)

In March 2015, DHR resolved to issue 57,220 new investment units through public offering, and a total of ¥27,410 million was procured. These funds, along with borrowings, are being used to acquire seven logistics properties totaling ¥48,420 million through the Daiwa House Group pipeline.

To Our Unitholders

Daiwa House REIT Investment Corporation (“DHR”) listed its units on the J-REIT section of the Tokyo Stock Exchange in November 2012, based on its basic policy of targeting securing long-term, stable earnings and maximizing unitholder value. Now, approximately two-and-a-half years have passed since our listing. We would like to take this opportunity to convey our sincere gratitude to each and every one of our unitholders for their support and understanding hitherto. We will also give an overview of DHR’s operations in the 14th period (September 1, 2014 to February 28, 2015) and report on the content of the financial results.

In the 14th period, we acquired retail property ACROSSPLAZA Miyoshi (land) through our collaboration with the Daiwa House Group. As a result of this external growth, as of the end of the 14th period, our portfolio comprised 33 properties with a total acquisition price of ¥147,553 million, and occupancy rate of 99.97%. For the 14th period operating revenues came to ¥5,146 million, operating income came to ¥3,003 million, net income came to ¥2,545 million, and distributions per investment unit came to ¥8,674.

In addition, DHR decided to acquire seven logistics properties through its pipeline with the Daiwa House Group in the 15th period (March 1, 2015 to August 31, 2015). Of these, six properties were acquired on April 1, 2015, for a total acquisition price of ¥41,430 million. Our portfolio following these acquisitions consists of 39 properties at ¥188,983 million. Meanwhile, to cover the funds for the acquisitions of these properties, we procured new funds through public offering of ¥27,410 million and borrowings of ¥16,500 million.

Our ultimate goal is always to achieve results that maximize unitholders’ interests. To realize this goal, we will continually focus on two investment classes: logistics and retail properties that can generate long-term stable cash flows, while seeking stable growth opportunities through collaboration with the Daiwa House Group, which retains a strong development track record in logistics and retail properties.

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



Masazumi Kakei
Executive Director
Daiwa House REIT
Investment Corporation

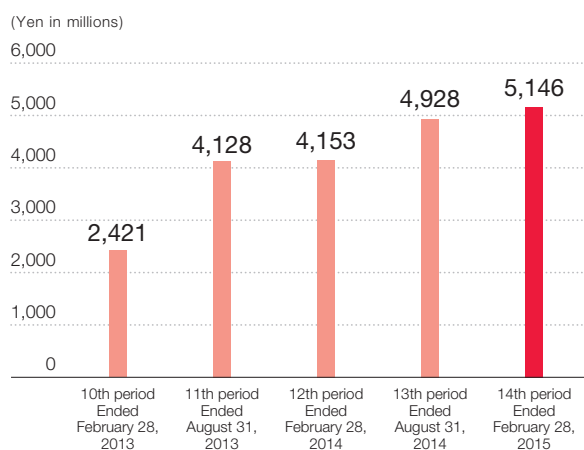


Hirotaka Najima
Representative Director,
President and CEO
Daiwa House REIT
Management Co., Ltd.

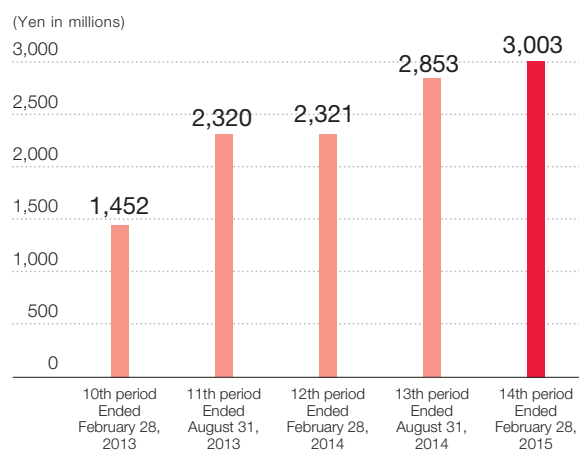
Financial Highlights

■ Operating revenues	¥5,146 million	■ Total assets	¥166,825 million
■ Operating income	¥3,003 million	■ Net assets	¥80,593 million
■ Net income	¥2,545 million	■ Net assets per unit	¥274,614

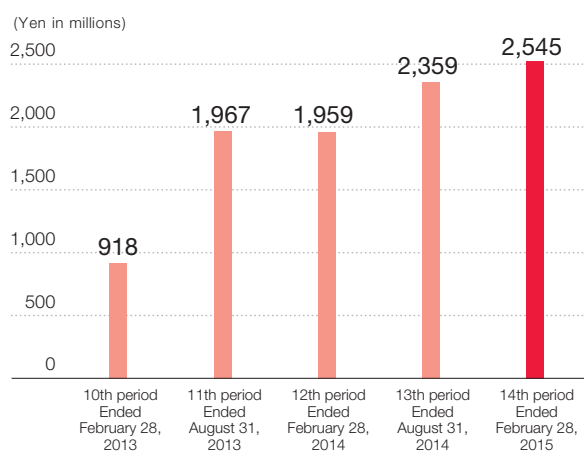
Operating revenues



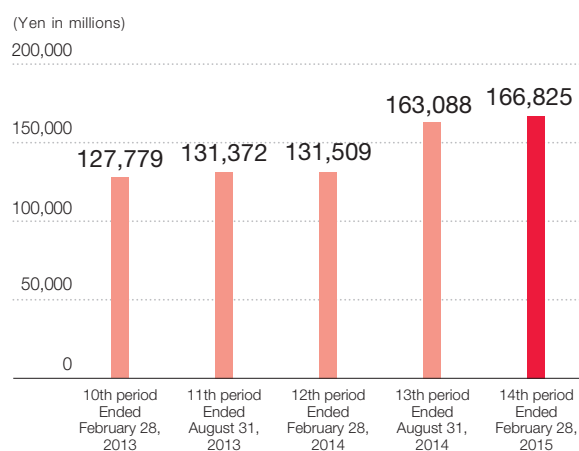
Operating income



Net income



Total assets



Investment Strategy

High-Performance Logistics Properties with Competitive Specifications

Investment Criteria

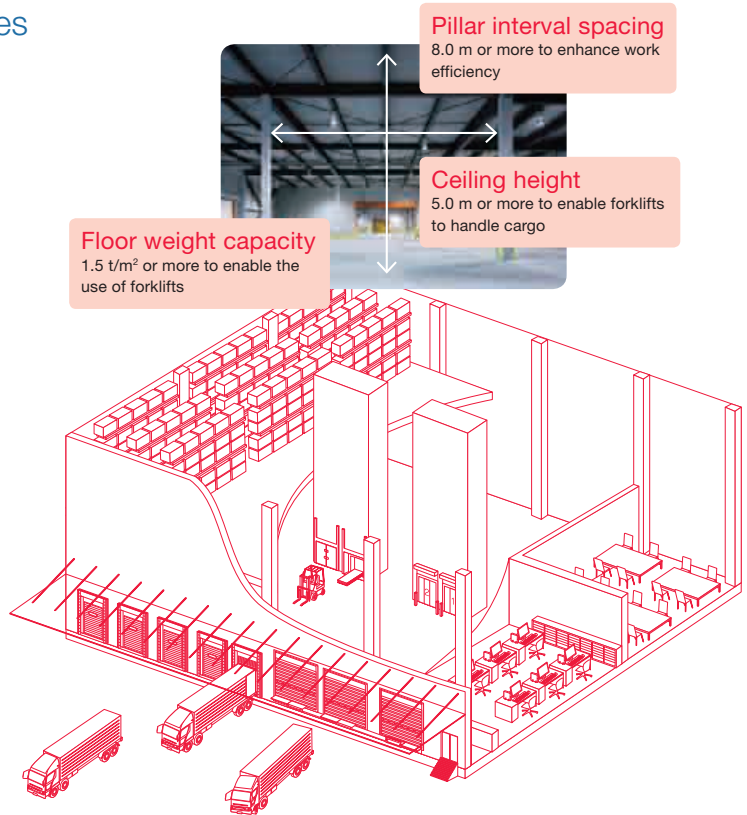
Location

- Proximity to both consumption and production areas
- Accessibility to transportation networks connecting both areas
 - Highways, airports, harbors, etc.
- Ease in securing workforce and convenience in commuting for employees



Specifications

- Space and specifications in principle
 - A certain scale or above
 - Gross floor area (6,000 m² or more)
 - Floor weight capacity (1.5 t/m² or more)
 - Ceiling height (5.0 m or more)
 - Pillar interval spacing (8.0 m or more)
- Building, equipment and other features (car berths, etc.) in accordance with the expected size and type of parcels to be delivered and shipping frequency



Specialty Retail Complexes with a Focus on Competitive Specialty Stores

Investment Criteria

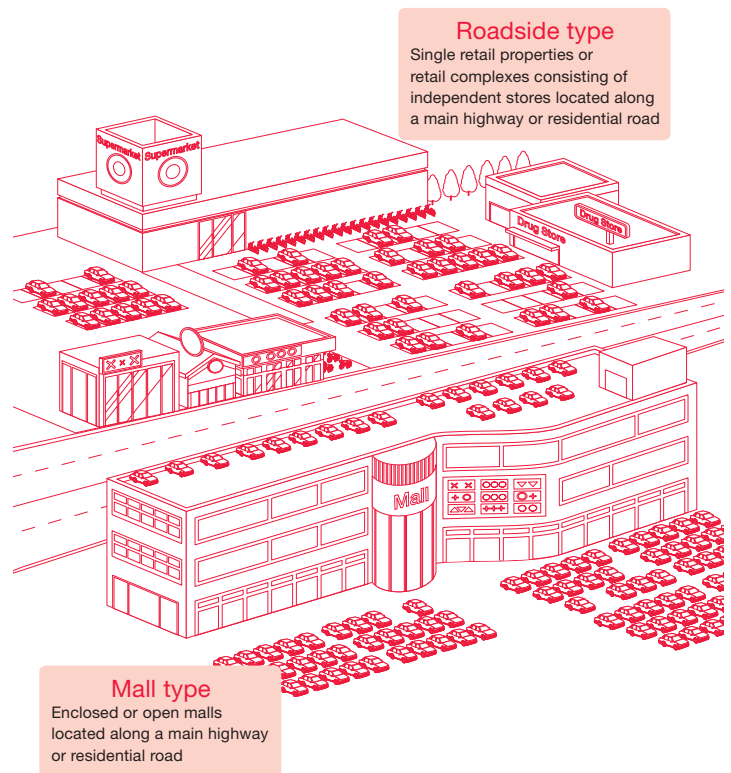
Location

- Long-term stability through the ability to attract customers
 - Accessibility from main highways, residential roads and urban areas
 - High visibility of the building
- Characteristics suitable for the market areas and regions
 - Suitable floor composition, parking capacity, etc.
 - Adequate size



Tenants

- Competitive specialty stores
- Well-known tenants connected to consumers' daily life
- Long-term agreements with "core tenants (Note)"
- Stable occupancy rate over the medium to long term



(Note) "Core tenants" have a lease area of at least 2,000 m².

Growth Strategy

Collaboration with Daiwa House Group



- Planning and development of logistics and retail properties as part of the Daiwa House Group's core businesses
- Support agreements to grant preferential negotiating rights to DHR for the sale and purchase of properties
- Information sharing on the development of logistics and retail properties with Daiwa House REIT Management Co., Ltd. (the "Asset Manager")
- Ownership of investment units by Daiwa House Industry ("Same Boat Investments")

Daiwa House REIT Investment Corporation

Daiwa House REIT Management Co., Ltd.

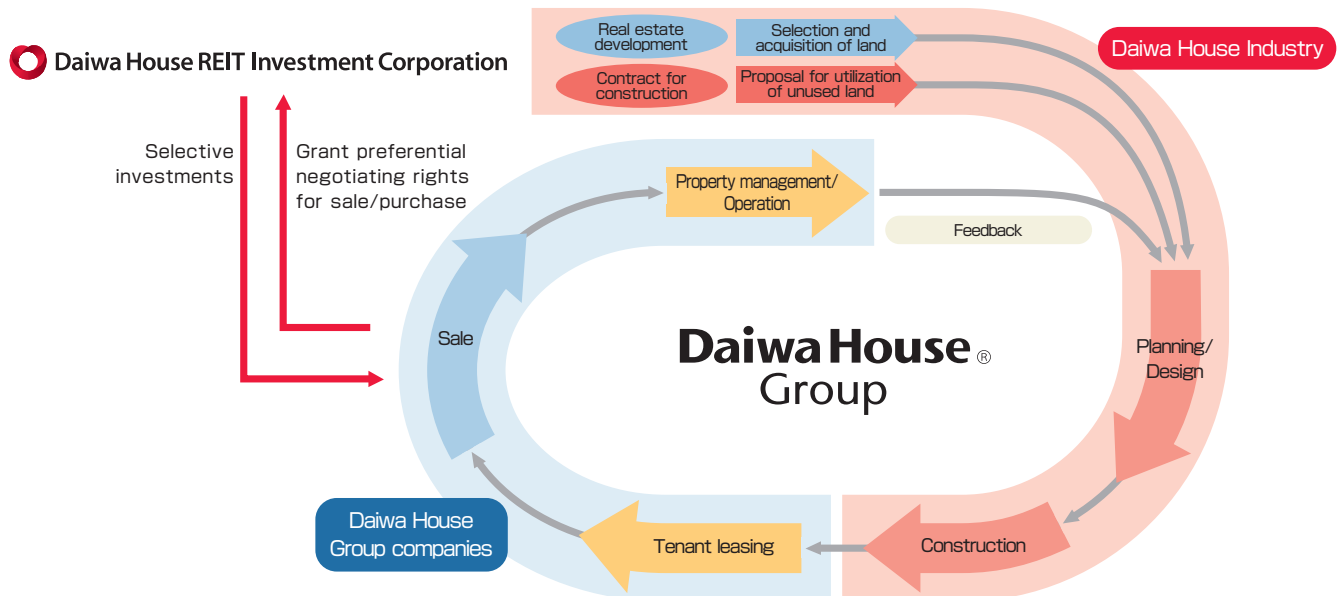
External Growth

- Extensive capability for planning and development of high-performance logistics properties and specialty retail complexes

Internal Growth

- Capability to undertake comprehensive services from planning and development to property management

- Well-established and strong relationships with a broad range of tenants developed over many years
- Capability in tenant leasing
- Strength in property management
- Optimization of life cycle cost

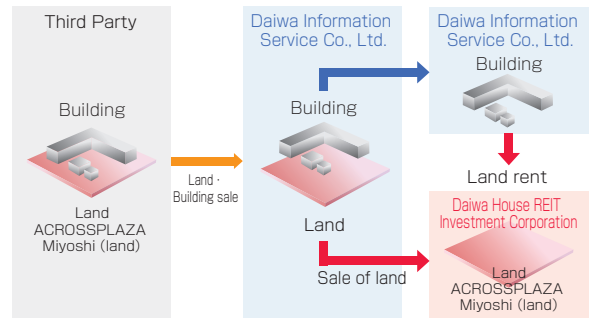


Acquisitions in the 14th period

R-M-5 ACROSSPLAZA Miyoshi (land)

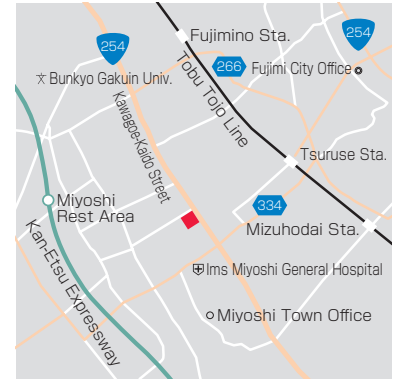


■ Acquired non-sponsor property through collaboration with the Daiwa House Group

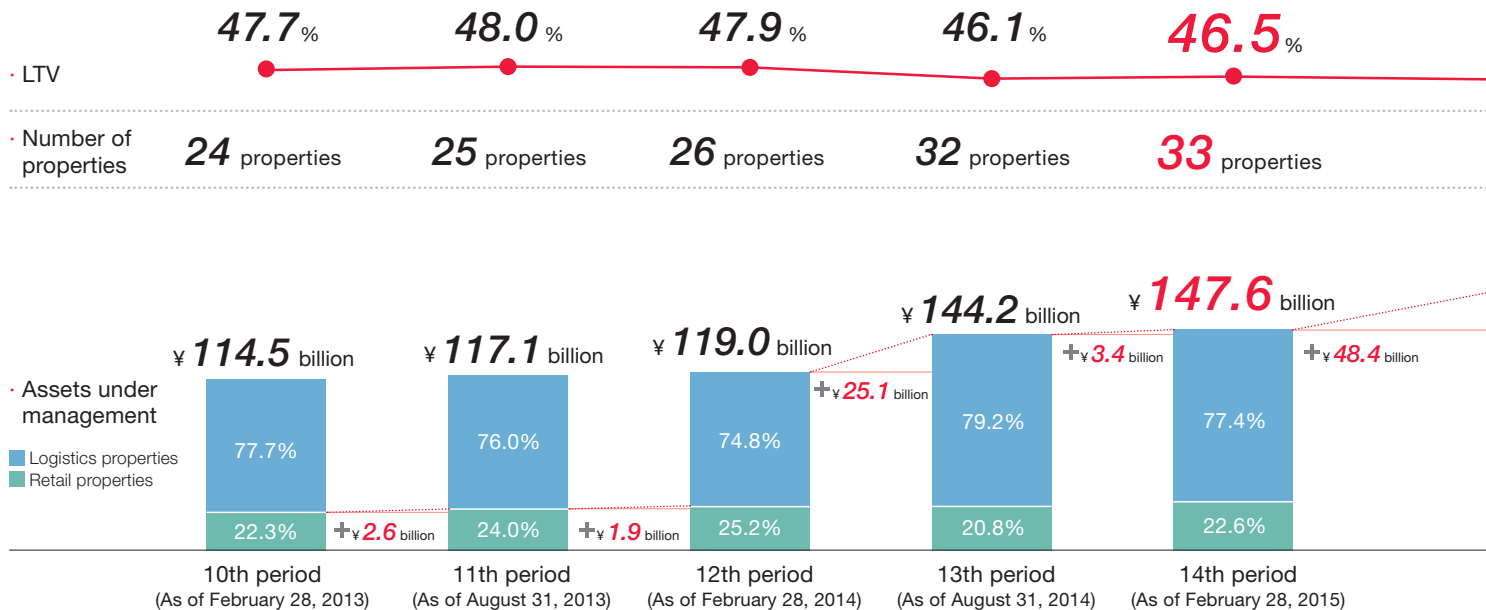


Location and market areas

- Located in the southern part of Saitama Prefecture, approximately 30 km from central Tokyo. The area has many workers and students who commute to workplaces and schools in the Tokyo metropolitan area from Tsuruse Station on the Tobu Tojo Line, the nearest station to the property. The facility on the property is situated on the Kawagoe-Kaido Street, a convenient and important residential road.
- With food supermarket Yaoko as the core tenant, the shopping center on the property features a total of 24 tenants including Kojima, The Daiso, TSUTAYA and Sugi Pharmacy. Since there are two entrances to the facility, the property also has excellent accessibility.
- The property has a residential town in its hinterland and the population by trade area is as follows: 17,800 in the 1 km trade area, 158,700 in the 3 km trade area, and 386,000 in the 5 km trade area. The population shows a growing trend.



Location	Iruma, Saitama
Acquisition price	¥3,390 million



Capital Increase through Public Offering (15th Period)

In line with a capital increase through public offering implemented in March 2015, DHR is acquiring seven logistics properties totaling ¥48,420 million through the Daiwa House Group pipeline. Going forward, DHR will continue aiming to steadily grow the asset base and further diversify the portfolio to enable increased cash flow stability.

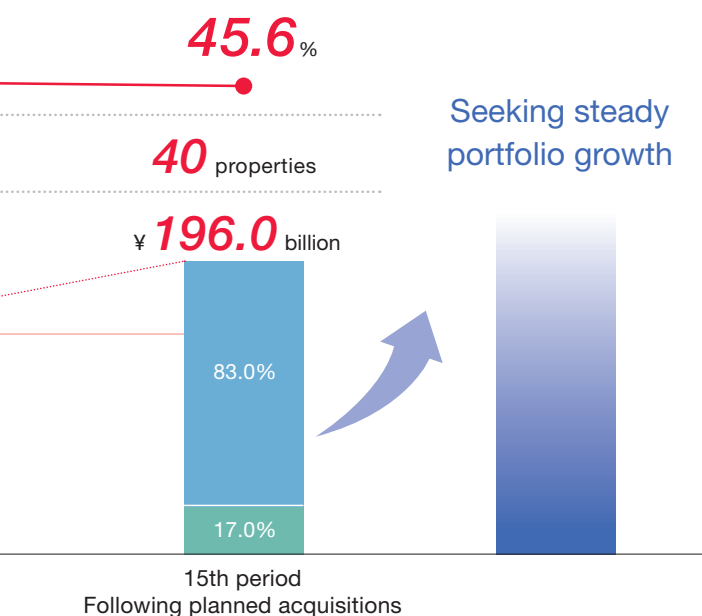
● Overview of Capital Increase through Public Offering

Number of new investment units issued	57,220 units	Issue price (offer price)	¥495,300 per unit
Number of investment units outstanding post offering	350,700 units	Issue value (amount paid in)	¥479,044 per unit
Issuance resolution date	March 3, 2015	Total issue value (amount paid in)	¥27,410 million
Pricing date	March 16, 2015		

● Overview of New Acquisitions in the 15th Period (planned) (Seven Logistics Properties)

■ AUM	¥ 48,420 million	■ Average lease term	15.9 years
■ NOI yield	5.3 %	■ Average remaining lease term	12.8 years
■ Occupancy rate	100.0 %	■ Average property age	3.5 years

As of June 1, 2015 (Please see Pages 10-13 for details.)



New Acquisitions in the 15th Period (acquired on April 1, 2015)

L-B-26 D Project Kuki III



Specifications

- 4 storied building with a gross floor area of approximately 8,060 *tsubo* and an earthquake resistant structure; used by a logistics company.
- 3 storied warehouse section with a refrigeration facility and dock shelters in a section of the first floor. A set of car berths on one side and seven dock levelers are located.
- Ceiling height of 7.6 m on the first floor, 7.3 m on the second/third floor, and 6.7 m on the fourth floor, with a floor weight capacity of 1.5 t/m² on all floors, and pillar interval spacing of 12.0 m by 10.0 m. There are two cargo elevators, four vertical carrier machines, and an automated warehouse located in a section of the third floor. The property is highly versatile, with potential for use in a wide variety of industries.

Location	Kuki, Saitama
Construction date	June 28, 2013
Acquisition price	¥7,340 million

L-B-27 D Project Kuki IV



Specifications

- 3 storied building with a gross floor area of approximately 8,000 *tsubo*; used by a logistics company.
- Ceiling height of 7.6 m on the first and second floors, and 4.6 m on the third floor, with a floor weight capacity of 1.5 t/m² on the first and second floors and 1.0 t/m² on the third floor, and pillar interval spacing of 10.5 m by 10.5 m. There are four cargo elevators, and the property is versatile to a certain degree.
- There is a set of L-shaped car berths on two sides, providing efficient deliveries.

Location	Kuki, Saitama
Construction date	June 30, 2009
Acquisition price	¥5,300 million

Location

- Located close to the Kuki IC on the Tohoku Expressway, the Shiraokashobu IC on the Metropolitan Inter-City Expressway and National Highway Route 122, offering superior traffic access to main highways.
- Offers the potential for collections and deliveries in Saitama Prefecture and throughout the Greater Tokyo area, and may also function as a transit point from the Tohoku region, where there are many factories. The future extension of the Metropolitan Inter-City Expressway will also boost the expansion of this property's potential delivery area.
- Located in an area with a number of logistics facilities, so there is little fear of complaints from nearby residents and 24-hour operation is possible.

Developments in the Kuki Area

In 2006, the Daiwa House Group acquired mostly undeveloped land where a land readjustment project had been implemented, with a total gross area of approximately 46,000 *tsubo* located near the Metropolitan Inter-City Expressway. The Group developed eight logistics properties with a total gross floor area of approximately 58,000 *tsubo*, starting with the construction of the D Project Kuki IV in 2009 (a portion of the DHR's new acquisitions in its 15th period). This area is highly convenient for traffic access to core cities in Tohoku through the Kuki IC on the Tohoku Expressway. The partially opened Metropolitan Inter-City Expressway will be fully opened in future, and the newly constructed Kukishiraoka junction is also scheduled to be connected to the Tohoku Expressway. This will make deliveries to central Tokyo, Saitama Prefecture, Chiba Prefecture, and Kanagawa Prefecture easy, so the Daiwa House Group believes that this area has a promising outlook as a logistics location with a delivery area spanning the entire Greater Tokyo area, and is also developing logistics properties on nearby land.

L-B-28 D Project Kuki V



Specifications

- 6 storied building with a gross floor area of approximately 13,340 *tsubo*; used by a logistics company.
- 4 storied warehouse section with a refrigeration facility in a section of the first floor, and a set of L-shaped car berths on two sides with a piloti that allows for smooth operation even in rainy weather.
- Ceiling height of 7.6 m on the first/second floor, third/fourth floor, and the fifth floor, and 7.1 m on the sixth floor, with a floor weight capacity of 1.5 t/m² on all floors, and pillar interval spacing of 11.0 m by 9.7 m. There are two cargo elevators and 10 vertical carrier machines. The property is highly versatile, with sufficient capability for moving cargo within the warehouse.

Location	Kuki, Saitama
Construction date	May 21, 2012
Acquisition price	¥8,010 million

L-B-29 D Project Kuki VI

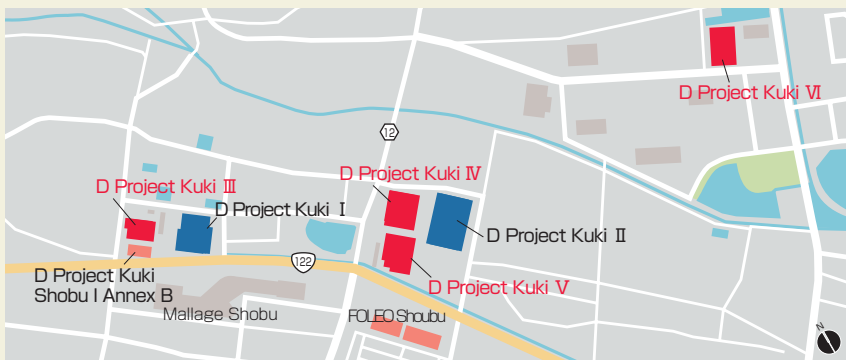


Specifications

- 3 storied building with a gross floor area of approximately 8,920 *tsubo*; used by a logistics company.
- A set of car berths on two sides and two entrances are located, allowing for efficient operation.
- Ceiling height of 6.6 m on the first and second floors, and 6.0 m on the third floor, with a floor weight capacity of 1.5 t/m² on all floors, and pillar interval spacing of 11.5 m by 10.0 m. There are two cargo elevators and four vertical carrier machines. The property is highly versatile, with sufficient capability for moving cargo within the warehouse.

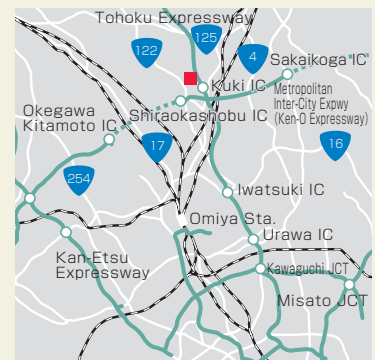
Location	Kuki, Saitama
Construction date	August 9, 2013
Acquisition price	¥4,980 million

Map of the Immediate Vicinity



■ Acquired properties
 ■ New acquisitions in the 15th period
 ■ Properties developed by the sponsor (excluding acquired properties and new acquisitions in the 15th period)

Map of the Broader Area



New Acquisitions in the 15th Period (acquired on April 1, 2015)

L-B-30 D Project Yashio



Location and specifications

- With easy access to the Misatonishi IC and the Sōka IC on the Tokyo Gaikan Expressway, this property offers broad coverage inland in the Greater Tokyo area, and is highly accessible to central Tokyo.
- Near the Sōka-shi and Yashio-shi residential areas, making it relatively easy to secure employees.
- 3 storied building with a gross floor area of approximately 6,630 *tsubo*; used by a logistics company.
- A refrigeration facility and dock shelters are located in a section of the first floor, a set of L-shaped car berths on two sides, and two entrances, providing efficient deliveries.
- Ceiling height of 7.0 m on the first floor, 7.2 m on the second floor, and 6.8 m on the third floor, with a floor weight capacity of 1.5 t/m² on all floors, and pillar interval spacing of 10.8 m by 9.1 m. There are three cargo elevators and two vertical carrier machines. The property is versatile, with potential for use in a wide variety of industries.

Location	Yashio, Saitama
Construction date	August 1, 2011
Acquisition price	¥6,140 million



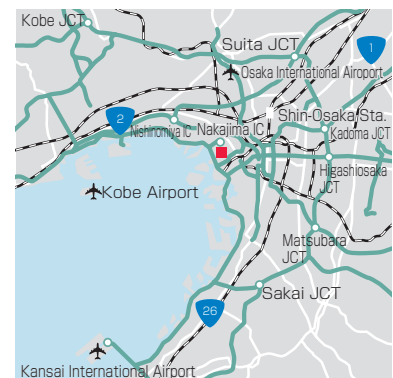
L-B-31 D Project Nishiyodogawa



Location and specifications

- Located near both central Osaka and the Osaka harbor, offering the potential for deliveries to Osaka's primary consumer areas and Kobe area using the Nakajima IC on the Hanshin Expressway No. 5 Wangan Route, as well as Kansai International Airport by using the Hanshin Expressway No. 4 Wangan Route.
- Located in an area with a number of logistics facilities, allowing for 24-hour operation.
- 4 storied building with a gross floor area of approximately 11,370 *tsubo*; used by a logistics company.
- There are freezing and refrigeration facilities in sections of the first, second, and third floors. There is a set of car berths on two sides of the first floor with a piloti that allows for highly efficient deliveries.
- Ceiling height of 7.4 m on the first floor, 7.1 m on the second floor, 6.8 m on the third floor, and 6.2 m on the fourth floor, with a floor weight capacity of 1.5 t/m² on all floors, and pillar interval spacing of 10.5 m by 10.1 m. There are six cargo elevators and six vertical carrier machines. This is a versatile property, with sufficient capability for moving cargo within the warehouse.

Location	Osaka, Osaka
Construction date	April 15, 2011
Acquisition price	¥9,660 million



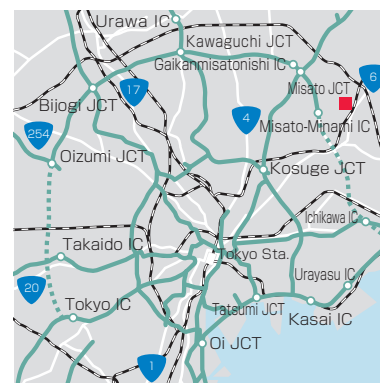
Planned New Acquisitions in the 15th Period (to be acquired on June 1, 2015)

L-B-32 D Project Matsudo



Location and specifications

- Located in the Kita Matsudo exclusive industrial district, meaning 24-hour operation is possible, and also offering access to the Joban Expressway, Tokyo Gaikan Expressway, and Metropolitan Expressway through the Misato-Minami IC and the Misato Junction.
- Located a 3-minute walking distance from the Kita Matsudo Station on the JR Joban Line, thus making it relatively easy to secure employees.
- 5 storied building with a gross floor area of approximately 6,000 *tsubo*; used by a logistics company.
- 3 storied warehouse section with freezing and refrigeration facilities in sections of the first, second, and third floors, dock shelters, a set of car berths on two sides, and two entrances, allowing for efficient operations.
- Ceiling height of 7.2 m on all floors, with a floor weight capacity of 1.5 t/m² on all floors, and pillar interval spacing of 11.0 m by 11.1 m. There are two cargo elevators and four vertical carrier machines. The property is highly versatile, with sufficient capability for moving cargo within the warehouse.



Location	Matsudo, Chiba
Construction date	April 9, 2011
Planned acquisition price	¥6,990 million

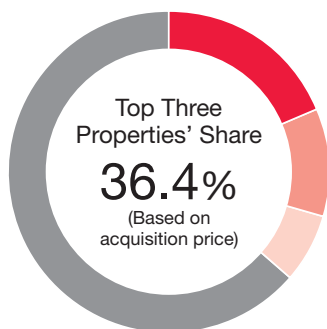
● Portfolio Diversification Following Planned Acquisitions in the 15th Period

February 28, 2013

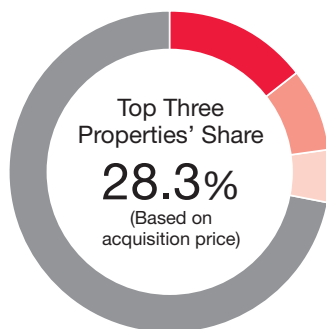
February 28, 2015

Following planned acquisitions in the 15th period

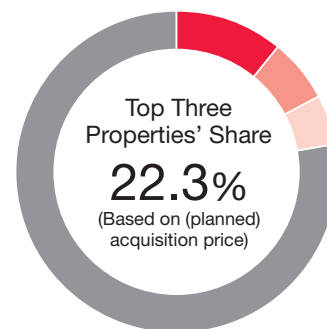
As assets under management increase, the top three properties' share of the total is decreasing, and the portfolio is becoming more diversified.



■ D Project Urayasu II	18.7%
■ D Project Hachioji	11.0%
■ D Project Urayasu I	6.7%
■ Others	63.6%



■ D Project Urayasu II	14.5%
■ D Project Hachioji	8.5%
■ D Project Urayasu I	5.2%
■ Others	71.7%



■ D Project Urayasu II	10.9%
■ D Project Hachioji	6.4%
■ D Project Nishiyodogawa	4.9%
■ Others	77.7%

Pipeline with Sponsor

As the environment for acquiring properties becomes increasingly competitive, DHR will seek steady external growth by continuing to maintain a strong relationship with, and fully leveraging the pipeline and support offered by the Daiwa House Group.

Strength of the Daiwa House Group's Logistics and Retail Properties

Daiwa House Group provides comprehensive support to help clients achieve success in their distribution business.

- | | | | | |
|----------------------|---|--|---|---|
| Logistics Properties | 1 | Planning and development to meet tenant needs | 4 | Nationwide network with distributors and cargo owners |
| | 2 | Construction capabilities to meet tenant needs | 5 | Strong relationships with tenants starting with construction proposals for logistics properties |
| | 3 | Site selection capability | 6 | Leasing capabilities leveraging the strength of the Group |
| | | | | |
| | | | | |
| | | | | |

Daiwa House Group develops a diverse range of stores, provides management appropriate for each type of store and offers a support system.

- | | | | | |
|-------------------|---|--|---|--|
| Retail Properties | 1 | Property development and city planning suitable to the region | 4 | Nationwide land information and network with tenants |
| | 2 | Ability to attract specialty tenants | 5 | Partnerships with blue-chip tenants |
| | 3 | Comprehensive services from planning phase through property management | 6 | Collecting land information and store opening information through the LOC system |
| | | | | |
| | | | | |
| | | | | |

Properties Developed by the Daiwa House Group



D Project Kita Hachioji Annex A



D Project Kita Hachioji Annex B



D Project Kita Hachioji Annex C



D Project Jonanjima



D Project Itabashi Shingashi



D Project Kawagoe



DPL Misato



DPL Sagamihara



DPL Yokohama Daikoku



FOLEO Shoubu



iias Tsukuba



FOLEO Hakata

Financial Strategy

Financial Policy

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

Equity finance	Additional investment units are issued flexibly for the purpose of maintaining long-term stable growth of its portfolio and with due consideration given to the possible dilution of investment units.
Debt finance (LTV standard)	DHR has set an upper limit of 60% for the LTV (Note) ratio to ensure financial soundness. (Note) LTV (Loan-To-Value) refers to the proportion of interest-bearing debt to total assets.

Overview of Interest-bearing Debt

Interest-bearing Debt (as of April 1, 2015)

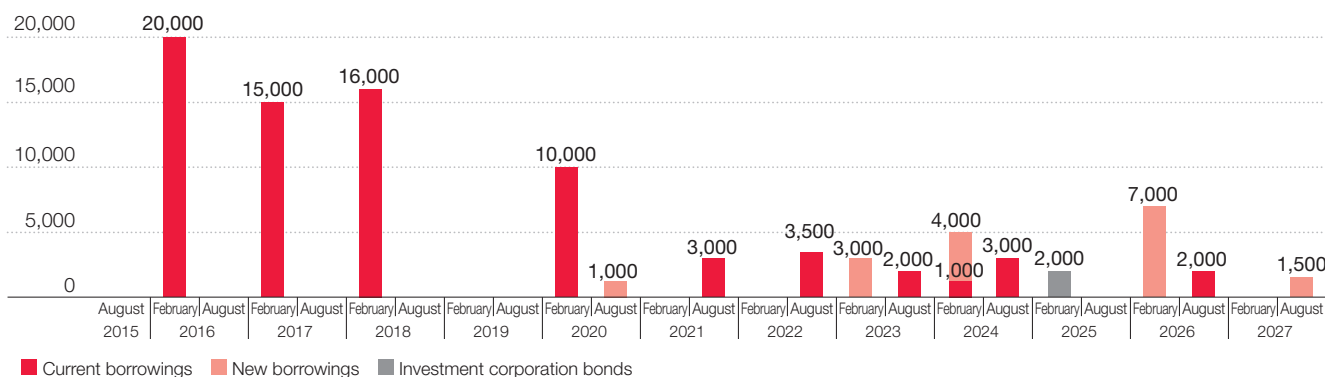
Total interest-bearing debt	¥94,000 million
Total borrowings	¥92,000 million
Total investment corporation bonds	¥2,000 million
Long-term interest-bearing debt ratio	100.0%
Fixed interest ratio	100.0%
Average remaining maturity	4.4 years
Commitment line	¥10,000 million

Breakdown by Lender (as of April 1, 2015)



Diversification of Repayment Terms of Interest-bearing Debt (as of April 1, 2015)

(Yen in millions)
25,000



Issuance of 1st Unsecured Investment Corporation Bonds

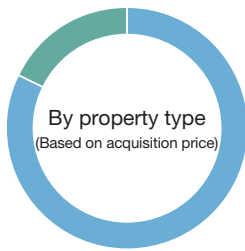
Total amount issued	¥2,000 million
Issue date	December 24, 2014
Duration	10 years
Interest rate	0.826%
Credit rating	AA- (Japan Credit Rating Agency, Ltd.; "JCR")
Redemption date	December 24, 2024

Credit rating (As of the date of this report)

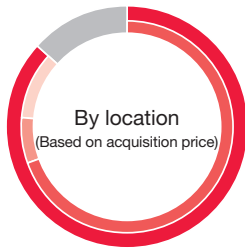
Rating agency	Long-term issuer rating
JCR (Japan Credit Rating Agency, Ltd.)	AA- (Stable)

Portfolio Map

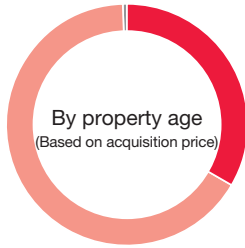
● Portfolio Data (as of April 1, 2015)



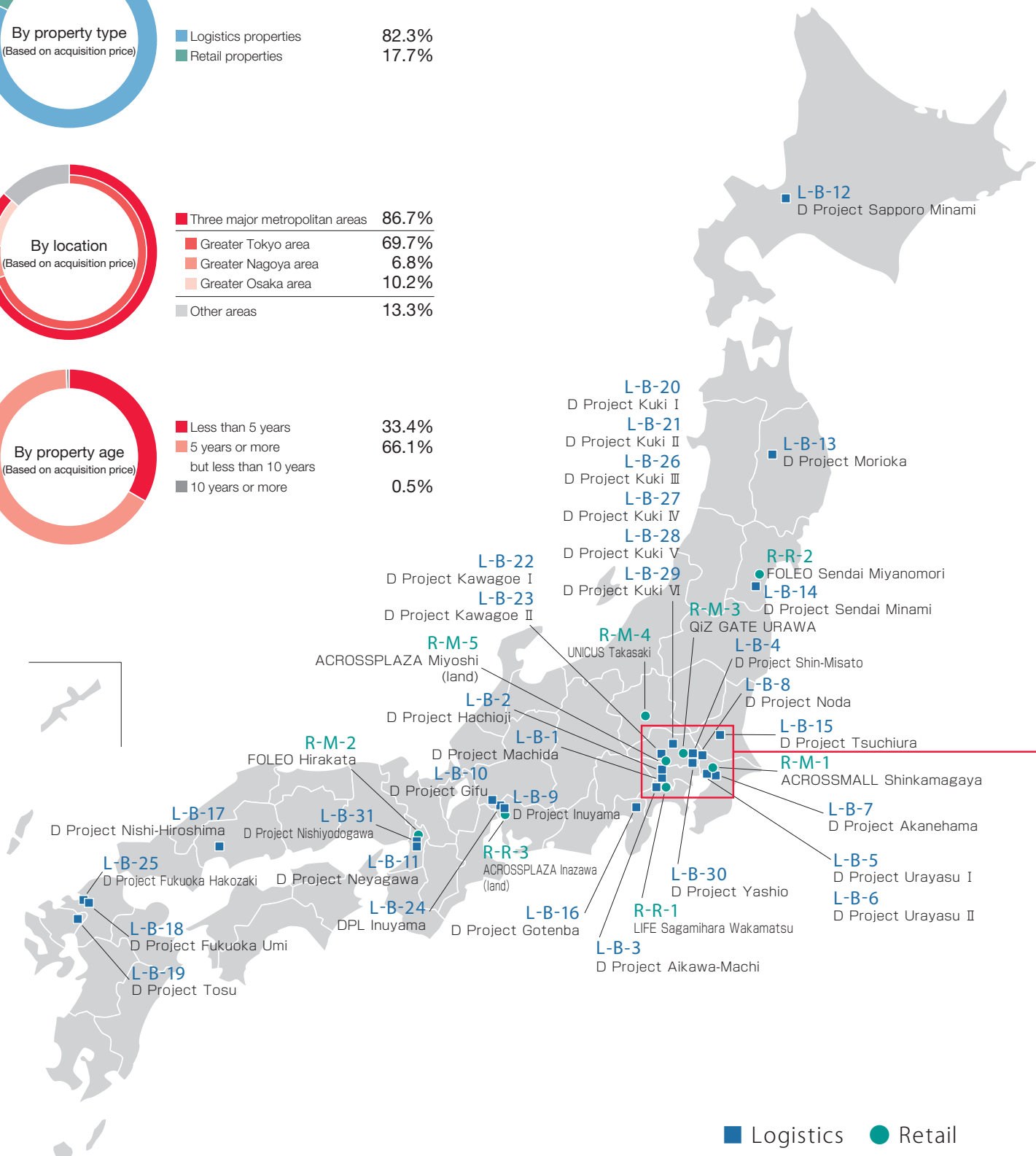
■ Logistics properties 82.3%
■ Retail properties 17.7%



■ Three major metropolitan areas 86.7%
■ Greater Tokyo area 69.7%
■ Greater Nagoya area 6.8%
■ Greater Osaka area 10.2%
■ Other areas 13.3%

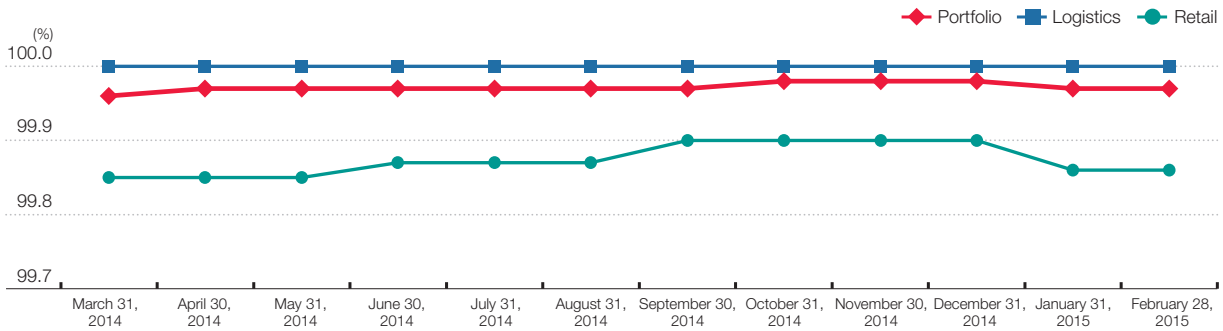


■ Less than 5 years 33.4%
■ 5 years or more but less than 10 years 66.1%
■ 10 years or more 0.5%

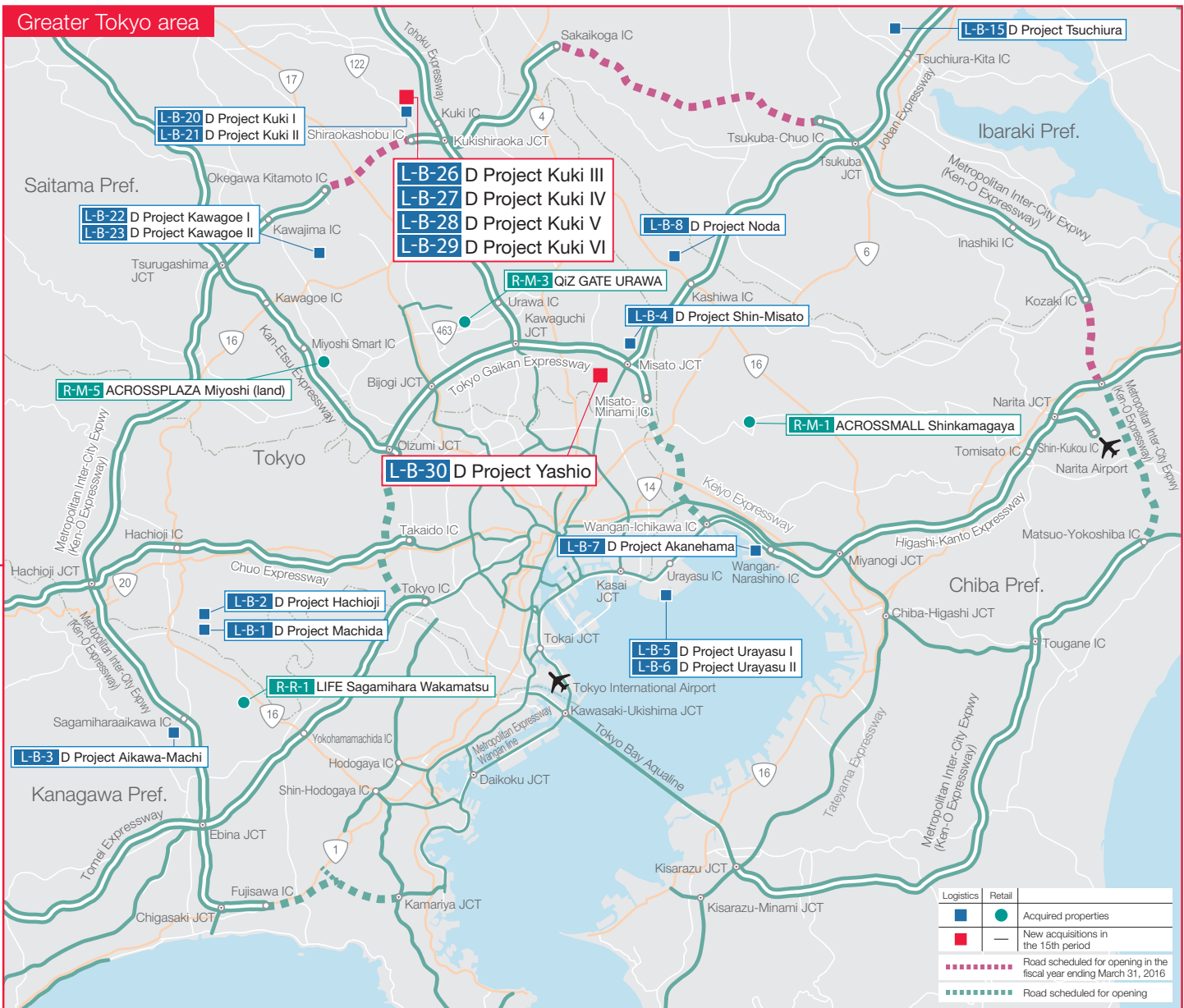


■ Logistics ● Retail

● Occupancy Rates



(Note) The occupancy rates as of the end of each month (rate of total leased area to total leasable area) are rounded down to the nearest 100th for the portfolio total, logistics properties, and retail properties.



Properties Held at the End of the 14th Period

Logistics



L-B-1 D Project Machida

Logistics



L-B-2 D Project Hachioji

Logistics



L-B-3 D Project Aikawa-Machi

Logistics



L-B-4 D Project Shin-Misato

Logistics



L-B-5 D Project Urayasu I

Logistics



L-B-6 D Project Urayasu II



L-B-7 D Project Akanehama



L-B-8 D Project Noda



L-B-9 D Project Inuyama



L-B-10 D Project Gifu



L-B-11 D Project Neyagawa



L-B-12 D Project Sapporo Minami

Properties Held at the End of the 14th Period

Logistics



L-B-13 D Project Morioka

Logistics



L-B-14 D Project Sendai Minami

Logistics



L-B-15 D Project Tsuchiura

Logistics



L-B-16 D Project Gotenba

Logistics



L-B-17 D Project Nishi-Hiroshima

Logistics



L-B-18 D Project Fukuoka Umi

Logistics



L-B-19 D Project Tosu

Logistics



L-B-20 D Project Kuki I

Logistics



L-B-21 D Project Kuki II

Logistics



L-B-22 D Project Kawagoe I

Logistics



L-B-23 D Project Kawagoe II

Logistics



L-B-24 DPL Inuyama

Properties Held at the End of the 14th Period

Logistics



L-B-25 D Project Fukuoka Hakozaki

Retail



R-M-1 ACROSSMALL Shinkamagaya

Retail



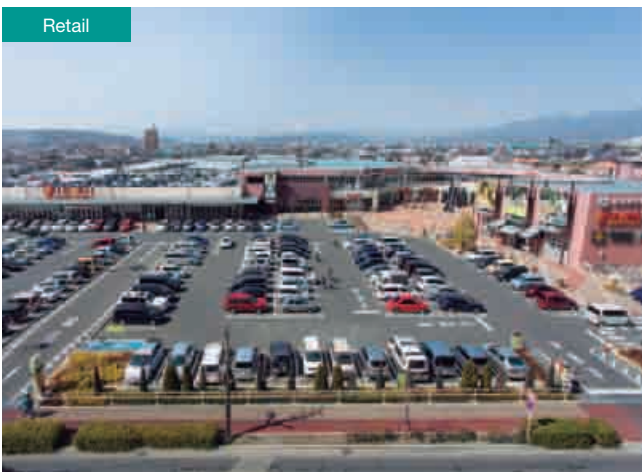
R-M-2 FOLEO Hirakata

Retail



R-M-3 QiZ GATE URAWA

Retail



R-M-4 UNICUS Takasaki

Retail



R-M-5 ACROSSPLAZA Miyoshi (land)

Retail



R-R-1 LIFE Sagamihara Wakamatsu

Retail



R-R-2 FOLEO Sendai Miyanomori

Retail



R-R-3 ACROSSPLAZA Inazawa (land)

Investment Corporation (DHR) Website

Distribution information, disclosure information such as press releases, and property listings are posted on DHR's website.

Website:

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

■ Topics

Particularly important news about the Investment Corporation is noted here.

■ Fund Information

Information about finalized and expected distributions, the number of properties held and the size of the portfolio can be found here.

■ Latest Financial Information

All disclosure related to the most recent financial results can be found here.



Portfolio Summary (as of April 1, 2015)

Property number	Real estate in trust (Property name)	Location (City or county, prefecture)	Construction date (Note 1)	Acquisition price (Yen in millions)	Investment ratio (%) (Note 2)	Leasable area (m ²)
L-B-1	D Project Machida	Machida, Tokyo	October 1, 2006	7,600	4.0	50,490.39
L-B-2	D Project Hachioji	Hachioji, Tokyo	December 1, 2008	12,600	6.7	62,394.17
L-B-3	D Project Aikawa-Machi	Aiko, Kanagawa	June 30, 2006	2,600	1.4	14,240.84
L-B-4	D Project Shin-Misato	Misato, Saitama	April 15, 2009	4,440	2.3	11,289.91
L-B-5	D Project Urayasu I	Urayasu, Chiba	May 31, 2005	7,700	4.1	36,515.81
L-B-6	D Project Urayasu II	Urayasu, Chiba	April 10, 2007	21,400	11.3	72,320.01
L-B-7	D Project Akanehama	Narashino, Chiba	October 11, 2005	2,550	1.3	11,663.39
L-B-8	D Project Noda	Noda, Chiba	September 30, 2007	5,100	2.7	29,232.53
L-B-9	D Project Inuyama	Inuyama, Aichi	December 10, 2009	6,650	3.5	43,723.70
L-B-10	D Project Gifu	Anpachi, Gifu	February 28, 2009	900	0.5	7,669.91
L-B-11	D Project Neyagawa	Neyagawa, Osaka	July 23, 2009	4,600	2.4	11,151.51
L-B-12	D Project Sapporo Minami	Kitahiroshima, Hokkaido	October 30, 2007	600	0.3	6,749.10
L-B-13	D Project Morioka	Takizawa, Iwate	September 13, 2002	1,000	0.5	9,558.32
L-B-14	D Project Sendai Minami	Iwanuma, Miyagi	March 28, 2006	1,250	0.7	11,052.27
L-B-15	D Project Tsuchiura	Tsuchiura, Ibaraki	February 19, 2009	2,880	1.5	17,448.86
L-B-16	D Project Gotenba	Gotenba, Shizuoka	January 15, 2009	950	0.5	6,737.53
L-B-17	D Project Nishi-Hiroshima	Hiroshima, Hiroshima	January 10, 2008	990	0.5	5,093.51
L-B-18	D Project Fukuoka Umi	Kasuya, Fukuoka	May 1, 2006	3,100	1.6	24,729.56
L-B-19	D Project Tosu	Tosu, Saga	February 19, 2009	2,100	1.1	8,826.00
L-B-20	D Project Kuki I	Kuki, Saitama	October 5, 2011	3,500	1.9	22,708.72
L-B-21	D Project Kuki II	Kuki, Saitama	June 21, 2013	7,200	3.8	50,490.00
L-B-22	D Project Kawagoe I	Kawagoe, Saitama	April 30, 2011	3,100	1.6	16,150.88
L-B-23	D Project Kawagoe II	Kawagoe, Saitama	September 3, 2012	4,250	2.2	19,872.00
L-B-24	DPL Inuyama	Inuyama, Aichi	September 18, 2013	3,380	1.8	21,628.50
L-B-25	D Project Fukuoka Hakozaki	Fukuoka, Fukuoka	October 1, 2012	3,700	2.0	34,710.80
L-B-26	D Project Kuki III	Kuki, Saitama	June 28, 2013	7,340	3.9	26,937.41
L-B-27	D Project Kuki IV	Kuki, Saitama	June 30, 2009	5,300	2.8	26,460.00
L-B-28	D Project Kuki V	Kuki, Saitama	May 21, 2012	8,010	4.2	47,320.89
L-B-29	D Project Kuk VI	Kuki, Saitama	August 9, 2013	4,980	2.6	29,244.66
L-B-30	D Project Yashio	Yashio, Saitama	August 1, 2011	6,140	3.2	21,965.04
L-B-31	D Project Nishiyodogawa	Osaka, Osaka	April 15, 2011	9,660	5.1	39,584.80
31 logistics properties total				155,570	82.3	797,961.02
R-M-1	ACROSSMALL Shinkamagaya	Kamagaya, Chiba	October 31, 2006	7,419	3.9	41,742.84
R-M-2	FOLEO Hirakata	Hirakata, Osaka	November 20, 2006	5,040	2.7	16,380.78
R-M-3	QIZ GATE URAWA	Saitama, Saitama	February 17, 2008	5,360	2.8	9,705.31
R-M-4	UNICUS Takasaki	Takasaki, Gunma	November 5, 2008	2,570	1.4	9,277.08
R-M-5	ACROSSPLAZA Miyoshi (land)	Iruma, Saitama	—	3,390	1.8	24,018.00
R-R-1	LIFE Sagamihara Wakamatsu	Sagamihara, Kanagawa	April 25, 2007	1,650	0.9	2,973.44
R-R-2	FOLEO Sendai Miyanomori	Sendai, Miyagi	October 6, 2009	6,040	3.2	19,845.72
R-R-3	ACROSSPLAZA Inazawa (land)	Inazawa, Aichi	—	1,944	1.0	31,981.70
8 retail properties total				33,413	17.7	155,924.87
Portfolio total of 39 properties				188,983	100.0	953,885.89

(Notes) 1. Construction date 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.

2. Investment ratio represents the percentage of the acquisition price for each asset to the total acquisition price. Figures are rounded to the nearest tenth. As a result, the total value may not exactly match the figure obtained by adding together all of the values shown.

1 Summary of Asset Management

(1) Historical Operating Results

Period		10th period	11th period	12th period	13th period	14th period
		From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015
Operating revenues	(Yen in millions)	2,421	4,128	4,153	4,928	5,146
Of which, real estate leasing business revenues	(Yen in millions)	2,421	4,128	4,153	4,928	5,146
Operating expenses	(Yen in millions)	968	1,807	1,832	2,074	2,143
Of which, real estate leasing business expenses	(Yen in millions)	826	1,442	1,462	1,669	1,689
Operating income	(Yen in millions)	1,452	2,320	2,321	2,853	3,003
Ordinary income	(Yen in millions)	919	1,967	1,960	2,359	2,546
Net income	(Yen in millions)	918	1,967	1,959	2,359	2,545
Total assets	(Yen in millions)	127,779	131,372	131,509	163,088	166,825
(Period-on-period changes)	(%)	499.0	2.8	0.1	24.0	2.3
Net assets	(Yen in millions)	60,272	61,348	61,340	80,407	80,593
(Period-on-period changes)	(%)	728.7	1.8	(0.0)	31.1	0.2
Unitholders' capital	(Yen in millions)	59,381	59,381	59,381	78,048	78,048
Number of investment units issued	(Units)	122,540	122,540	122,540	293,480	293,480
Net assets per unit (Note 2)	(Yen)	491,863	500,640	250,288	273,979	274,614
Total distributions	(Yen in millions)	891	1,967	1,959	2,359	2,545
Distributions per unit	(Yen)	7,278	16,055	15,992	8,039	8,674
Of which, earnings distributions per unit	(Yen)	7,278	16,055	15,992	8,039	8,674
Of which, distributions in excess of earnings per unit	(Yen)	—	—	—	—	—
Ordinary income to total assets ratio (Note 3)	(%)	1.2	1.5	1.5	1.6	1.5
(Annualized)	(%)	2.5	3.0	3.0	3.2	3.1
Return on equity (Note 3)	(%)	2.7	3.2	3.2	3.3	3.2
(Annualized)	(%)	5.5	6.4	6.4	6.6	6.4
Equity ratio (Note 3)	(%)	47.2	46.7	46.6	49.3	48.3
(Period-on-period changes)	(%)	13.1	(0.5)	(0.1)	2.7	(1.0)
Payout ratio (Note 3)	(%)	(Note 4) 97.1	100.0	100.0	(Note 4) 100.0	100.0
<Reference Information>						
Number of investment properties		24	25	26	32	33
Total leasable area	(m ²)	531,535.41	540,812.49	572,794.19	738,355.09	762,373.09
Number of tenants		39	40	40	46	47
Occupancy rate at the end of period	(%)	100.0	100.0	100.0	100.0	100.0
Depreciation during the period	(Yen in millions)	605	843	844	1,010	1,044
Capital expenditures during the period	(Yen in millions)	—	57	6	23	19
Rental NOI (Net Operating Income) (Note 3)	(Yen in millions)	2,200	3,529	3,536	4,269	4,501
FFO (Funds from Operations) per unit (Note 3)	(Yen)	12,445	22,941	22,887	11,482	12,233
Interest-bearing debt (Note 3)	(Yen in millions)	61,000	63,000	63,000	74,500	77,500
Interest-bearing debt to total assets ratio (Note 3)	(%)	47.7	48.0	47.9	45.7	46.5
Number of operating days	(Days)	181	184	181	184	181

(Notes) 1. Operating revenues, etc., do not include consumption taxes.

2. DHR executed a 2-for-1 investment unit split effective March 1, 2014. Net assets per unit are calculated on the assumption that the split of investment units was executed at the beginning of the 12th period.

3. The indicators shown are calculated based on the following formulae:

Ordinary income to total assets ratio = Ordinary income / ((Total assets at the beginning of period + Total assets at the end of period) / 2) × 100

Return on equity = Net income / ((Net assets at the beginning of period + Net assets at the end of period) / 2) × 100

Equity ratio = Net assets at the end of period / Total assets at the end of period × 100

Payout ratio = Distributions per unit (excluding distributions in excess of earnings) / Net income per unit × 100

Rental NOI = Real estate leasing business revenues – Real estate leasing business expenses + Depreciation during the period

FFO per unit = (Net income + Depreciation +/- Gains (losses) from sales of property, etc.) / Number of investment units issued

Interest-bearing debt = Borrowings + Investment corporation bonds

Interest-bearing debt to total assets ratio = Interest-bearing debt / Total assets at the end of period × 100

4. Due to the issuance of new investment units, the payout ratio for the 10th period and the 13th period is calculated based on the following formula.

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

(2) Asset Management during the Period

A. Transition of DHR

Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") was established on September 14, 2007, in accordance with the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act"), with Daiwa House REIT Management Co., Ltd. (hereinafter referred to as 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. (hereinafter referred to as the "Tokyo Stock Exchange").

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 28, 2015), DHR acquired retail property ACROSSPLAZA Miyoshi (land) (acquisition price of ¥3,390 million) with funds raised in loans. Consequently, DHR held a total of 33 properties (total acquisition price of ¥147,553 million) as of February 28, 2015 (see Note 2).

(Notes) 1. The Daiwa House Group comprises Daiwa House Industry Co., Ltd. (hereinafter referred to as "Daiwa House"), its 119 consolidated subsidiaries, one non-consolidated subsidiary, 22 equity-method associates, and two non-equity-method associates, as of March 31, 2015. The same shall apply hereinafter.

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 maintained its modest recovery trend partly on the back of the effects of various government policies. This occurred despite a brief emergence of weak individual consumption and other indicators partly reflecting a pullback in demand following a rush ahead of a consumption tax hike implemented in April 2014.

In the real estate market, the Land Price LOOK Report published by the Ministry of Land, Infrastructure, Transport and Tourism in February 2015 again indicated land price increases in 80% of areas overall. This continued upward trend in land prices is considered as reflecting heightened eagerness towards real estate investment on the back of monetary easing and other factors.

J-REIT unit prices rose firmly, with the TSE (Tokyo Stock Exchange) REIT Index rising 25.3% from the closing price on December 30, 2013, through the closing price on December 30, 2014. Meanwhile, J-REIT asset acquisitions in 2014 held to high levels at around ¥1,580 billion, albeit decreasing 29.4% year on year amid a slowing pace of acquisitions.

The logistics property rental market was firm, underpinned by expansion in industries such as e-commerce and retailers' mail order businesses, which are the main sources of demand for this market. The vacancy rates for large multi-tenant logistics properties announced in February 2015 by CBRE K.K., remained at low levels with those for the Greater Tokyo and Greater Osaka areas at 3.8% and 0.4%, respectively (as of December 2014), while offered rent levels were stable. Going forward, we expect tenant demand for logistics properties to be maintained, given the likelihood of ongoing growth from e-commerce, retailers' mail order and other such business operators, along with expanding use of third-party logistics (3PL) involving comprehensive outsourcing of services that add value in relation to the logistics function, and new building of geographically vast logistics networks in the industry.

With regard to the business environment surrounding retail properties, the retail sales total according to the commercial sales statistics (excluding automobile and fuel sales) has held firm, increasing 2.0% year on year in 2014, aided by a more favorable employment and income climate. In the supermarket sector, there has been growth in the business of food product home delivery involving grocery items from online supermarkets, prepared meals and other such items mainly reflecting further aging of society and an increase in two-income households, while companies have also been implementing somewhat more distinctive sales strategies, with efforts that include customer service enhancement in partnership with retailers' mail order providers and home delivery providers.

In such an environment, DHR expanded and diversified its portfolio by collaborating with the Daiwa House Group to acquire retail property ACROSSPLAZA Miyoshi (land) (acquisition price of ¥3,390 million) during the current fiscal period. As of February 28, 2015, DHR owned 33 properties (with a total book value of ¥143,439 million at the end of the period) with a total leasable area of 762,373.09 m² and an occupancy rate of 99.97% (the figure is rounded down to the nearest 100th).

C. Overview of Financing

In the current fiscal period (ended February 28, 2015), DHR borrowed total funds of ¥3,000 million on September 30, 2014 to partially cover the acquisition costs for trust beneficiary interests in real estate and related expenses. Of the funds borrowed, DHR prepaid short-term loans amounting to ¥2,000 million using funds procured in the form of 1st Unsecured Investment Corporation Bonds issued on December 24, 2014.

Consequently, as of February 28, 2015, DHR's total interest-bearing debt was ¥77,500 million (total borrowings of ¥75,500 million and total investment corporation bonds of ¥2,000 million), while its ratio of long-term interest-bearing debt (Note 1) and ratio of fixed interest rate (Note 2) were each 100.0%.

The credit rating DHR has obtained from the external credit rating agency as of February 28, 2015 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-	—

(Notes) 1. "Ratio of long-term interest-bearing debt" shown is the ratio of long-term interest-bearing debt to the total amount of interest-bearing debt as of February 28, 2015. 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 28, 2015, are also calculated as long-term interest-bearing debt.

2. "Ratio of fixed interest rate" shown is the ratio of interest-bearing debt with fixed interest rates to the total amount of interest-bearing debt as of February 28, 2015. 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 28, 2015), operating revenues came to ¥5,146 million, operating income came to ¥3,003 million, ordinary income came to ¥2,546 million, and net income came to ¥2,545 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 ¥8,674.

(3) Summary of Capital Increase

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 28, 2015 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		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)

(Notes) 1. New investment units were issued through 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.

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.

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

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

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.

[Changes in market price of investment securities]

The highest and lowest (closing) prices in the J-REIT section of the Tokyo Stock Exchange, on which DHR's investment securities are listed, by period are as follows:

Period	10th period	11th period	12th period	13th period	14th period
Fiscal period end	February 2013	August 2013	February 2014	August 2014	February 2015
Highest (Yen)	¥670,000	¥814,000	¥876,000 ¥423,500 (Note)	¥473,000	¥622,000
Lowest (Yen)	¥501,000	¥634,000	¥642,000 ¥416,500 (Note)	¥401,000	¥468,000

(Note) In conjunction with a 2-for-1 investment unit split effective March 1, 2014, investment units of DHR since February 26, 2014 have been traded at the unit price following the ex-rights. The upper row shows the highest and lowest prices (closing prices) up until the day before the ex-rights, while the lower row shows the highest and lowest prices (closing prices) after the ex-rights.

(4) Distributions

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, with the aim of earnings distributions to be included 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 ¥8,674.

Period		10th period	11th period	12th period	13th period	14th period
		From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015
Net income	(Yen in thousands)	918,923	1,967,283	1,959,680	2,359,313	2,545,604
Unappropriated retained earnings	(Yen in thousands)	891,943	1,967,380	1,959,680	2,359,334	2,545,653
Retained earnings	(Yen in thousands)	97	0	21	49	8
Total distributions	(Yen in thousands)	891,846	1,967,379	1,959,659	2,359,285	2,545,645
(Distributions per unit)	(Yen)	7,278	16,055	15,992	8,039	8,674
Of the above, total earnings distributions	(Yen in thousands)	891,846	1,967,379	1,959,659	2,359,285	2,545,645
(Earnings distributions per unit)	(Yen)	7,278	16,055	15,992	8,039	8,674
Of the above, total capital refunds	(Yen in thousands)	—	—	—	—	—
(Capital refunds per unit)	(Yen)	—	—	—	—	—

(5) Future Operating Policies and Issues to Be Addressed

Despite concerns thus far regarding the prospect of a rebound drop in demand following the April 2014 consumption tax hike, along with fears of downside economic risk overseas associated with the direction of U.S. monetary policy, we anticipate a trajectory of gradual recovery in the Japanese economy, underpinned largely by the government's economic measures.

In the J-REIT market, investment corporation eagerness for property acquisitions is expected to remain strong against the backdrop of an environment marked by financing through low-interest rate loans and investment corporation bonds. In addition, we also expect the prevailing inflow of funds from individual investors to persist going forward, as they pour funds into instruments that take advantage of the Japanese (Nippon) version of the Individual Savings Account ("NISA"), introduced in January 2014, along with increasing purchases of investment trusts that target J-REITs for investment.

DHR will focus predominantly on "stability" in the management of its assets and, adhering to its basic policy of targeting long-term, stable earnings and maximizing unitholder value, which it has consistently applied hitherto, 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 stable external growth through support and assistance from the Daiwa House Group. DHR has entered into separate memorandums with Daiwa House, Daiwa Lease Co., Ltd., and Daiwa Odakyu Construction Co., Ltd. Moreover, on December 25, 2014, DHR newly concluded support agreements with each of Daiwa House Group companies Daiwa Logistics Co., Ltd., Daiwa Information Service Co., Ltd. and Daiwa Royal Co., Ltd. (hereinafter, the term "support agreements" includes the newly concluded memorandums). Through these agreements DHR intends to fully take advantage of the Daiwa House Group's strong development capabilities in supplying community-based properties that leverage the strengths of each regional economy 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 support 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.

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.

(6) Significant Events after Balance Sheet Date

A. Issuance of New Investment Units

At the board of directors meetings held on March 3, 2015 and March 16, 2015, a resolution on the issuance of new investment units was passed as follows. The payment for the new investment units issued through public offering was completed on March 23, 2015, while the payment for the new investment units issued through third-party allotment was completed on April 14, 2015.

Consequently, the total amount of unitholders' equity came to ¥105,459 million and the number of investment units issued amounted to 350,700 units.

(a) Issuance of new investment units (public offering)

Number of new investment units issued: 52,000 units (Japan: 34,800 units; Overseas: 17,200 units)

Issue price: ¥495,300 per unit

Total issue price: ¥25,755,600,000

Amount paid in (issue value): ¥479,044 per unit

Total amount paid in (issue value): ¥24,910,288,000

Payment date: March 23, 2015

(b) Issuance of new investment units through third-party allotment

Number of new investment units issued: 5,220 units

Amount paid in (issue value): ¥479,044 per unit

Total amount paid in (issue value): ¥2,500,609,680

Payment date: April 14, 2015

Allottee: Nomura Securities Co., Ltd.

B. Debt Financing

DHR concluded debt financing contracts on March 30, 2015 and conducted debt financing as described below on April 1, 2015.

Lender	Borrowing amount (Yen in millions)	Interest rate (%)	Date of borrowing	Repayment due date	Method of repayment	Collateral
Mitsui Sumitomo Insurance Company, Limited	1,000	0.57125 Fixed interest rate	April 1, 2015	April 1, 2020	Bullet repayment	Unsecured and non- guaranteed
Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Norinchukin Bank	3,000	0.8711 Fixed interest rate (Note)		October 3, 2022		
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; Resona Bank, Limited	4,000	0.9866 Fixed interest rate (Note)		October 2, 2023		
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation	4,000	1.2315 Fixed interest rate (Note)		October 1, 2025		
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	1.1815 Fixed interest rate		October 1, 2025		
Development Bank of Japan Inc.	1,500	1.46 Fixed interest rate		April 1, 2027		
Total	16,500					

(Note) Interest rate swaps are used to avoid interest rate fluctuation risk. Therefore, the effects of interest rate swaps are factored into the interest rates provided.

DHR concluded a debt financing contract as described below on March 30, 2015.

Lender	Borrowing amount (Yen in millions)	Interest rate (%)	Scheduled date of borrowing	Repayment due date	Method of repayment	Collateral
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.	4,000	Base interest rate (Japanese Bankers Association 1 month yen TIBOR) + 0.20 Floating interest rate	June 1, 2015	June 1, 2016	Bullet repayment	Unsecured and non- guaranteed

C. Acquisition of Assets

DHR concluded purchase agreements regarding the acquisition of the following assets on March 3, 2015, and acquired assets of six properties with a total price of ¥41,430 million on April 1, 2015.

Property name	D Project Kuki III
Acquisition price (Note 1)	¥7,340,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6004-1, Aza Taikoda, Shobu, Shobu-machi, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Kuki IV
Acquisition price (Note 1)	¥5,300,000 thousand
Seller (Note 3)	DH Fund Four Godo Kaisha
Asset type	Trust beneficiary interest in real estate
Location	6201-5, Aza Kazarimen, Sanga, Shobu-machi, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Kuki V
Acquisition price (Note 1)	¥8,010,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6201-6, Aza Kazarimen, Sanga, Shobu-machi, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Kuki VI
Acquisition price (Note 1)	¥4,980,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	48-3, Kiyoku-cho, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Yashio
Acquisition price (Note 1)	¥6,140,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	50-1, Oaza Shin-machi, Yashio-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Nishiyodogawa
Acquisition price (Note 1)	¥9,660,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	7-48, Nakashima 2-chome, Nishiyodogawa-ku, Osaka-shi, Osaka
Acquisition date	April 1, 2015

DHR concluded a purchase agreement regarding the acquisition of the following asset on March 3, 2015.

Property name	D Project Matsudo
Planned acquisition price (Note 1)	¥6,990,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type (Note 4)	Trust beneficiary interest in real estate
Location	700-3, Aza Nishinooda, Kamihongo, Matsudo-shi, Chiba
Planned acquisition date (Note 5)	June 1, 2015

(Notes) 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.

2. As the seller 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.

3. DH Fund Four Godo Kaisha is a special purpose company set up with the aim of acquiring, holding and disposing of trust beneficiaries 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 rules to avoid transactions with conflicts of interest. As such, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with the internal rules.

4. As of the date of conclusion of the purchase agreement, the land and the building of this property are owned by the seller and Hitachi Capital Corporation, respectively, and a fixed-term leasehold for business has been established for the land with Hitachi Capital Corporation set as the leaseholder for the purpose of owning the building of the property. DHR has agreed in the purchase agreement with the seller that, as of the same date as the acquisition date of the property, Hitachi Capital Corporation will entrust the building and the fixed-term leasehold for business to the above trustee, and that the seller will take over the trust beneficiary interest and, after additionally entrusting the land of the property to the trustee, will transfer such trust beneficiary interests to DHR.

5. 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 contracts).

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 acquisition price, however, is subject to DHR completing the financing necessary to pay the acquisition 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 DHR's finance.

2 Overview of the Investment Corporation

(1) Status of Investment Units

Period	10th period February 28, 2013	11th period August 31, 2013	12th period February 28, 2014	13th period August 31, 2014	14th period February 28, 2015
Total number of investment units authorized (Units)	2,000,000	2,000,000	2,000,000	4,000,000	4,000,000
Total number of investment units issued (Units)	122,540	122,540	122,540	293,480 (Note)	293,480
Number of unitholders	7,846	5,809	4,127	6,105	5,482

(Note) DHR executed a 2-for-1 investment unit split effective March 1, 2014.

(2) Matters concerning Investment Units

The top ten unitholders in terms of the percentage of investment units held as of February 28, 2015 are as follows:

Name	Number of investment units held (Units)	Percentage of units held to the total number of units issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	80,476	27.42
Daiwa House Industry Co., Ltd.	37,600	12.81
The Master Trust Bank of Japan, Ltd. (Trust account)	23,813	8.11
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	19,883	6.77
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	11,222	3.82
The Fuji Fire and Marine Insurance Co., Ltd.	5,594	1.91
State Street Bank and Trust Company 505225	3,526	1.20
Trust & Custody Services Bank, Ltd. (Money trust tax account)	3,267	1.11
The Hachijuni Bank, Ltd.	2,999	1.02
State Street Bank - West Pension Fund Clients - Exempt 505233	2,608	0.89
Total	190,988	65.08

(3) Officers

The following table provides information about the Executive Director, Supervisory Directors and Accounting Auditor during the 14th period.

Title and post	Name	Major concurrent position	Total compensation per title during the 14th period (Yen in thousands)
Executive Director (Note 1)	Masazumi Kakei	—	2,400
Supervisory Directors (Note 1)	Shuichi Sasaki	Attorney Sasaki & Suzuki Law Office	1,800
	Satoshi Kikuchi	Certified Public Accountant Satoshi Kikuchi Certified Public Accountant Office	1,800
Accounting Auditor (Note 2)	KPMG AZSA LLC	—	16,440 (Note 3)

(Notes) 1. The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name. Any Supervisory Director may serve as an executive of a corporation other than those listed above, but such corporations including those listed above do not have any interest in DHR.

2. Dismissal or non-reappointment of Accounting Auditor shall be discussed at DHR's board of directors pursuant to the provisions of the Investment Trusts Act for dismissal, and taking into full account all relevant factors for non-reappointment.

3. Compensation for Accounting Auditor includes fees for the creation of comfort letters for issuance of investment corporation bonds in December 2014.

(4) Asset Manager, Custodian and General Administrators

Business	Name
Asset Manager	Daiwa House REIT Management Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Transfer agent)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Administrative work for organizational operation)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Accounting administration)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Administrative work related to investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note)

(Note) Effective December 12, 2014, DHR has contracted The Bank of Tokyo-Mitsubishi UFJ, Ltd. for administrative work related to investment corporation bonds, as stipulated in Article 117, items 2, 3, and 6 of the Investment Trusts Act.

(1) Composition of Assets

Type of assets	Property type	Area	13th period August 31, 2014		14th period February 28, 2015		
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)	
Real estate in trust	Logistics properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	81,018	49.7	80,465	48.2
			Greater Nagoya area	10,770	6.6	10,677	6.4
			Greater Osaka area	4,522	2.8	4,492	2.7
		Other	16,253	10.0	16,098	9.6	
		Subtotal	112,564	69.0	111,733	67.0	
	Retail properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	13,253	8.1	16,550	9.9
			Greater Nagoya area	1,968	1.2	1,968	1.2
			Greater Osaka area	4,640	2.8	4,600	2.8
		Other	8,623	5.3	8,586	5.1	
		Subtotal	28,485	17.5	31,706	19.0	
	Total			141,050	86.5	143,439	86.0
	Deposits and other assets (Note 3)			22,038	13.5	23,385	14.0
	Total assets (Note 4)			163,088 (141,050)	100.0 (86.5)	166,825 (143,439)	100.0 (86.0)

(Notes) 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.
 2. The total amount held represents the amount recorded on the balance sheets as of the end of the respective period (for real estate in trust, book value less depreciation expenses).
 3. Figures for deposits and other assets include the amount of construction in progress in trust.
 4. Figures in brackets in the total assets represent the portion corresponding to substantive holding of real estate, etc., in total assets.

(2) Principal Assets Held

The overview of principal assets held by DHR as of February 28, 2015 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%)	Rate to total real estate leasing business revenues (%)	Primary Use
D Project Urayasu II	21,023	72,320.01	72,320.01	100.0	— (Note 3)	Logistics property
D Project Hachioji	12,196	62,394.17	62,394.17	100.0	— (Note 3)	Logistics property
D Project Urayasu I	7,546	36,515.81	36,515.81	100.0	— (Note 3)	Logistics property
D Project Machida	7,420	50,490.39	50,490.39	100.0	— (Note 3)	Logistics property
D Project Kuki II	7,141	50,490.00	50,490.00	100.0	— (Note 3)	Logistics property
ACROSSMALL Shinkamagaya	6,640	41,742.84	41,742.84	100.0	5.4	Retail property
D Project Inuyama	6,432	43,723.70	43,723.70	100.0	— (Note 3)	Logistics property
FOLEO Sendai Miyanomori	5,975	19,845.72	19,845.72	100.0	4.6	Retail property
D Project Noda	4,929	29,232.53	29,232.53	100.0	— (Note 3)	Logistics property
QIZ GATE URAWA	4,863	9,705.31	9,558.31	98.5	4.5	Retail property
Total	84,170	416,460.48	416,313.48	100.0	57.8	

(Notes) 1. Leasable area means the 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.
 2. Leased areas as indicated in each lease agreement in relation to each property in trust as of February 28, 2015, are added up and shown. However, the leased areas as indicated in each sublease agreement for properties in trust as of February 28, 2015 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, leased area is 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 leased area is 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.
 3. These rates to total real estate leasing business revenues are not disclosed as consent for disclosure has not been obtained from lessees.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of February 28, 2015 is as follows:

Property name	Location (Note 1)	Form of ownership	Leasable area (m ²)	Book value (Yen in millions)	Assessed value at the end of period (Yen in millions) (Note 2)
D Project Machida	1-6, Oyamagaoka 2-chome, Machida-shi, Tokyo	Trust beneficiary interests in real estate	50,490.39	7,420	8,840
D Project Hachioji	21-1, Minami-Osawa 3-chome, Hachioji-shi, Tokyo	Trust beneficiary interests in real estate	62,394.17	12,196	14,800
D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko-gun, Kanagawa	Trust beneficiary interests in real estate	14,240.84	2,547	3,160
D Project Shin-Misato	Lala City, Shin-Misato, Misato-shi, Saitama (Note 3)	Trust beneficiary interests in real estate	11,289.91	4,346	5,720
D Project Urayasu I	12-1, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	36,515.81	7,546	8,910
D Project Urayasu II	11-5, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	72,320.01	21,023	24,900
D Project Akanehama	2-8, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficiary interests in real estate	11,663.39	2,497	2,830
D Project Noda	1-1, Aza Tamei, Futatsuka, Noda-shi, Chiba	Trust beneficiary interests in real estate	29,232.53	4,929	6,090
D Project Inuyama	5-5, Takanebora, Inuyama-shi, Aichi	Trust beneficiary interests in real estate	43,723.70	6,432	8,210
D Project Gifu	449-9, Nanba Azamura-higashi, Wanouchi-cho, Anpachi-gun, Gifu	Trust beneficiary interests in real estate	7,669.91	865	1,080
D Project Neyagawa	24-12, Shimeno 2-chome, Neyagawa-shi, Osaka	Trust beneficiary interests in real estate	11,151.51	4,492	5,730
D Project Sapporo Minami	7-1, Wattsu Chuo 5-chome, Kitahiroshima-shi, Hokkaido	Trust beneficiary interests in real estate	6,749.10	576	805
D Project Morioka	3-18, Kazabayashi, Ogama, Takizawa-shi, Iwate	Trust beneficiary interests in real estate	9,558.32	958	1,180
D Project Sendai Minami	2-39, Kuko-Minami 3-chome, Iwanuma-shi, Miyagi	Trust beneficiary interests in real estate	11,052.27	1,191	1,440
D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura-shi, Ibaraki	Trust beneficiary interests in real estate	17,448.86	2,768	3,330
D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba-shi, Shizuoka	Trust beneficiary interests in real estate	6,737.53	919	1,130
D Project Nishi-Hiroshima	3-11, Tomo-Minami 2-chome, Asaminami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interests in real estate	5,093.51	970	1,190
D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya-gun, Fukuoka	Trust beneficiary interests in real estate	24,729.56	2,996	3,850
D Project Tosu	1623-2, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga	Trust beneficiary interests in real estate	8,826.00	2,023	2,670
D Project Kuki I	6004-2 Aza Taikoda, Shobu-cho Shobu, Kuki-shi, Saitama	Trust beneficiary interests in real estate	22,708.72	3,489	3,750
D Project Kuki II	6201-1 Aza Kazarimen, Shobu-cho Sanga, Kuki-shi, Saitama	Trust beneficiary interests in real estate	50,490.00	7,141	7,800
D Project Kawagoe I	2-3 Yoshinodai 3-chome, Kawagoe-shi, Saitama	Trust beneficiary interests in real estate	16,150.88	3,092	3,380
D Project Kawagoe II	2-4 Yoshinodai 3-chome, Kawagoe-shi, Saitama	Trust beneficiary interests in real estate	19,872.00	4,234	4,620
DPL Inuyama	1-8 Aza Nakahiratsuka, Oaza Haguuroshinden, Inuyama-shi, Aichi, etc.	Trust beneficiary interests in real estate	21,628.50	3,379	3,680
D Project Fukuoka Hakozaki	2-1 Hakozakifuto 5-chome, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests in real estate	34,710.80	3,692	4,090
Subtotal			606,448.22	111,733	133,185
ACROSSMALL Shinkamagaya	12-1, Shin-Kamagaya 2-chome, Kamagaya-shi, Chiba	Trust beneficiary interests in real estate	41,742.84	6,640	7,630
FOLEO Hirakata	20-10, Koyamichi 1-chome, Hirakata-shi, Osaka	Trust beneficiary interests in real estate	16,380.78	4,600	4,520
QIZ GATE URAWA	3720, Oaza Nakao, Midori-ku, Saitama-shi, Saitama	Trust beneficiary interests in real estate	9,705.31	4,863	4,760
UNICUS Takasaki	1150-5, Aza Nishikanai, Iizukamachi, Takasaki-shi, Gunma	Trust beneficiary interests in real estate	9,277.08	2,611	2,900
ACROSSPLAZA Miyoshi (land)	855-403 Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma-gun, Saitama	Trust beneficiary interests in real estate	24,018.00	3,413	3,590
LIFE Sagamihara Wakamatsu	19-5, Wakamatsu 5-chome, Minami-ku, Sagamihara-shi, Kanagawa	Trust beneficiary interests in real estate	2,973.44	1,633	1,580
FOLEO Sendai Miyanomori	14-5, Higashi-Sendai 4-chome, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interests in real estate	19,845.72	5,975	6,620
ACROSSPLAZA Inazawa (land)	1-1, Otsuka Minami 5-chome, Inazawa-shi, Aichi	Trust beneficiary interests in real estate	31,981.70	1,968	2,350
Subtotal			155,924.87	31,706	33,950
Total			762,373.09	143,439	167,135

(Notes) 1. Location means displayed address. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.

2. Assessed value at the 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 28, 2015, 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.

3. Information is not disclosed as consent for disclosure has not been obtained from lessees.

The status of rental business related to properties held by DHR is as follows:

Property name	13th period (From March 1, 2014 to August 31, 2014)				14th period (From September 1, 2014 to February 28, 2015)				
	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	
Logistics properties	D Project Machida	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Hachioji	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Aikawa-Machi	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Shin-Misato	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu I	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu II	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Akanehama	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Noda	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Inuyama	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gifu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Neyagawa	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sapporo Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Morioka	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sendai Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Tsuchiura	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gotenba	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Nishi-Hiroshima	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Fukuoka Umi	4	100.0	121	2.5	4	100.0	121	2.4
	D Project Tosu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Kuki I	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Kuki II	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Kawagoe I	1	100.0	85	1.7	1	100.0	102	2.0
	D Project Kawagoe II	1	100.0	115	2.3	1	100.0	138	2.7
DPL Inuyama	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)	
D Project Fukuoka Hakozaki	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)	
Subtotal	30	100.0	3,736	75.8	30	100.0	3,879	75.4	
Retail properties	ACROSSMALL Shinkamagaya	1	100.0	275	5.6	1	100.0	275	5.4
	FOLEO Hirakata	1 [23]	99.9	189	3.8	1 [23]	99.6	190	3.7
	QiZ GATE URAWA	10	98.5	238	4.8	10	98.5	233	4.5
	UNICUS Takasaki	1	100.0	129	2.6	1	100.0	129	2.5
	ACROSSPLAZA Miyoshi (land)	—	—	—	—	1	100.0	79	1.5
	LIFE Sagami-hara Wakamatsu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	FOLEO Sendai Miyanomori	1	100.0	238	4.8	1	100.0	238	4.6
	ACROSSPLAZA Inazawa (land)	1	100.0	69	1.4	1	100.0	69	1.4
Subtotal	16	99.9	1,191	24.2	17	99.9	1,267	24.6	
Total	46	100.0	4,928	100.0	47	100.0	5,146	100.0	

(Notes) 1. Total 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 the end of the respective period. 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.

2. Real estate leasing business revenues and rate to total real estate leasing business revenues are not disclosed as approval for disclosure has not been obtained from lessees.

(4) Status of Other Assets

Trust beneficiary interests in real estate held by DHR are all listed in “(3) Description of Portfolio.” The following are other specified assets as of February 28, 2015.

Securities other than shares and investment securities

(Yen in thousands)

Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remarks
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	6,375	—	—	7,340	964	Deposited as business security deposit
	Total	10,000	6,375	—	—	7,340	964	

(5) Holding of Assets by Country and Region

Not applicable.

4 | Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

There are no scheduled capital expenditures for planned renovation work, etc., for real estate in trust held as of February 28, 2015.

(2) Capital Expenditures during the Period

There were no significant capital expenditures for real estate in trust held during the current fiscal period.

(3) Cash Reserves for Long-Term Repairs 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.

(Yen in millions)

Operating period	10th period From September 1, 2012 to February 28, 2013	11th period From March 1, 2013 to August 31, 2013	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
Balance of reserves at beginning of period	101	127	180	239	300
Amount of reserves during period	25	53	58	60	62
Amount of reversal of reserves during period	—	—	—	—	—
Reserves carried forward	127	180	239	300	362

5 Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

Item	13th period From March 1, 2014 to August 31, 2014	14th period From September 1, 2014 to February 28, 2015
(a) Asset management fee (Note 1)	297,219	348,725
(b) Asset custody fee	11,763	13,989
(c) Administrative service fee	14,525	15,518
(d) Directors' compensation	6,000	6,000
(e) Accounting Auditor's compensation (Note 2)	13,000	14,440
(f) Other expenses	62,843	55,022
Total	405,351	453,695

(Notes) 1. In addition to the amount shown above for asset management fee, there was a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. (13th period: ¥62,825 thousand, 14th period: ¥8,475 thousand).

2. In addition to the amount shown above for accounting auditor's compensation, in the 13th period there were fees of ¥2,400 thousand for the creation of comfort letters for the issuance of new investment units in March 2014, and in the 14th period there were fees of ¥2,000 thousand for the creation of comfort letters for the issuance of investment corporation bonds in December 2014.

(2) Debt Financing

The status of borrowings per financial institution as of February 28, 2015 is as follows:

	Classification	Lender	Borrowing date	Balance at the beginning of period (Yen in millions)	Balance at the end of period (Yen in millions)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
Current portion of long-term borrowings		Sumitomo Mitsui Banking Corporation	November 29, 2012	—	4,250	0.73 Fixed-rate	November 30, 2015	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		—	4,250					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	4,250					
		Mizuho Bank, Ltd.		—	4,250					
		Mitsubishi UFJ Trust and Banking Corporation		—	2,000					
		Resona Bank, Limited		—	1,000					
		Subtotal		—	20,000					
Long-term borrowings		Sumitomo Mitsui Banking Corporation	November 29, 2012	4,250	—	0.73 Fixed-rate	November 30, 2015	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		4,250	—					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		4,250	—					
		Mizuho Bank, Ltd.		4,250	—					
		Mitsubishi UFJ Trust and Banking Corporation		2,000	—					
		Resona Bank, Limited		1,000	—					
		Sumitomo Mitsui Banking Corporation	November 29, 2012	3,000	3,000	0.83 Fixed-rate	November 29, 2016	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		3,000	3,000					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000	3,000					
		Mizuho Bank, Ltd.		3,000	3,000					
		Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
		Resona Bank, Limited		1,000	1,000					
		Sumitomo Mitsui Banking Corporation	November 29, 2012	3,000	3,000	0.96 Fixed-rate	November 29, 2017	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		3,000	3,000					
		The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000	3,000					
		Mizuho Bank, Ltd.		3,000	3,000					
		Mitsubishi UFJ Trust and Banking Corporation		1,000	1,000					
		Development Bank of Japan Inc.		3,000	3,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in millions)	Balance at the end of period (Yen in millions)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term borrowings	Sumitomo Mitsui Banking Corporation	November 29, 2012	2,000	2,000	1.29 Fixed-rate	November 29, 2019	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,000	2,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		2,000	2,000					
	Mizuho Bank, Ltd.		2,000	2,000					
	Development Bank of Japan Inc.		2,000	2,000					
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000	2,000	1.50 Fixed-rate (Note 2)	March 27, 2023	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2014	500	500	1.05 Fixed-rate (Note 2)	April 1, 2021	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		500	500					
	Mizuho Bank, Ltd.		1,000	1,000					
	Mitsubishi UFJ Trust and Banking Corporation		500	500					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000	1,000	1.21 Fixed-rate (Note 2)	April 1, 2022	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000	1,000					
	Mizuho Bank, Ltd.		1,000	1,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000	1,000	1.52 Fixed-rate (Note 2)	April 1, 2024	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		500	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000	1,000					
	Development Bank of Japan Inc.		500	500					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	500	500	2.03 Fixed-rate (Note 2)	April 1, 2026	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	500		500						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	500		500						
Development Bank of Japan Inc.	500		500						
Nippon Life Insurance Company	September 30, 2014	—	1,000	1.00 Fixed-rate	September 29, 2023	Bullet repayment	(Note 3)	Unsecured and non-guaranteed	
	Subtotal		74,500	55,500					
	Total		74,500	75,500					

(Notes) 1. Average interest rate is the weighted average interest rate during the period, rounded to the nearest 100th.

2. Interest rate swaps are used to avoid interest rate fluctuation risk. Therefore, the effects of interest rate swaps are factored into the interest rates provided.

3. Used for acquisition of trust beneficiary interests in real estate.

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of February 28, 2015 is as follows:

Issue name	Issue date	Balance at the beginning of period (Yen in millions)	Balance at the end of period (Yen in millions)	Interest rate	Maturity	Method of redemption	Use	Note
1st Unsecured Investment Corporation Bonds	December 24, 2014	—	2,000	0.826%	December 24, 2024	Bullet repayment	(Note 1)	(Note 2)
Total		—	2,000					

(Notes) 1. The proceeds were used toward the repayment of borrowings.

2. The bonds have pari passu conditions among specified investment corporation bonds.

(4) Status of Short-Term Investment Corporation Bonds

There is no short-term investment corporation bond outstanding as of February 28, 2015.

(5) Unit Acquisition Rights

Not applicable.

6 Status of Purchases and Sales during the Period

(1) Status of Purchases and Sales of Properties and Asset-Backed Securities

Property name	Acquisition		Transfer			
	Date of acquisition	Acquisition price (Yen in millions) (Note)	Date of transfer	Transfer price (Yen in millions)	Book value (Yen in millions)	Gain or loss on disposal (Yen in millions)
ACROSSPLAZA Miyoshi (land)	September 30, 2014	3,390	—	—	—	—
Total		3,390		—	—	—

(Note) Acquisition price is the amount that does not include the various expenses required in the acquisition of the property, including brokerage fee, consumption taxes, local consumption taxes, etc. (the purchase and sale price stated on the real estate purchase and sale agreement, etc.).

(2) Transaction of Other Assets

Type of assets	Acquisition		Disposal		Balance at the end of current period	
	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value	Amount (Yen in thousands) (Note 2)
Bonds	—	—	—	—	¥10,000 thousand	6,375
Total	—	—	—	—	¥10,000 thousand	6,375

(Notes) 1. Amount under Acquisition or Disposal indicates the settlement amount (the amount not including accrued interest or various expenses (transaction commissions, etc.)).

2. Amount under Balance at the end of current period indicates the book value using the amortized cost method.

3. Assets other than the above are mostly bank deposits or bank deposits in trust assets.

(3) Review on Value of Specified Assets

Acquisition or transfer	Property name	Transaction date	Type of assets	Acquisition price or transfer price (Yen in millions) (Note 1)	Appraisal value of properties (Yen in millions) (Note 2)	Appraisal agency (Note 2)	Date of appraisal value (Note 2)
Acquisition	ACROSSPLAZA Miyoshi (land)	September 30, 2014	Trust beneficiary interests in real estate	3,390	3,540	The Tanizawa Sōgō Appraisal Co., Ltd.	September 1, 2014

(Notes) 1. Acquisition price or transfer price is the amount that does not include the various expenses required in the acquisition or transfer of the property, including brokerage fee, consumption taxes, local consumption taxes, etc. (the purchase and sale price stated on the real estate purchase and sale agreement, etc.)

2. Appraisal value shown above is based on "Real estate appraisal standards, Chapter 3, Appraisal of the value of real estate that is subject to securitization."

(4) Transactions with Interested Parties

A. Status of Transactions

Classification	Transaction amount, etc. (Note 2)	
	Purchase	Sale
Total amount	¥3,390 million	—
Breakdown of transactions with interested parties		
Daiwa Information Service Co., Ltd.	¥3,390 million (100.0%)	— (—%)
Total	¥3,390 million (100.0%)	— (—%)

B. Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties		Rate to total amount paid (B/A)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Outsourcing expenses (Note 3)	162,749	Daiwa Information Service Co., Ltd.	48,969	30.1%
		Daiwa Royal Co., Ltd.	9,323	5.7%
		Daiwa Service Co., Ltd. (Note 5)	6,096	3.7%
		Daiwa House Industry Co., Ltd.	77,580	47.7%
Repairs and maintenance construction (Note 4)	81,735	Daiwa Information Service Co., Ltd.	20,821	25.5%
		Daiwa Royal Co., Ltd.	6,783	8.3%
		Daiwa Service Co., Ltd. (Note 5)	5,023	6.1%
		Daiwa House Industry Co., Ltd.	8,153	10.0%

(Notes) 1. Interested parties, etc. are interested parties, etc. of the asset management company, with which DHR has concluded an asset management agreement, as provided in Article 123 of the Order for Enforcement of the Act on the Investment Trust and Investment Corporations and Article 26, item 27 of the Investment Trusts Association, Japan's Rules on Management Reports, etc., of Investment Trusts and Investment Corporations.

2. Transaction amount, etc. does not include various expenses required in the acquisition or transfer of the relevant property, etc., including brokerage fee, consumption taxes, local consumption taxes, etc. (the purchase and sale price stated on the real estate purchase and sale agreement, etc.).

3. Outsourcing expenses include the amount of building management compensation.

4. Repairs and maintenance construction includes repairs and maintenance expenses as well as capital expenditures and repairs covered by insurance, etc.

5. Daiwa Service Co., Ltd. merged with Daiwa LifeNext Co., Ltd. on April 1, 2015, thus becoming Daiwa LifeNext Co., Ltd., but the information as of February 28, 2015, is shown. The same applies hereinafter regarding Daiwa Service Co., Ltd.

(5) Status of Transactions with Asset Management Company Pertaining to Business Operated by Asset Management Company as Subsidiary Business

Not applicable because the Asset Manager does not engage in any business as a subsidiary business that is a type I financial instruments business, type II financial instruments business, real estate brokerage or real estate specified joint enterprise.

7 | Accounting

(1) Status of Assets, Liabilities, Principal and Profit/Loss

Please refer to "II. Balance Sheets," "III. Statements of Income and Retained Earnings," "IV. Statements of Changes in Net Assets," "V. Statements of Cash Flows" and "VI. Notes to Financial Statements."

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

(3) Changes in Method to Evaluate Properties

Not applicable.

(1) Notice**Board of Directors**

The overview of conclusions and changes, etc., of major contracts approved by DHR's board of directors during the current fiscal period is as follows:

Approval date	Subject	Description
October 17, 2014	Conclusion of underwriting agreement, etc. for investment corporation bonds	In line with a comprehensive resolution on the issuance of investment corporation bonds approved on the same day, resolved that the selection of an administrator for future investment corporation bonds would be at the discretion of the Executive Director. Based on this resolution, entrusted SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. with the relevant work for soliciting subscribers to investment corporation bonds, and entrusted The Bank of Tokyo-Mitsubishi UFJ, Ltd. with issuance agent work, payment agent work, etc.
December 25, 2014	Conclusion of support agreements	Resolved to conclude support agreements with each of Daiwa Logistics Co., Ltd., Daiwa Information Service Co., Ltd., and Daiwa Royal Co., Ltd., and concluded support agreements with each company.

The conclusions and changes, etc., of major contracts approved by DHR's board of directors after the balance sheet date are as follows:

Approval date	Subject	Description
March 3, 2015	Conclusion of underwriting agreement for new investment units, etc.	Concerning issuance of new investment units, resolved the conclusion of the underwriting agreement for new investment units, and entrusted Nomura Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Daiwa Securities Co., Ltd., SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., and UBS Limited as underwriters for Japanese offering, and Morgan Stanley & Co. International plc, Nomura International plc, and Daiwa Capital Markets Europe Limited as joint lead managers for overseas offering, with relevant work for soliciting subscribers of new investment units.

(2) Status of Beneficiary Certificates of Investment Trust Established by DHR

Not applicable.

(3) Disclosure as a Corporation Holding Real Estate Overseas

Not applicable.

(4) Disclosure relating to Real Estate Held by a Corporation Holding Real Estate Overseas

Not applicable.

(5) Treatment of Fractions in Amounts and Rates

Unless otherwise specified, amounts less than the units indicated are truncated, while values of ratio is rounded up or down to the nearest value of the last digit in this report.

DAIWA HOUSE REIT INVESTMENT CORPORATION
BALANCE SHEETS

As of August 31, 2014 and February 28, 2015

	As of	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Assets		
Current Assets:		
Cash and bank deposits (Notes 3 and 4)	¥ 20,378,516	¥ 22,823,589
Tenant receivables	15,796	9,284
Prepaid expenses	156,284	150,445
Consumption taxes receivable	1,071,441	–
Other current assets	910	537
Total current assets	21,622,949	22,983,855
Investment Properties (Notes 5 and 6):		
Land	75,462,499	78,875,884
Buildings and improvements	67,305,078	67,319,157
Structures	2,568,482	2,574,228
Machinery and equipment	343,654	343,654
Construction in progress	300	18,260
Less: accumulated depreciation	(4,629,012)	(5,673,290)
Total investment properties, net	141,051,002	143,457,893
Other Assets:		
Other intangible assets	2,210	1,870
Investment securities (Note 4)	6,294	6,375
Long-term prepaid expenses	406,485	354,891
Investment corporation bond issuance costs	–	20,141
Total other assets	414,990	383,278
Total Assets	¥ 163,088,942	¥ 166,825,027

The accompanying notes are an integral part of these financial statements.

DAIWA HOUSE REIT INVESTMENT CORPORATION
BALANCE SHEETS, CONTINUED

As of August 31, 2014 and February 28, 2015

	As of	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Liabilities		
Current Liabilities:		
Accounts payable	¥ 100,974	¥ 111,932
Current portion of long-term borrowings (Notes 4 and 10)	—	20,000,000
Accrued expenses	346,292	403,535
Income taxes payable	605	605
Accrued consumption taxes	—	247,317
Advances received	526,541	593,896
Other current liabilities	32,221	24,053
Total current liabilities	1,006,635	21,381,340
Investment corporation bonds (Note 9)	—	2,000,000
Long-term borrowings (Notes 4 and 10)	74,500,000	55,500,000
Tenant security deposits (Note 4)	7,174,671	7,349,732
Total Liabilities	82,681,307	86,231,073
Commitment and contingent liabilities (Note 17)		
Net Assets (Note 8)		
Unitholders' Equity:		
Unitholders' capital	78,048,300	78,048,300
Units authorized:		
4,000,000 units as of August 31, 2014 and February 28, 2015		
Units issued and outstanding:		
293,480 units as of August 31, 2014 and February 28, 2015		
Retained earnings	2,359,334	2,545,653
Total unitholders' equity	80,407,635	80,593,954
Total Net Assets	80,407,635	80,593,954
Total Liabilities and Net Assets	¥ 163,088,942	¥ 166,825,027

The accompanying notes are an integral part of these financial statements.

DAIWA HOUSE REIT INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended August 31, 2014 and February 28, 2015

	For the six-month periods ended	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Operating Revenues:		
Rental revenues (Note 7)	¥ 4,824,857	¥ 5,045,000
Other revenues related to property leasing (Note 7)	103,632	101,876
Total operating revenues	4,928,490	5,146,876
Operating Expenses:		
Rental expenses (Note 7)	1,669,573	1,689,447
Asset management fees	297,219	348,725
Other operating expenses	108,132	104,969
Total operating expenses	2,074,925	2,143,143
Operating Income	2,853,565	3,003,733
Non-Operating Revenues:		
Interest income	1,914	2,069
Interest on refund of consumption taxes	—	1,621
Insurance income	4,159	912
Other non-operating revenues	80	80
Non-Operating Expenses:		
Interest expenses	360,447	373,687
Interest expenses on investment corporation bonds	—	2,987
Amortization of investment corporation bond issuance costs	—	516
Investment unit issuance expenses	55,863	—
Borrowing related expenses	83,490	85,017
Ordinary Income	2,359,918	2,546,209
Income before Income Taxes	2,359,918	2,546,209
Income taxes-current (Note 12)	605	605
Net Income	2,359,313	2,545,604
Retained Earnings Brought Forward	21	49
Unappropriated Retained Earnings	¥ 2,359,334	¥ 2,545,653

The accompanying notes are an integral part of these financial statements.

DAIWA HOUSE REIT INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended August 31, 2014 and February 28, 2015

	Unitholders' Equity				Total Net Assets
	Number of Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	
	(Units)	(Yen in thousands)			
Balance as of February 28, 2014	122,540	¥ 59,381,050	¥ 1,959,680	¥ 61,340,730	¥ 61,340,730
Changes during the period (Note 8):					
Split of investment units	122,540	—	—	—	—
Issuance of investment units:					
on March 19, 2014	44,000	16,970,228	—	16,970,228	16,970,228
on April 14, 2014	4,400	1,697,022	—	1,697,022	1,697,022
Cash distributions declared	—	—	(1,959,659)	(1,959,659)	(1,959,659)
Net income	—	—	2,359,313	2,359,313	2,359,313
Total changes during the period	—	18,667,250	399,654	19,066,904	19,066,904
Balance as of August 31, 2014	293,480	¥ 78,048,300	¥ 2,359,334	¥ 80,407,635	¥ 80,407,635
Changes during the period:					
Cash distributions declared	—	—	(2,359,285)	(2,359,285)	(2,359,285)
Net income	—	—	2,545,604	2,545,604	2,545,604
Total changes during the period	—	—	186,318	186,318	186,318
Balance as of February 28, 2015	293,480	¥ 78,048,300	¥ 2,545,653	¥ 80,593,954	¥ 80,593,954

The accompanying notes are an integral part of these financial statements.

DAIWA HOUSE REIT INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS

For the six-month periods ended August 31, 2014 and February 28, 2015

	For the six-month periods ended	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 2,359,918	¥ 2,546,209
Depreciation	1,010,501	1,044,618
Amortization of investment corporation bond issuance costs	—	516
Interest income	(1,914)	(2,069)
Interest expenses	360,447	376,674
Investment unit issuance expenses	55,863	—
(Increase) decrease in prepaid expenses	(18,114)	5,839
(Increase) decrease in long-term prepaid expenses	(88,952)	51,593
(Increase) decrease in tenant receivables	(6,881)	6,512
(Increase) decrease in consumption taxes receivable	(1,071,441)	1,071,441
(Decrease) increase in accrued consumption taxes	(95,280)	248,945
Increase (decrease) in accounts payable	856	(12,078)
Increase in accrued expenses	39,720	56,479
Increase in advances received	106,902	67,354
Increase (decrease) in deposits received	8,331	(8,168)
Interest income received	1,914	2,069
Interest expenses paid	(355,944)	(375,910)
Income taxes paid	(605)	(605)
Others, net	(12,711)	(11,598)
Net Cash Provided by Operating Activities	2,292,609	5,067,824
Cash Flows from Investing Activities:		
Payments for purchases of investment properties	(25,420,643)	(3,430,758)
Net Cash Used in Investing Activities	(25,420,643)	(3,430,758)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	—	2,000,000
Repayments of short-term borrowings	—	(2,000,000)
Proceeds from long-term borrowings	11,500,000	1,000,000
Proceeds from issuance of investment corporation bonds	—	1,979,342
Proceeds from issuance of investment units	18,611,387	—
Distributions paid	(1,959,250)	(2,358,226)
Net Cash Provided by Financing Activities	28,152,136	621,115
Net Change in Cash and Cash Equivalents	5,024,103	2,258,181
Cash and Cash Equivalents at the Beginning of Period	8,382,408	13,406,512
Cash and Cash Equivalents at the End of Period (Note 3)	¥ 13,406,512	¥ 15,664,693

The accompanying notes are an integral part of these financial statements.

DAIWA HOUSE REIT INVESTMENT CORPORATION**Notes To Financial Statements**

As of and for the six-month periods ended August 31, 2014 and February 28, 2015

Note 1 – Organization and Basis of Presentation

Organization

Daiwa House REIT Investment Corporation (hereinafter referred to as “DHR”) was established on September 14, 2007, with Daiwa House REIT Management Co., Ltd. as the organizer under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions, hereinafter referred to as the “Investment Trust Act”), and completed its registration in the Kanto Local Finance Bureau on October 23, 2007.

DHR issued new investment units through a public offering on November 27, 2012. On the following day, November 28, 2012, DHR was listed on the real estate investment trust securities market of the Tokyo Stock Exchange.

In the current fiscal period ended February 28, 2015, DHR acquired one property using funds raised through debt financing. Consequently, DHR held 33 properties with total acquisition price of ¥147,553 million as of February 28, 2015.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Act of Japan, the Financial Instruments and Exchange Act 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 application and disclosure requirements from International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements have been reformatted and translated into English from the financial statements of DHR prepared in accordance with Japanese GAAP. In preparing the accompanying financial statements, relevant notes have been expanded and certain reclassifications have been made from the Japanese GAAP financial statements. Certain supplementary information included in the statutory Japanese GAAP financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

DHR maintains its accounting records in Japanese yen, the currency of the country in which DHR operates. As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than thousand yen have been omitted. Unless otherwise specified, amounts of less than the units indicated are truncated, while values of ratio are rounded up or down to the nearest value of the last digit in the accompanying financial statements. As a result, totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

DHR’s fiscal period is a six-month period ending at the end of February and August of each year.

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of acquisition.

(b) Investment Properties

Investment properties are stated at cost, which include the allocated purchase price, related costs and expenses for acquisition of the trust beneficiary interests in real estate. Investment property balances are depreciated using the straight-line method over the estimated useful lives as follows.

	<u>Years</u>
Buildings and improvements	3~46
Structures	10~43
Machinery and equipment	19

Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of a property, are expensed as incurred.

(c) Investment Securities

Debt securities classified as held-to-maturity are stated at amortized cost.

(d) Investment Units Issuance Expenses

The issuance costs of new investment units are expensed when incurred.

(e) Investment Corporation Bond Issuance Costs

The issuance costs of investment corporation bonds are amortized on a straight-line basis over the redemption period.

(f) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized on a straight-line basis.

(g) Income Taxes

Deferred tax assets and liabilities are computed based on the differences between the financial statements and income tax bases of assets and liabilities using the statutory tax rate.

(h) Real Estate Taxes

Investment properties are subject to various taxes, such as property taxes and city planning taxes. An owner of the properties is registered by a record maintained in each jurisdiction by the local government. The taxes are imposed on the registered record owner as of January 1 of each year, based on an assessment made by the local government.

When a property is purchased within the calendar year, the taxes for corresponding calendar year are imposed on the seller. DHR pays the seller the corresponding amount of the taxes for the period of property acquisition date to December 31 of the calendar year and capitalizes these amounts as acquisition costs of the property, rather than expensing them. In subsequent calendar years, such taxes on investment properties for each calendar year are charged as operating expenses. Capitalized real estate taxes amounted to ¥151,449 thousand and ¥4,859 thousand for the periods ended August 31, 2014 and February 28, 2015, respectively.

(i) Consumption Taxes

Consumption taxes are excluded from transaction amounts. Generally, consumption taxes paid are offset against the balance of consumption taxes withheld. As such, the excess of payments over amounts withheld are included in current assets while the excess of amounts withheld over payments are included in current liabilities.

(j) Hedge Accounting

DHR enters into derivative transactions for the purpose of hedging risks defined in the Articles of Incorporation of DHR in accordance with its general risk management policy. DHR uses interest-rate swaps as hedging instruments in order to hedge the risk of interest rate fluctuations related to borrowings. Pursuant to Japanese GAAP, DHR applies the special accounting treatment to interest-rate swaps which qualify for hedge accounting and meet specific criteria. Under the special accounting treatment, the related differentials paid or received under such swap contracts can be recognized and included in interest expenses or income of the hedged assets or liabilities, and the interest-rate swaps are not required to be measured at fair value separately. The assessment of hedge effectiveness has been omitted since all interest-rate swaps meet the specific criteria under the special accounting treatment.

(k) Revenue Recognition

Operating revenues primarily consist of rental revenues including fixed rental revenues. Other revenues related to property leasing consist of common area charges and other operating revenues which include utility charge reimbursements, parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated. Reimbursements from tenants including utility charge reimbursements are recorded on a gross basis and such amounts are recorded both as revenues and expenses during the fiscal period.

(l) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate, all assets and liabilities with respect to assets in trust, as well as all income generated and expenses incurred with respect to assets in trust, are recorded in the relevant balance sheet and income statement accounts of the accompanying financial statements.

Note 3 – Cash and Cash Equivalents

Cash and bank deposits include restricted bank deposits held in trust that are retained for repayment of tenant security deposits.

Reconciliation of the cash and bank deposits recorded on the accompanying balance sheets to the cash and cash equivalents reported in the accompanying statements of cash flows is as follows.

	<u>As of August 31, 2014</u>	<u>As of February 28, 2015</u>
	(Yen in thousands)	
Cash and bank deposits	¥ 20,378,516	¥ 22,823,589
Less: restricted bank deposits held in trust	(6,972,003)	(7,158,895)
Cash and cash equivalents	<u>¥ 13,406,512</u>	<u>¥ 15,664,693</u>

Note 4 – Financial Instruments***(a) Qualitative Information for Financial Instruments****Policy for Financial Instrument Transactions*

DHR raises funds through borrowings, issuance of new investment units and issuance of investment corporation bonds for the acquisition of real estate properties, with the aim of ensuring stable earnings from a medium to long-term perspective and steady asset growth.

DHR enters into derivative transactions for the purpose of hedging interest rate risks and other risks arising from borrowings and other funding measures.

Surplus funds are managed carefully by investing in financial instruments considering risk and liquidity, with taking into consideration market environments and forecasted cash flows.

Nature and Extent of Risks arising from Financial Instruments and Risk Management

Bank deposits are used for investment of DHR's surplus funds. These bank deposits are exposed to credit risks such as bankruptcy of the depository financial institutions. DHR limits its credit risk by entering into bank deposits only with financial institutions with high credit ratings.

Proceeds from borrowings and investment corporation bonds are used to acquire real estate properties and to repay outstanding debts. These borrowings and investment corporation bonds are exposed to liquidity risk on repayment or redemption. Such risk is managed in the following ways such as trying to maintain and strengthen the

ability of procurement from the capital market by issuance of investment units, establishing committed credit lines with financial institutions, monitoring forecasted cash flows on a monthly basis and keeping sufficient liquidity on hand.

For floating-rate borrowings exposed to the risk of interest rate fluctuations, DHR, in order to reduce the potential risk of rising interest rates, closely watches the movement of interest rates, and intends to increase the ratio of fixed-rate borrowings. As of August 31, 2014 and February 28, 2015, DHR has a derivative (interest-rate swap) as a hedging instrument, in order to avoid interest rate fluctuations and to fix the amount of interest payments for floating-rate borrowings. The assessment of hedge effectiveness is omitted since all interest-rate swaps meet the specific criteria under the special accounting treatment.

Tenant security deposits are exposed to liquidity risk arising from the vacating of properties by tenants as a result of the termination of contract. DHR manages this risk by depositing into trusts.

Supplemental Explanation regarding Fair Values of Financial Instruments

The fair value of financial instruments is based on their observable market price, if available. When there is no observable market price available, fair value is based on a price that is reasonably estimated. Since certain assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

(b) Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of August 31, 2014 and February 28, 2015 are as follows:

	As of August 31, 2014			As of February 28, 2015		
	Book value	Fair value	Difference	Book value	Fair value	Difference
	(Yen in thousands)					
Assets						
(1) Cash and bank deposits	¥ 20,378,516	¥ 20,378,516	¥ —	¥ 22,823,589	¥ 22,823,589	¥ —
(2) Investment securities:						
Held-to-maturity debt securities	6,294	6,948	653	6,375	7,340	964
Total	¥ 20,384,811	¥ 20,385,464	¥ 653	¥ 22,829,964	¥ 22,830,929	¥ 964
Liabilities						
(3) Current portion of long-term borrowings	—	—	—	20,000,000	20,014,894	14,894
(4) Investment corporation bonds	—	—	—	2,000,000	2,011,000	11,000
(5) Long-term borrowings	74,500,000	74,846,801	346,801	55,500,000	56,085,166	585,166
(6) Tenant security deposits	202,667	193,948	(8,719)	190,837	185,352	(5,484)
Total	¥ 74,702,667	¥ 75,040,749	¥ 338,082	¥ 77,690,837	¥ 78,296,413	¥ 605,576
Derivative transactions	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

The financial instruments whose fair values are deemed extremely difficult to determine are excluded from the table above (See Note 2 below).

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

Assets:

(1) Cash and bank deposits

Due to the short maturities, the book value of these assets is deemed a reasonable approximation of their fair value. Therefore, the book value is used as the fair value.

(2) Held-to-maturity debt securities

Fair values of held-to-maturity debt securities are based on market prices. Book value, fair value and difference between the two are as follows:

	As of August 31, 2014			As of February 28, 2015		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value:						
Japanese Government bonds (*)	¥ 6,294	¥ 6,948	¥ 653	¥ 6,375	¥ 7,340	¥ 964
Total	¥ 6,294	¥ 6,948	¥ 653	¥ 6,375	¥ 7,340	¥ 964

(*) These held-to-maturity debt securities have been deposited with the Tokyo Legal Affairs Bureau as security deposits in line with the requirements of the Building Lots and Building Transaction Business Act of Japan.

Liabilities:

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

Fair values of fixed-rate borrowings are calculated based on the present value of principal and interest cash flows discounted at the current interest rate which is assumed to be applied if similar new borrowings were entered into.

Each borrowing at floating rate as of August 31, 2014 and February 28, 2015 is subject to the special treatment for interest-rate swaps (See “Derivative transactions” below), and the fair value of such borrowing is calculated based on the present value of principal and interest cash flows which are processed as a single unit with the interest-rate swap discounted at the current interest rate which is reasonably assumed to be applied if similar new borrowings were entered into.

(4) Investment corporation bonds

Fair value of investment corporation bonds is based on its reference statistical price for OTC bond transactions.

(6) Tenant security deposits

Fair values of tenant security deposits are calculated based on the present value of future cash flows discounted at the current interest rate which is estimated by taking the remaining term into consideration.

Derivative transactions:

(1) Derivative transactions for which hedge accounting is not applied... None.

(2) Derivative transactions for which hedge accounting is applied... Contracted amounts and fair values are as follows:

Hedge accounting method	Type of derivative transaction	Hedged item	As of August 31, 2014			As of February 28, 2015		
			Contracted amount		Fair value	Contracted amount		Fair value
			Total	Due after one year		Total	Due after one year	
(Yen in thousands)								
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term borrowings	¥ 13,500,000	¥ 13,500,000	(*)	¥ 13,500,000	¥ 13,500,000	(*)

(*) Fair value of interest-rate swap with the special treatment is included in fair value of long-term borrowings as the interest-rate swap and hedged borrowings are processed as a single unit with the hedged long-term borrowings (See “Note 1. Methods to Estimate Fair Value of Financial Instruments, (5) Long-term borrowings” above).

2. Financial Instruments Whose Fair Values are Deemed Extremely Difficult to Determine

	As of	
	August 31, 2014	February 28, 2015
(Yen in thousands)		
Tenant security deposits (*)	¥ 6,972,003	¥ 7,158,895

(*) Tenant security deposits are excluded from the scope of fair value disclosure because they are not marketable, 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 contract, which in turn makes it difficult to reasonably estimate future cash flows.

3. Redemption Schedule for Monetary Claims and Securities with Maturity

As of August 31, 2014	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥ 20,378,516	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities:						
Held-to-maturity debt securities	—	—	—	—	—	10,000
Total	¥ 20,378,516	¥ —	¥ —	¥ —	¥ —	¥ 10,000

As of February 28, 2015	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥ 22,823,589	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities:						
Held-to-maturity debt securities	—	—	—	—	—	10,000
Total	¥ 22,823,589	¥ —	¥ —	¥ —	¥ —	¥ 10,000

4. Repayment Schedule for Investment Corporation Bonds and Borrowings

As of August 31, 2014	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Long-term borrowings	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ —	¥ 23,500,000
Total	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ —	¥ 23,500,000

As of February 28, 2015	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Investment corporation bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 2,000,000
Long-term borrowings	20,000,000	15,000,000	16,000,000	—	10,000,000	14,500,000
Total	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ —	¥ 10,000,000	¥ 16,500,000

Note 5 – Investment Properties

Investment properties as of August 31, 2014 and February 28, 2015 consist of the following:

	As of August 31, 2014			As of February 28, 2015		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(Yen in thousands)					
Land	¥ 75,462,499	¥ —	¥ 75,462,499	¥ 78,875,884	¥ —	¥ 78,875,884
Buildings and improvements	67,305,078	(4,403,658)	62,901,419	67,319,157	(5,391,154)	61,928,002
Structures	2,568,482	(218,008)	2,350,474	2,574,228	(265,975)	2,308,252
Machinery and equipment	343,654	(7,345)	336,308	343,654	(16,160)	327,494
Construction in progress	300	—	300	18,260	—	18,260
Total	¥ 145,680,014	¥ (4,629,012)	¥ 141,051,002	¥ 149,131,184	¥ (5,673,290)	¥ 143,457,893

Note 6 – Fair Value of Investment and Rental Properties

DHR owns logistics and retail properties for rent in the Greater Tokyo Area and other areas. The book value, net increase in the book value and the fair value of the investment and rental properties are as follows:

	As of / For the six-month periods ended	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Book value:		
Balance at the beginning of the period	¥ 116,644,835	¥ 141,050,702
Net increase during the period	24,405,867	2,388,930
Balance at the end of the period	¥ 141,050,702	¥ 143,439,633
Fair value	¥ 158,606,000	¥ 167,135,000

Notes:

- Book value is stated at acquisition cost less accumulated depreciation.
- The increase in the fiscal period ended August 31, 2014 is mainly due to the acquisition of D Project Kuki I, D Project Kuki II, D Project Kawagoe I, D Project Kawagoe II, DPL Inuyama, D Project Fukuoka Hakozaki (¥25,392,754 thousand) and the decrease is mainly due to recognition of depreciation expense of ¥1,010,161 thousand.
The increase in the fiscal period ended February 28, 2015 is mainly due to the acquisition of ACROSSPLAZA Miyoshi (land), (¥3,413,384 thousand) and the decrease is mainly due to recognition of depreciation expense of ¥ 1,044,278 thousand.
- Fair value is determined mainly by appraisal value provided from external real estate appraisers.

Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended August 31, 2014 and February 28, 2015 are as follows:

	For the six-month periods ended	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Revenues from Property Leasing:		
Rental revenues	¥ 4,824,857	¥ 5,045,000
Common area charges	53,943	54,002
Others	49,689	47,873
Total revenues from property leasing	4,928,490	5,146,876
Rental Expenses:		
Real estate taxes	363,681	356,751
Property management fees	160,677	162,749
Insurance	8,160	8,124
Repairs and maintenance	73,151	60,938
Depreciation	1,010,161	1,044,278
Others	53,741	56,605
Total rental expenses	1,669,573	1,689,447
Operating Income from Property Leasing Activities	¥ 3,258,916	¥ 3,457,429

Note 8 – Net Assets

DHR issues only non-par value units in accordance with the Investment Trust Act and all of the issue amounts of new units are designated as stated capital. DHR maintains a minimum of at least ¥50 million of net assets as required by the Investment Trust Act.

With February 28, 2014 as the record date and March 1, 2014 as the effective date, DHR implemented a 2-for-1 split of its investment units. In addition, DHR issued new investment units through a public offering on March 19, 2014 at the issue value of ¥385,687 per unit and through a third party allotment on April 14, 2014 at the issue value of ¥385,687 per unit.

Note 9 – Investment Corporation Bonds

On December 24, 2014, DHR issued the first unsecured investment corporation bonds with special pari passu conditions among specified investment corporation bonds. DHR used the proceeds to make early repayment of the short-term bank loan of ¥2,000 million which was borrowed on September 30, 2015. The bonds would be repaid on lump-sum basis on the maturity date. The following summarizes the status of investment corporation bonds as of August 31, 2014 and February 28, 2015.

Description	Issued date	Maturity date	Interest rate	As of	
				August 31, 2014	February 28, 2015
DHR 1st Unsecured Bonds	December 24, 2014	December 24, 2024	Fixed rate of 0.826%	¥ —	¥2,000,000
Total				¥ —	¥2,000,000

Note 10 – Long-Term Borrowings

Long-term borrowings consist of the following:

	As of	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Unguaranteed, unsecured fixed-rate borrowings due 2015 with average interest rate of 0.73%	¥ 20,000,000	¥ 20,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2016 with average interest rate of 0.83%	15,000,000	15,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2017 with average interest rate of 0.96%	16,000,000	16,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2019 with average interest rate of 1.29%	10,000,000	10,000,000
Unguaranteed, unsecured floating-rate borrowings due 2021 with average interest rate of 1.05% (*)	3,000,000	3,000,000
Unguaranteed, unsecured floating-rate borrowings due 2022 with average interest rate of 1.21% (*)	3,500,000	3,500,000
Unguaranteed, unsecured floating-rate borrowings due 2023 with average interest rate of 1.50% (*)	2,000,000	2,000,000
Unguaranteed, unsecured floating-rate borrowings due 2023 with average interest rate of 1.00%	—	1,000,000
Unguaranteed, unsecured floating-rate borrowings due 2024 with average interest rate of 1.52% (*)	3,000,000	3,000,000
Unguaranteed, unsecured floating-rate borrowings due 2026 with average interest rate of 2.03% (*)	2,000,000	2,000,000
Total	¥ 74,500,000	¥ 75,500,000
Less: current portion	—	20,000,000
Long-term borrowings, less current portion	¥ 74,500,000	¥ 55,500,000

(*) DHR entered into an interest-rate swap contract to avoid interest rate fluctuation risk. The average interest rate is calculated after taking into consideration the effect of the interest-rate swap.

During the fiscal period ended February 28, 2013, DHR established a committed credit line of ¥10,000,000 thousand with financial institutions. Of the committed credit line, ¥10,000,000 thousand are available as of August 31, 2014 and February 28, 2015.

Note 11 – Leases

The future minimum rental revenues under existing non-cancelable operating leases as of August 31, 2014 and February 28, 2015 are as follows:

	As of	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Due within one year	¥ 7,622,483	¥ 7,797,711
Due after one year	59,916,791	60,145,093
Total	¥ 67,539,274	¥ 67,942,805

Note 12 – Income Taxes

DHR is subject to Japanese corporate income taxes on all of its taxable income. However, DHR may deduct the amount distributed to its unitholders from its taxable income when certain requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period, are met under the Special Taxation Measure Act of Japan. If DHR does not satisfy all of the requirements as specified in the Act, the entire taxable income of DHR will be subject to regular corporate income taxes in Japan.

The following table summarizes the significant difference between the statutory tax rate and DHR's effective tax rate for financial statement purposes.

	For the six-month periods ended	
	August 31, 2014	February 28, 2015
Statutory tax rate	36.59%	34.16%
Deductible cash distributions	(36.58)	(34.15)
Changes in valuation allowance	(0.01)	(0.01)
Others	0.03	0.02
Effective tax rate	0.03%	0.02%

The significant components of deferred tax assets and liabilities as of August 31, 2014 and February 28, 2015 are as follows:

	As of	
	August 31, 2014	February 28, 2015
	(Yen in thousands)	
Deferred tax assets:		
Tax loss carried forward	¥ 189,210	¥ 189,001
Total deferred tax assets	189,210	189,001
Valuation allowance	(189,210)	(189,001)
Net deferred tax assets	¥—	¥—

Pursuant to the “Partial Amendment of the Income Tax Act., etc. (Act No. 9 of 2015)” promulgated on March 31, 2015, the statutory effective tax rate used in the computation of deferred tax assets and liabilities has been changed from 34.15% to 32.31% for temporary differences which are expected to be settled in the fiscal period ending starting on and after September 1, 2015. There is no significant impact from this change.

Note 13 – Per Unit Information

Information about earnings per unit for the periods ended August 31, 2014 and February 28, 2015 and net assets per unit as of August 31, 2014 and February 28, 2015 are as follows:

	For the six-month periods ended	
	August 31, 2014	February 28, 2015
Earnings per Unit:	(Yen)	
Net income per unit	¥ 8,188	¥ 8,673
Weighted average number of units outstanding (units)	288,123	293,480
	As of	
	August 31, 2014	February 28, 2015
	(Yen)	
Net Assets per Unit	¥ 273,979	¥ 274,614

The computation of earnings per unit is based on the weighted average number of units outstanding during the period. The computation of net assets per unit is based on the number of units outstanding at each period end as stated on the balance sheets.

Note 14 – Distribution Information

DHR’s Articles of Incorporation stipulates that DHR is required to make a distribution in excess of 90% of distributable profit as defined in the Special Taxation Measure Act of Japan for each fiscal period. In accordance with the distribution policy, DHR generally intends to distribute approximately 100% of retained earnings.

	For the six-month periods ended	
	August 31, 2014	February 28, 2015
	(Yen)	
Unappropriated retained earnings	¥ 2,359,334,949	¥ 2,545,653,759
Cash distributions declared	2,359,285,720	2,545,645,520
Retained earnings brought forward	¥ 49,229	¥ 8,239

Cash distributions are declared by the board of directors after the end of each period. Such distributions are payable to unitholders of record at the end of each period. A distribution in respect of the six-month period ended August 31, 2014 of ¥8,039 per investment unit, amounting to a total cash distributions declared of ¥2,359,285,720,

was proposed and approved at the board of directors meeting on October 17, 2014. A distribution in respect of the six-month period ended February 28, 2015 of ¥8,674 per investment unit, amounting to a total cash distributions declared of ¥2,545,645,520, was proposed and approved at the board of directors meeting on April 17, 2015.

(This part is intentionally left blank.)

Note 15 – Related-Party Transactions

Related-party transactions for the periods ended August 31, 2014 and February 28, 2015 are as follows:

For the six-month period ended August 31, 2014

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Notes 1 and 2)	Account	Balance at the end of period (Note 1)
			Yen in millions		%			Yen in thousands		Yen in thousands
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	¥ 200	Asset management business	—	Master lessee and entrustment of property management	Property management fees	¥ 49,910	Accounts payable	¥ 32,148
							Cost of utilities	32,631		
							Other expenses related to rent business	2,895		
							Repairs and maintenance (Note 3)	40,980		
							—	—	Tenant security deposits	
Rental revenues	345,360	Advances received	11,610							
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Royal Co., Ltd.	Chiyoda-ku, Tokyo	500	Asset management business	—	Entrustment of property management	Property management fees	7,914	Accounts payable	6,006
							Other expenses related to rent business	3,078		
							Repairs and maintenance (Note 3)	8,442		
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Service Co., Ltd.	Nishi-ku, Osaka	130	Asset management business	—	Repairs and maintenance of properties	Property management fees	6,096	Accounts payable	1,183
							Repairs and maintenance (Note 3)	444		
							Miscellaneous expenses	40	—	
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Energy Co., Ltd.	Abeno-ku, Osaka	50	Environment business	—	Lease of equipment held	Rental revenues	8,955	Advances received	1,934
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Logistics Co., Ltd.	Nishi-ku, Osaka	3,764	Transportation business	—	Lease of real estate held	Rental revenues	201,250	Advances received	42,262
							Receipt of tenant security deposits	313,648	Tenant security deposits	313,648
Company of which major corporate unitholders hold a majority of voting rights	Daiwa House REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	—	Entrustment of asset management	Asset management fee (Note 6)	360,044	Accrued expenses	319,991

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Notes 1 and 2)	Account	Balance at the end of period (Note 1)
			Yen in millions		%			Yen in thousands		Yen in thousands
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	¥ 161,699	Construction business	12.8	Master lessee and entrustment of property management	Property management fees	¥ 76,111	Accounts payable	¥ 31,633
							Repairs and maintenance (Note 3)	13,742		
							Miscellaneous expenses	609	—	—
							Purchase of trust beneficiary interests in real estate (Note 4)	25,130,000	—	—
							Rental revenues	238,500	Advances received	42,930
							—	—	Tenant security deposits	238,500

For the six-month period ended February 28, 2015

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Notes 1 and 2)	Account	Balance at the end of period (Note 1)
			Yen in millions		%			Yen in thousands		Yen in thousands
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	¥ 200	Asset management business	—	Master lessee and entrustment of property management	Property management fees	¥ 48,969	Accounts payable	¥ 30,924
							Cost of utilities	30,211		
							Other expenses related to rent business	5,344		
							Repairs and maintenance (Note 3)	20,821		
							Purchase of trust beneficiary interests in real estate (Note 4)	3,390,000	—	—
							Receipt of tenant security deposits	188,568	Tenant security deposits	879,288
							Rental revenues	424,454	Advances received	76,950
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Royal Co., Ltd.	Chiyoda-ku, Tokyo	500	Asset management business	—	Entrustment of property management	Property management fees	9,323	Accounts payable	4,712
							Other expenses related to rent business	4,654		
							Repairs and maintenance (Note 3)	6,783		
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Service Co., Ltd.	Nishi-ku, Osaka	130	Asset management business	—	Repairs and maintenance of properties	Property management fees	6,096	Accounts payable	5,309
							Repairs and maintenance (Note 3)	5,023		
							Other expenses related to rent business	250	—	—

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Notes 1 and 2)	Account	Balance at the end of period (Note 1)
			Yen in millions		%			Yen in thousands		Yen in thousands
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Energy Co., Ltd.	Abeno-ku, Osaka	50	Environment business	—	Lease of equipment held	Rental revenues	11,306	Advances received	2,090
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Logistics Co., Ltd.	Nishi-ku, Osaka	3,764	Transportation business	—	Lease of real estate held	Rental revenues	241,500	Advances received	42,262
							—	—	Tenant security deposits	313,648
Company of which major corporate unitholders hold a majority of voting rights	ENESERVE CORPORATION	Otsu-shi, Shiga	7,629	Environment business	—	Management of real estate held	Other expenses related to rent business	360	—	—
Company of which major corporate unitholders hold a majority of voting rights	MEDIA TECH INC.	Nishi-ku, Osaka	50	Information and communication business	—	Use of homepage server	Other operating expenses	186	Accounts payable	26
Company of which major corporate unitholders hold a majority of voting rights	Daiwa House REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	—	Entrustment of asset management	Asset management fee (Note 6)	357,200	Accrued expenses	376,623
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	¥ 161,699	Construction business	12.8	Master lessee and entrustment of property management	Property management fees	77,580	Accounts payable	14,872
							Repairs and maintenance (Note 3)	8,153		
							Rental revenues	238,500	Advances received	42,930
							—	—	Tenant security deposits	238,500

Notes:

1. Consumption taxes are not included in transaction amounts but are included in the balance at the end of the period.
2. The terms and conditions of related-party transactions are on an arm's length basis.
3. Repairs and maintenance include capital expenditures and repair costs covered by insurance.
4. The amount of transaction for purchase of trust beneficiary interests in real estate does not include acquisition costs, taxes and dues and consumption taxes.
5. Daiwa Service Co., Ltd. merged with Daiwa LifeNext Co., Ltd. on April 1, 2015, thus becoming Daiwa LifeNext Co., Ltd. The table above shows the company's name before the merger.
6. Asset management fee includes management fee for acquisition of properties in the amount of ¥62,825 thousand and ¥8,475 thousand for the periods ended August 31, 2014 and February 28, 2015, respectively. These amounts are included in the acquisition cost of respective investment properties.

Note 16 – Segment Information

(a) Segment Information

(1) General information about reportable segments

DHR's reportable segments represent its components for which separate financial information is available and operating results are regularly reviewed by the highest decision making body to make decisions about resources to be allocated to the segment and assess its performance.

As DHR focuses on acquiring and managing logistics and retail properties in Japan, DHR's reportable segments are separated into two segments, "logistics property leasing business" and "retail property leasing business", based on types of portfolio assets.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies". Segment profit is based on operating income.

(3) Information about profit, assets and other items is as follows.

	For the six-month period ended August 31, 2014			
	(Yen in thousands)			
	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1)	¥ 3,736,594	¥ 1,191,895	¥ —	¥ 4,928,490
Segment profit	2,509,463	735,335	(391,233)	2,853,565
Segment assets	119,362,195	31,071,178	12,655,568	163,088,942
Other items				
Depreciation	799,090	211,070	340	1,010,501
Increase in investment properties and intangible assets	¥25,368,031	¥ 23,106	¥ —	¥25,391,138

Notes:

- DHR's operating revenues are exclusively earned from external parties.
- Adjustment to segment profit of ¥ (391,233) thousand consists of corporate expenses, which include asset management fees, asset custodian fees, general administration fees, directors' fees that are not allocated to any reportable segments.
Adjustment to segment assets of ¥12,655,568 thousand includes ¥12,272,820 thousand of current assets and ¥382,748 thousand of other assets.
Adjustment to depreciation of ¥340 thousand represents depreciation of intangible assets in corporate assets.

For the six-month period ended February 28, 2015

(Yen in thousands)

	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1)	¥3,879,561	¥ 1,267,315	¥ —	¥ 5,146,876
Segment profit	2,620,502	816,996	(433,765)	3,003,733
Segment assets	118,468,509	34,563,670	13,792,847	166,825,027
Other items				
Depreciation	832,039	212,238	340	1,044,618
Increase in investment properties and intangible assets	¥ 18,675	¥ 3,432,494	¥ —	¥ 3,451,169

Notes:

1. DHR's operating revenues are exclusively earned from external parties.
2. Adjustment to segment profit of ¥ (433,765) thousand consists of corporate expenses, which include asset management fees, asset custodian fees, general administration fees, directors' fees that are not allocated to any reportable segments.
Adjustment to segment assets of ¥13,792,847 thousand includes ¥13,439,210 thousand of current assets and ¥353,637 thousand of other assets.
Adjustment to depreciation of ¥340 thousand represents depreciation of intangible assets in corporate assets.

(b) Related Information

Information by Geographic Areas

(1) Operating revenues

Disclosure of this information has been omitted as domestic revenues account for more than 90% of total operating revenues.

(2) Investment properties

Disclosure of this information has been omitted as domestic investment properties account for more than 90% of the book value of the total investment properties.

Information on Major Tenants

A major tenant is a tenant that accounts for 10% or more of the operating revenues recorded in the statements of income and retained earnings. Details are as follows:

	Revenues for the six-month periods ended		Related segment
	August 31, 2014	February 28, 2015	
	(Yen in thousands)		
Hitachi Capital Corporation	¥— (*)	¥— (*)	Logistics property leasing business
Mitsubishi Shokuhin Co., Ltd.	— (*)	— (*)	Logistics property leasing business

(*) Not disclosed, as consent for disclosure has not been obtained from tenants.

Note 17 – Commitment and Contingent Liabilities

Asahi Security Co., Ltd., the tenant of D Project Shin-Misato, filed a claim in the Tokyo District Court on June 27, 2014 against Mitsubishi UFJ Trust and Banking Corporation, the trustee of the property, for requesting confirmation of a reduction of approximately 16% in the rent compared with the current level for the period from May 2014. This case is currently pending.

DHR believes that the current rent is reasonable and intends to make a point through the trustee in future court proceedings.

Even if the claim were admitted by the Court in full, its impact on DHR's net income for the fiscal period ended February 28, 2015, would be less than 2%. With respect to the outcome of this case, DHR is unable to estimate the possible loss or range of losses that could potentially result from it as of the balance sheet date.

Note 18 – Subsequent Events

(a) Issuance of New Investment Units

At the board of directors meetings on March 3, 2015 and March 16, 2015, it was resolved to issue the new investment units as described below. The proceeds from new investment units through a public offering were fully received on March 23, 2015, while the proceeds from new investment units through a third-party allotment were fully received on April 14, 2015.

After the issuance, the total amount of unitholders' capital increased to ¥105,459 million and the number of investment units issued and outstanding came to 350,700 units.

(1) Issuance of new investment units through a public offering

Number of new investment units issued:	52,000 units
(Japan: 34,800 units; Overseas: 17,200 units)	
Issue price:	¥495,300 per unit
Total issue price:	¥25,755,600,000
Amount paid in (issue value):	¥479,044 per unit
Total amount paid in (issue value):	¥24,910,288,000
Payment date:	March 23, 2015

(2) Issuance of new investment units through a third-party allotment

Number of new investment units issued:	5,220 units
Amount paid in (issue value):	¥479,044 per unit
Total amount paid in (issue value):	¥2,500,609,680
Payment date:	April 14, 2015
Allottee:	Nomura Securities Co., Ltd.

(b) Borrowings of Funds

On March 30, 2015, DHR entered into the following loan agreements with financial institutions, of which drawdown was April 1, 2015. Based on the contractual terms, each loan shall be repaid on lump-sum basis on its repayment date. Neither of them is secured by collateral or guarantee.

Lender	Amount	Interest rate	Repayment date
	(Yen in millions)		
Mitsui Sumitomo Insurance Company, Limited	¥ 1,000	Fixed rate of 0.57125%	April 1, 2020
Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Norinchukin Bank	3,000	Fixed rate of 0.8711% (*)	October 3, 2022
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; Resona Bank, Limited	4,000	Fixed rate of 0.9866% (*)	October 2, 2023
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation	4,000	Fixed rate of 1.2315% (*)	October 1, 2025
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	Fixed rate of 1.1815%	October 1, 2025
Development Bank of Japan Inc.	1,500	Fixed rate of 1.46%	April 1, 2027
Total	¥16,500		

(*) DHR entered into an interest-rate swap contract to avoid interest rate fluctuation risk. The interest rates are calculated after taking into consideration the effect of the interest-rate swap.

On March 30, 2015, DHR entered into the following loan agreement with financial institutions, of which drawdown is scheduled on June 1, 2015. Based on the contractual terms, the loan shall be repaid on lump-sum basis on its repayment date. The loan is not secured by collateral or guarantee.

Lender	Amount	Interest rate	Repayment date
	(Yen in millions)		
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd; Mizuho Bank, Ltd.	¥4,000	Japanese Bankers Association 1 month yen TIBOR plus 0.20%	June 1, 2016

(c) Acquisition of Assets

DHR concluded purchase agreements regarding the acquisition of the following assets on March 3, 2015, and acquired six properties with a total price of ¥41,430 million on April 1, 2015.

Property name	D Project Kuki III
Acquisition price (Note1)	¥7,340,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6004-1, Aza Taikoda, Shobu, Shobu-machi, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Kuki IV
Acquisition price (Note1)	¥5,300,000 thousand
Seller (Note 3)	DH Fund Four Godo Kaisha
Asset type	Trust beneficiary interest in real estate
Location	6201-5, Aza Kazarimen, Sanga, Shobu-machi, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Kuki V
Acquisition price (Note1)	¥8,010,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6201-6, Aza Kazarimen, Sanga, Shobu-machi, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Kuki VI
Acquisition price (Note1)	¥4,980,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	48-3, Kiyoku-cho, Kuki-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Yashio
Acquisition price (Note1)	¥6,140,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	50-1, Oaza Shin-machi, Yashio-shi, Saitama
Acquisition date	April 1, 2015

Property name	D Project Nishiyodogawa
Acquisition price (Note1)	¥9,660,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	7-48, Nakashima 2-chome, Nishiyodogawa-ku, Osaka-shi, Osaka
Acquisition date	April 1, 2015

DHR entered into a purchase agreement regarding the acquisition of the following asset on March 3, 2015.

Property name	D Project Matsudo
Acquisition price (Note1)	¥6,990,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type (Note4)	Trust beneficiary interest in real estate
Location	700-3, Aza Nishinooda, Kamihongo, Matsudo-shi, Chiba
Scheduled acquisition date (Note 5)	June 1, 2015

Notes:

1. "Acquisition price" does not include acquisition costs, duties and consumption taxes.
2. As the seller is an interested party as defined in the Investment Trusts Act, the Asset Manager has gone through the necessary discussion and approval procedures in accordance with its internal rules to prevent any potential conflicts of interest.
3. DH Fund Four Godo Kaisha is a special purpose company established with the purpose of acquiring, holding and disposing of trust beneficiaries 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 rules to prevent transactions with conflicts of interest. As such, the Asset Manager has gone through the necessary discussion and approval procedures in accordance with the internal rules.
4. As of the date of conclusion of the purchase agreement, the land and the building of this property are owned by the seller and Hitachi Capital Corporation, respectively, and a fixed-term leasehold for business has been established for the land with Hitachi Capital Corporation set as the leaseholder for the purpose of owning the building of the property. DHR and the seller have agreed in the purchase agreement that, as of the same date as the acquisition date of the property, Hitachi Capital Corporation will entrust the building and the fixed-term leasehold for business to the above trustee, and that the seller will take over the trust beneficiary interest and, after additionally entrusting the land of the property to the trustee, will transfer such trust beneficiary interests to DHR.

5. The purchase agreement for acquisition of this property is deemed a forward commitment (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 contracts).

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 only when 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).

However, under the agreement, DHR shall make a payment of the acquisition price on condition that DHR would obtain necessary funds to meet the payment. Hence, if DHR is unable to complete the financing, 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 due to its inability to complete the financing, it is unlikely that such non-fulfillment will have any material impact on DHR's finance.



Independent Auditor's Report

To the Board of Directors of Daiwa House REIT Investment Corporation:

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation, which comprise the balance sheets as at August 31, 2014 and February 28, 2015, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for each of the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at August 31, 2014 and February 28, 2015, and their financial performance and cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following.

Subsequent to the period ended February 28, 2015, as discussed in Note 18 to the financial statements, Daiwa House REIT Investment Corporation issued new investment units, borrowed funds and acquired assets.

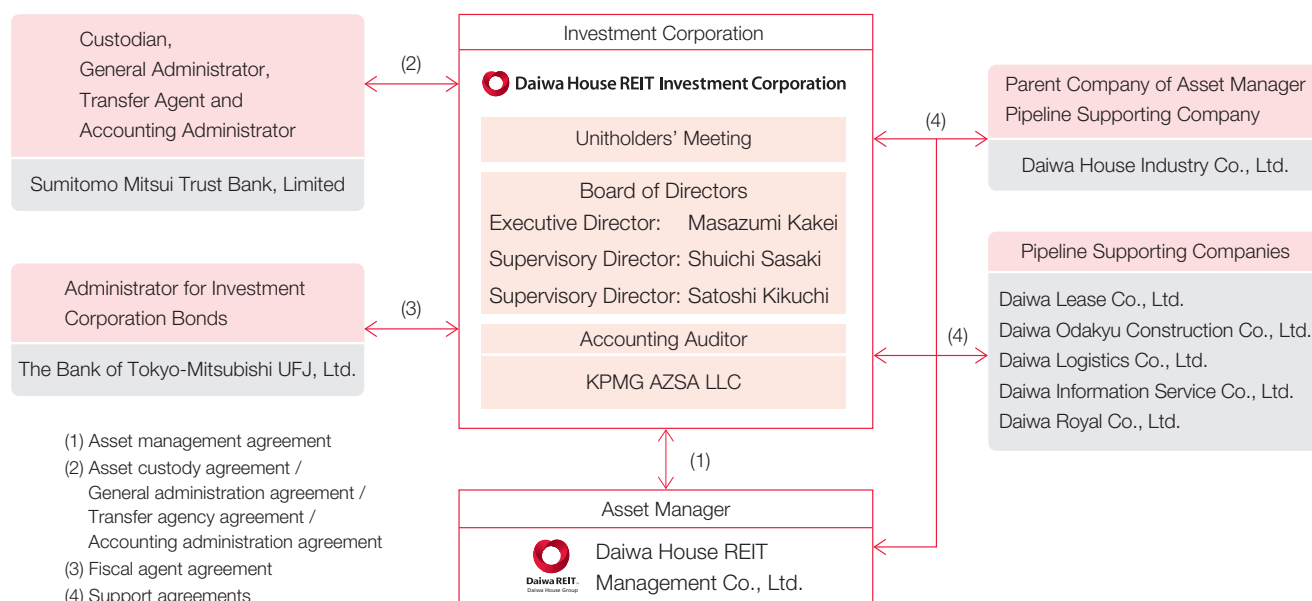
KPMG AZSA LLC

May 26, 2015
Tokyo, Japan

History of the Investment Corporation

September 12, 2007	Organizer Daiwa House REIT Management Co., Ltd. submitted filings under Article 69, paragraph 1 of the Investment Trusts Act to incorporate DHR.
September 14, 2007	DHR was registered and formally established under Article 166 of the Investment Trusts Act.
September 28, 2007	DHR applied for registration under Article 188 of the Investment Trusts Act.
October 23, 2007	The Prime Minister registered DHR under Article 189 of the Investment Trusts Act (Registration No.: Director-General of the Kanto Local Finance Bureau No. 66).
October 24, 2012	DHR received approval to list its units on the Tokyo Stock Exchange REIT Market.
November 28, 2012	DHR listed its units on the Tokyo Stock Exchange REIT Market (securities code: 3263).
March 1, 2014	DHR executed an investment unit split (a 2-for-1 investment unit split).

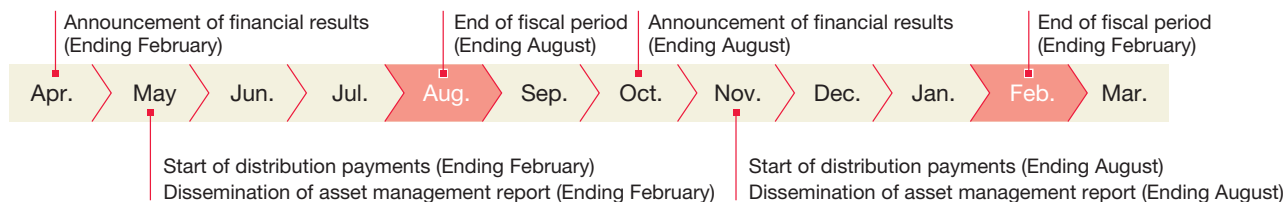
Structure and Formation



Outline of the Asset Manager

Corporate Name	Daiwa House REIT Management Co., Ltd.
Paid-in Capital	¥200 million
Shareholder	Daiwa House Industry Co., Ltd. (100%)
License/Registration	License for building lots and building transaction business: Tokyo Metropolitan Governor (2) No. 86218 Permission for handling discretionary accounts, etc., under the Building Lots and Building Transaction Business Act: Minister of Land, Infrastructure, Transport and Tourism Permission No. 54 Registration of financial instruments business (Investment Management): Director-General of the Kanto Local Finance Bureau (Kinsho) No. 354
Associations of which DHR is a member	Member of The Investment Trusts Association, Japan Member of The Association for Real Estate Securitization

Investor Relations Calendar



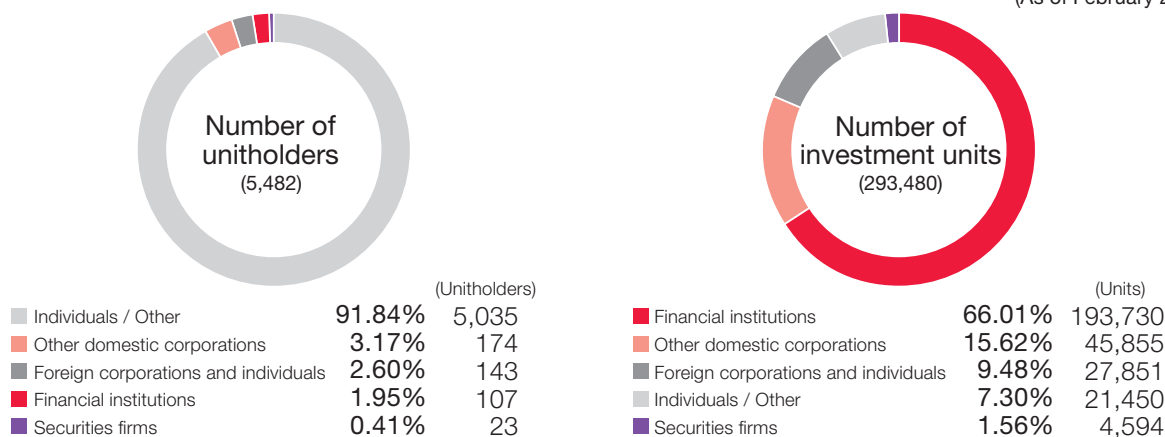
Investment Unit Price



(Note) DHR executed a 2-for-1 investment unit split effective March 1, 2014. Factoring in the effect of this investment unit split, the "Investment unit price" shows a figure derived by dividing the investment unit price on February 25, 2014 or earlier by 2, while the "Trading volume" shows a figure derived by multiplying the trading volume on February 25, 2014 or earlier by 2.

Unitholders Data

(As of February 28, 2015)



(Note) Ratio figures are rounded to the nearest tenth.

Note for Unitholders

Account closing date	Last day of February and August of each year
Date for determining distribution payments	Last day of February and August of each year (Distributions are to be paid within three months of each date.)
Unitholders' Meeting	To be held at least once every two years
Date for finalizing general meeting voting rights	Record date will be announced in advance.
Listing	REIT section of the Tokyo Stock Exchange (Securities code: 3263)
Public notices	The "Nikkei" newspaper (<i>Nihon Keizai Shimbun</i>)
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, JAPAN
Inquiries	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, JAPAN Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited TEL: 0120-782-031 (toll-free, available within Japan only) Weekdays 9 a.m. to 5 p.m.

• Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the head office, branch, or local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions (Note) has elapsed, you can receive distributions by designating the receiving method on the back of your receipt for distributions and mailing it to the Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited, or at the head office or a branch of Sumitomo Mitsui Trust Bank, Limited.

If you would like to specify an account to which future distributions will be transferred, please follow the procedures of your securities company.

You can also designate your account at Japan Post Bank (Ordinary Savings Accounts) as a transfer account. Please contact your securities company with inquiries regarding the procedures.

We will not pay and have no obligation to pay cash distributions not claimed within three years of the distribution date, as stipulated in our Articles of Incorporation. Please claim these as soon as possible.

(Note) The period for receiving distributions for the 14th period is from May 11, 2015 to June 30, 2015.

• Procedures for Changes of Address, etc.

Please submit changes of address, name, etc., to your securities company. For procedures regarding investment units registered in special accounts, please contact: Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited



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