

10th

Daiwa
House
REIT

Daiwa House REIT Investment Corporation

Daiwa House REIT Investment Corporation (DHR)

focuses predominantly on “stability” in the management of its assets, and aims to ensure long-term, stable earnings and maximize unitholder value by investing to enhance stability in its cash flow on a long-term basis and pursuing steady growth of assets under management.

Asset Management Predominantly Focusing on “Stability”

10th period ended February 28, 2013: Distributions per unit ¥ **7,278**

[Reference]

11th period ending August 31, 2013: Distributions per unit ¥ **15,400**

12th period ending February 28, 2014: Distributions per unit ¥ **15,400**

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Financial Highlights

■ Operating revenues	¥ 2,421 million	■ Total assets	¥ 127,780 million
■ Operating income	¥ 1,452 million	■ Net assets	¥ 60,273 million
■ Ordinary income	¥ 920 million	■ Equity ratio	47.2 %
■ Net income	¥ 919 million	■ Net assets per unit	¥ 491,864





To Our Unitholders

Daiwa House REIT Investment Corporation (DHR) listed its units on the Tokyo Stock Exchange Real Estate Investment Trust (REIT) Market on November 28, 2012, based on its basic investment policy to maximize unitholder value and secure long-term stable revenue. We are now in a position to present the financial results for the 10th period (September 1, 2012 to February 28, 2013), the first since DHR's listing. For this too, I would like to convey my sincere gratitude to each and every one of our unitholders for their support and encouragement.

I would now like to give an overview of DHR's operations in the 10th period and report on the content of the financial results. During the 10th period, DHR acquired 20 properties at the time of its listing, adding to the four properties already owned. We managed a total of 24 properties with a total acquisition price of ¥114,519 million. As a result of the above-mentioned operations, operating revenues came to ¥2,421 million, operating income came to ¥1,452 million, ordinary income came to ¥920 million, and net income came to ¥919 million, for the 10th period. Consequently, distributions per investment unit came to ¥7,278.

Our ultimate goal will be always to achieve results that maximize unitholders' interests. We will realize this goal by focusing on two investment classes: logistics and retail properties that can generate long-term stable cash flows. We will also seek stable growth opportunities through collaboration with the Daiwa House Group, which retains a strong development track record in logistics and retail properties.

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

Masazumi Kakei
Executive Director



Specializing in Investment in High-Performance Logistics Properties and Specialty Retail Complexes, Aiming to Secure Long-Term Stable Revenue

Thanks to you, our unitholders, DHR listed its units on the Tokyo Stock Exchange Real Estate Investment Trust (REIT) Market on November 28, 2012, and is now able to present its first financial results since listing.

In addition to once again expressing the thanks to our unitholders, Hirotaka Najima, representative director, president and CEO of Daiwa House REIT Management Co., Ltd., our Asset Manager, would like to present an outline of the circumstances leading up to DHR's listing, our company's unique characteristics, and future outlook.

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



Having Assessed the Market Environment, We Listed with a Portfolio Emphasizing More “Stability”

We established the Investment Corporation in September 2007 and began preparations for a listing as a comprehensive REIT that owns a range of property types, including retail and logistics facilities, rental accommodation, and offices. Although we had obtained approval for listing on the Tokyo Stock Exchange Real Estate Investment Trust (REIT) Market in June 2008, the disruption in the financial markets triggered by the subprime loan crisis and the spread of the credit crunch worked to our disadvantage. As market conditions began to decline, we were concerned that forcing through a listing would result in our having to apologize for the

Message from the President

tremendous inconvenience we had caused all DHR unitholders. We therefore decided to suspend the listing.

After a hiatus lasting several years, we finally began to see signs of a gradual stock market recovery early in 2012. As financial institutions' attitude toward loans also became more positive, we once again took up the challenge of assessing whether the environment was ripe for a stock market listing. Adopting as our basic policy the placing of paramount importance on "securing long-term stable revenue," considering investment target properties that would enable the pursuit of greater operational stability, and specializing in logistics and retail properties in which sponsor Daiwa House would be positioned at the business core of those developments, enabled us to achieve our long-cherished listing on November 28, 2012.

We have been well received by many investors since the listing, with the result that the investment unit price has remained favorable.

For more information on investment unit price, please refer to [page 61](#).

Primarily Focusing on Investment in Logistics and Retail Properties Closely Connected to Peoples' Daily Lives

With regard to the logistics and retail properties that form the targets of our investments, we have established unique categories that include high-performance logistics properties and specialty retail complexes, respectively. We will continue to acquire assets from among those that correspond to these categories.

Looking first at high-performance logistics properties, these are facilities capable of undertaking advanced warehousing and shipping management that meet the needs of supply chain management (SCM) and Internet mail order companies, businesses in which burgeoning growth is expected; the best properties are those with good access to production areas and points of consumption. As a specific example, this type of facility will cover a gross floor area of 6,000 m² or more, have a floor weight capacity of 1.5 t/m² or more and a ceiling height of five meters or more to permit the smooth operation of forklifts, a pillar interval spacing of eight meters or more to increase operational efficiency, and be characterized by a sufficient number of car berths to facilitate smooth shipping operations. In addition, commuting convenience is an important factor in securing the workforce required for the varied operations within these facilities, such as data and distribution processing.

In contrast, amid an ongoing overall downturn in the commercial market and intensifying battles among department stores and general supermarkets, specialty retail complexes are commercial facilities that bring together specialty stores with robust sales, such as food supermarkets, drugstores, and fast fashion stores that are closely connected to peoples' daily lives. DHR's property selection criteria cover prime locations—offering good access from main highways, residential roads, and urban areas—in addition to focusing on facilities composed primarily of specialty stores that are well known to the area's consumers and are competitive in each line of business.

For more information on investment criteria, please refer to [page 9](#).





Meeting the conditions described above, DHR's 24-property portfolio comprises 19 logistics properties and five retail properties, assets with a total acquisition price of ¥114.5 billion at the time of our listing. The lease term of 97.6%* of tenants' agreements is 10 years or more, and the average remaining lease term is 13 years*. A special characteristic of these investment targets is their ability to realize stable revenue over the long term due to their long-term lease agreements. Maintained at high levels, the occupancy rates of our logistics and retail properties are 100% and 99.99%*, respectively.

* As of February 28, 2013

For more information on portfolio overview, please refer to [page 12](#).



Collaboration with the Daiwa House Group

DHR's major strength is its collaboration with the Daiwa House Group, which possesses a wealth of experience in developing logistics and retail properties. In the areas of property acquisition and operational management, DHR leverages the Daiwa House Group's abundant development and tenant leasing capabilities augmented by customer relations accumulated over many years.

When acquiring a property, DHR leverages the Daiwa House Group's preferential negotiation rights with regard to properties that the Group is considering to sell and pipeline supporting agreements that establish a warehousing function. DHR selects properties that meet its investment criteria and is able to acquire high-quality properties from the many that the Daiwa House Group has developed.

Furthermore, with regard to the operational management of properties and their tenants, DHR leverages the Daiwa House Group's comprehensive capabilities and will work to maintain and improve asset value by such means as maintaining strong relationships with tenants, appropriate repair management, and by drawing up refurbishment plans.

Structures That Place Paramount Importance on Unitholders' Interests

In the meantime, DHR will introduce a variety of structures to ensure a system of management that takes into consideration unitholders' interests. Firstly, Daiwa House will hold investment units on an ongoing basis to match the interests of sponsor and

Message from the President

unitholders and, at the time of future capital increases, intends to consider the partial acquisition of investment units. In addition, DHR has adopted an internal set of rules where DHR needs to obtain resolutions by the Asset Manager's Compliance Committee that require the approval of a third-party outside committee member and call for structures that have to be approved by DHR's board of directors comprised only of third-party members. These moves are designed to prevent transactions in which conflicts of interest could arise when obtaining properties from interested parties such as a sponsor.

For more information on measures to avoid conflicts of interest, please refer to [page 60](#).

Targeting ¥200 Billion in Assets under Management within Three Years to Stabilize Our Portfolio

We are aware that expansion of asset scale is indispensable for more stable operations. In addition to property information from the Daiwa House Group, DHR also focuses on property information obtained from the Asset Manager, Daiwa House REIT Management Co., Ltd.'s independent channels and is targeting expansion to ¥200 billion in assets under management within around three years. DHR believes that expanding the scale of its assets will lead to better than ever stability, enable a portfolio structure with a high diversification effect, and improve the liquidity of its investment units.

On March 27, 2013, DHR acquired UNICUS Takasaki, a retail property in Takasaki, Gunma Prefecture, through the Asset Manager's independent channels from a Japanese business corporation.

For more information on UNICUS Takasaki, please refer to [page 10](#).

With regard to funding for property acquisitions, including borrowings from financial institutions, DHR considers a variety of methods in response to such factors as the market environment and the timing of the property acquisition. Particularly in the case of borrowings, DHR will strive to maintain stable, long-term financial management by extending debt maturity and working to diversify repayment maturities.

For more information on financial condition, please refer to [page 11](#).

In closing, we will focus on management that can enhance stability in our cash flow backed by DHR's specialty of long-term tenancy lease agreements. We will also target long-term stable revenues and the maximization of unitholder value by working to steadily grow our assets under management.

In grateful anticipation of the continued support and encouragement of all DHR unitholders in the years to come, I wish to thank all DHR unitholders.





Collaboration

Collaboration with Daiwa House Group

DHR aims for steady growth in the scale of its assets by acquiring highly competitive assets through collaboration with Daiwa House Group, which has an extensive logistics and retail property development track record supported by its customer base and land information that is extensive nationwide. Furthermore, DHR has its sights set on maintaining and improving the value of its assets through operations and management that maximize their competitiveness.

 **Daiwa House REIT Investment Corporation** **Daiwa House REIT Management Co., Ltd.**



External Growth **Internal Growth**

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

- 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



- Planning and development of logistics properties and retail properties as part of the Daiwa House Group's core businesses
- Conclusion of pipeline supporting agreements to grant a preferential negotiation right for the sale and purchase of the properties

REIT Strategy of Daiwa House

- With regard to logistics and retail properties where the main tenants are corporations, Daiwa House concludes pipeline supporting agreements under the terms that Daiwa House, for example, provides property information and grants preferential negotiation rights to DHR. This policy underpins DHR's growth strategy.
- It is Daiwa House's intention to continue holding investment units from the viewpoint of sharing interests of DHR's unitholders and Daiwa House as DHR's sponsor.

Investment in High-Performance Logistics Properties

■ Investment Criteria

DHR selects high-performance logistics properties as its investment target by examining their location and specifications with a view to enhancing stability in its cash flow on a long-term basis.

Location

- Proximity to both consumption and production areas, as well as accessibility to transportation connecting such areas, including highways, airports and harbors
- Ease in securing a workforce and convenience in commuting for employees to respond to needs to perform more “value-added services” in the logistics, which include advanced information processing services such as receiving orders and handling shipping, inventory management and delivery and distribution control, as well as distribution processing such as picking up merchandise, placing price tags, packaging and inspection and other tasks



Specifications

- Space and other specifications that enable facilities to provide “value-added services”
- Buildings in principle with a gross floor area of 6,000 m² or more, floor weight capacity of 1.5 t/m² or more, ceiling height of five meters or more and pillar interval spacing of eight meters or more
- Buildings equipped with car berths, elevators and vertical carrier machines in accordance with the building size, expected size and type of parcels to be delivered and shipping frequency, and a well-maintained work environment and sufficient parking suitable to the location

Following this review of location and specifications, in order to ensure stable long-term asset management, we select properties taking into account the following additional points:

- Specifications with flexibility to customize in response to the individual needs of tenants, such as the form of use and nature of parcels
- Flexibility to modify in response to needs of successor tenant

Investment in Specialty Retail Complexes

■ Investment Criteria

DHR selects specialty retail complexes, its investment target, based on consideration of the location and tenants with a view to enhancing stability in its cash flow on a long-term basis.

Location

- Accessibility from main highways, residential roads and urban areas, and locations where the properties are highly visible
- Suitable floor composition and parking capacity for the markets and regions in which each property is located that are well matched after careful examination on the characteristics of such areas or regions
- Properties with adequate size in light of the characteristics suitable for the relevant market area



Tenants

- Competitive specialty stores in each business field
- Well-known tenants connected to people’s daily life
- Long-term agreements with “core tenants”
- A stable occupancy rate which can be sustainable on a medium- to long-term basis

External Growth Strategy

New Acquisition in the 11th Period

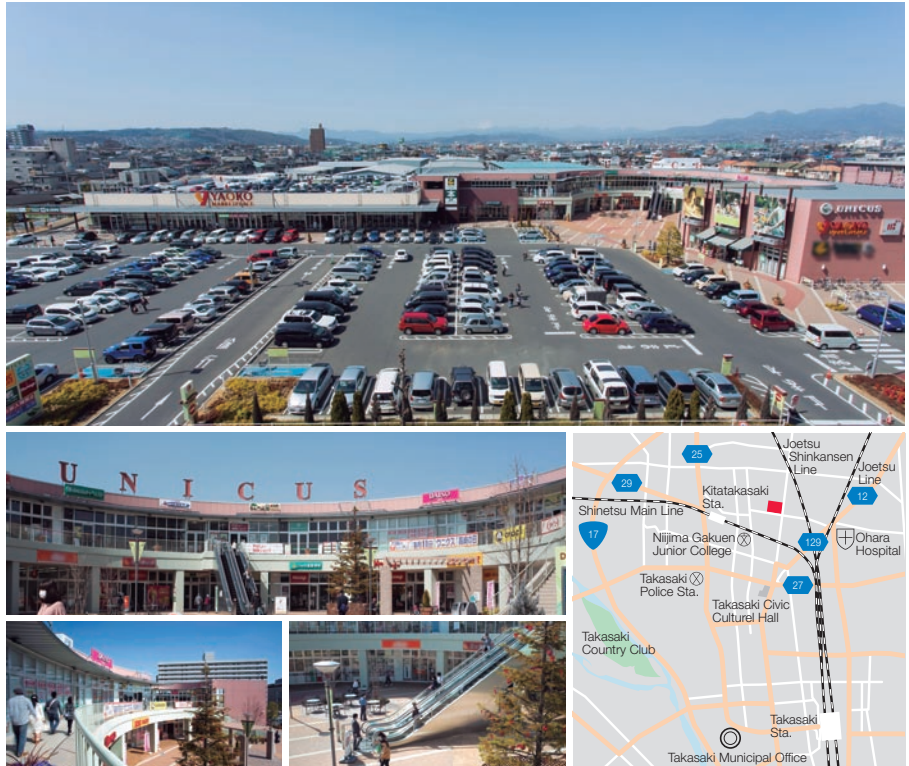
R-M-4

UNICUS Takasaki

Property Characteristics

- Located two kilometers north of JR Takasaki Station; has direct access from the four-lane residential road that connects central Takasaki to the Takasaki loop route
- Shopping center with supermarket Yaoko as the core tenant and various specialty stores such as Sugi Pharmacy, SHOO-LA-RUE, Honeys, ABC Mart, Daiso and other lifestyle service providers
- There is a standard size of population of 16,000 in the one-kilometer trade area, 115,000 in the three-kilometer trade area and 220,000 in the five-kilometer trade area. The drive-time trade area is sufficiently wide as the three-kilometer area can be traveled in about 15 minutes by car

Location: Takasaki, Gunma
 Construction date: November 5, 2008
 Land area: 19,256.35 m²
 Gross floor area: 9,801.89 m²



Pipeline with Daiwa House Group

DHR intends to leverage the Daiwa House Group's strong development capabilities to achieve stable external growth.

Logistics Properties (examples of logistics properties developed and properties under development by Daiwa House Group)



D Project Kuki Shobu I Annex C
Kuki, Saitama



D Project Kuki Shobu II Annex F
Kuki, Saitama



D Project Kawagoe Annex B
Kawagoe, Saitama



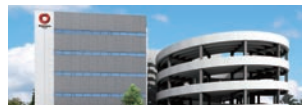
D Project Kawagoe Annex C
Kawagoe, Saitama



D Project Matsudo Annex B
Matsudo, Chiba



D Project Nishi Yodogawa II
Osaka, Osaka



DPL Sagami-hara (rendering)
Sagami-hara, Kanagawa



DPL Misato (rendering)
Misato, Saitama

Retail Properties (examples of retail properties developed and properties under development by Daiwa House Group)



FOLEO Shoubu
Kuki, Saitama



FOLEO Hakata
Fukuoka, Fukuoka



FOLEO Otsu Ichiriyama
Otsu, Shiga



iias Tsukuba
Tsukuba, Ibaraki

(Note) As of the date of this report, we are not planning to acquire any of the above properties.

Financial Policy

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

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.

Credit Rating

Rating agency	Rating	Outlook
Japan Credit Rating Agency (JCR)	Long-term issuer rating: AA-	Stable

The above credit rating is not a rating assigned to investment units issued by Daiwa House REIT Investment Corporation. There is no credit rating for the investment unit provided or offered for public inspection by a credit rating agency, nor is there a plan for one to be provided or offered for public inspection by a credit rating agency at the request of DHR.

Overview of Interest-Bearing Debt

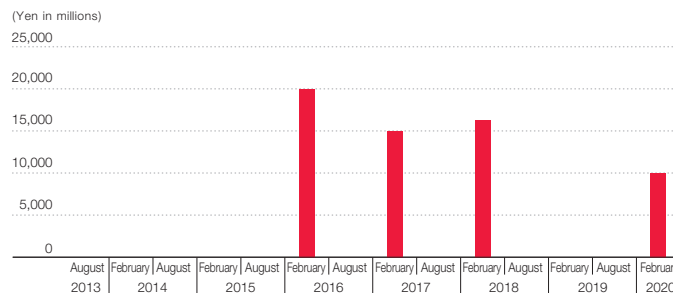
Balance of interest-bearing debt	LTV
¥61,000 million	47.7%

● Solid Bank Formation



Sumitomo Mitsui Banking Corporation	20.1%	¥12,250 million
Sumitomo Mitsui Trust Bank, Limited	20.1%	¥12,250 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20.1%	¥12,250 million
Mizuho Corporate Bank, Ltd.	20.1%	¥12,250 million
Mitsubishi UFJ Trust and Banking Corporation	8.2%	¥5,000 million
Development Bank of Japan Inc.	8.2%	¥5,000 million
Resona Bank, Limited	3.2%	¥2,000 million

● Diversification of Repayment Term



● Interest-Bearing Debt

Term	Lenders	Borrowings (Yen in millions)	Interest rate	Floating/Fixed	Borrowing date	Repayment date	Maturity	Note	Remaining term
Long-term	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Corporate Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; and Resona Bank, Limited	20,000	0.72931%	Fixed	November 29, 2012	November 30, 2015	3 years	Unsecured and non-guaranteed	2.8 years
	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Corporate Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; and Resona Bank, Limited	15,000	0.83038%			November 29, 2016	4 years		3.8 years
	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Corporate Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; and Development Bank of Japan Inc.	16,000	0.95649%			November 29, 2017	5 years		4.8 years
	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Corporate Bank, Ltd.; and Development Bank of Japan Inc.	10,000	1.28759%			November 29, 2019	7 years		6.8 years
Total interest-bearing debt		61,000	0.91%	—	—	—	4.4 years	—	4.2 years

Portfolio Overview

Portfolio Composition Policy

The basic policy of DHR is to establish its portfolio comprising logistics and retail properties as assets under management.

Target Geographical Area

DHR plans to invest in logistics and retail properties, targeting a portfolio comprising 60% or more of properties in the three major metropolitan areas of Japan on an acquisition price basis.

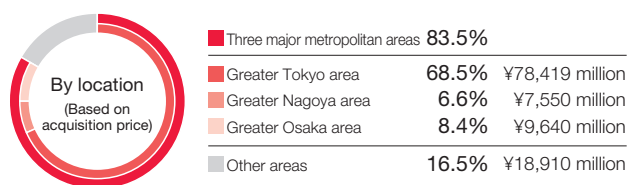
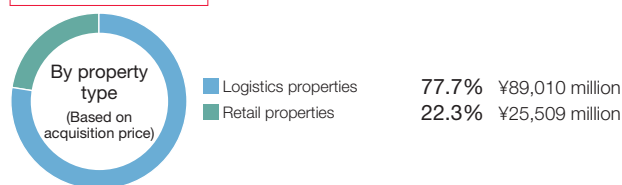
Target Scale

DHR generally intends to invest ¥1 billion or more per property, in order to effectively manage its portfolio in both logistics and retail properties. Each individual property should not comprise more than 30% of its total portfolio after its acquisition, on an acquisition price basis.

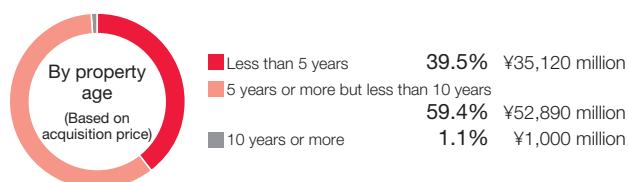
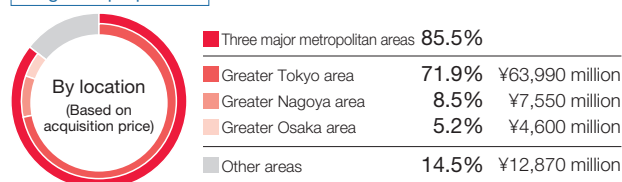
(Note) References to the “three major metropolitan areas of Japan” are to the combined greater Tokyo area, greater Nagoya area and greater Osaka area. References to the “greater Tokyo area” are to Tokyo, Kanagawa, Saitama and Chiba prefectures. References to the “greater Nagoya area” are to Aichi, Gifu and Mie prefectures. References to the “greater Osaka area” are to Osaka, Kyoto, Hyogo, Nara and Shiga prefectures.

Portfolio Data

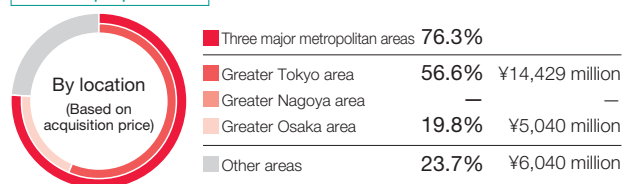
Portfolio total



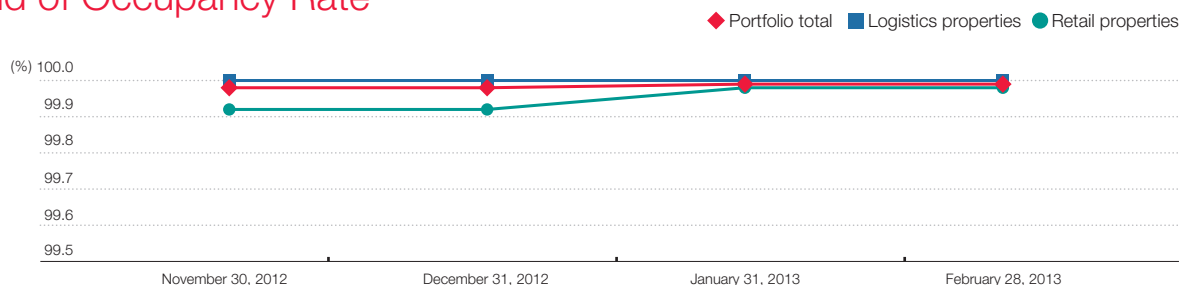
Logistics properties



Retail properties



Trend of Occupancy Rate



(Note) The “logistics property occupancy rate,” the “retail property occupancy rate,” and the “portfolio occupancy rate” in respect of logistics properties, retail properties or the total of these of the assets included in the portfolio, 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.

Portfolio Highlights

Assets under management **24** properties ¥ **114,519** million

• Logistics properties **19** properties ¥ **89,010** million

• Retail properties **5** properties ¥ **25,509** million

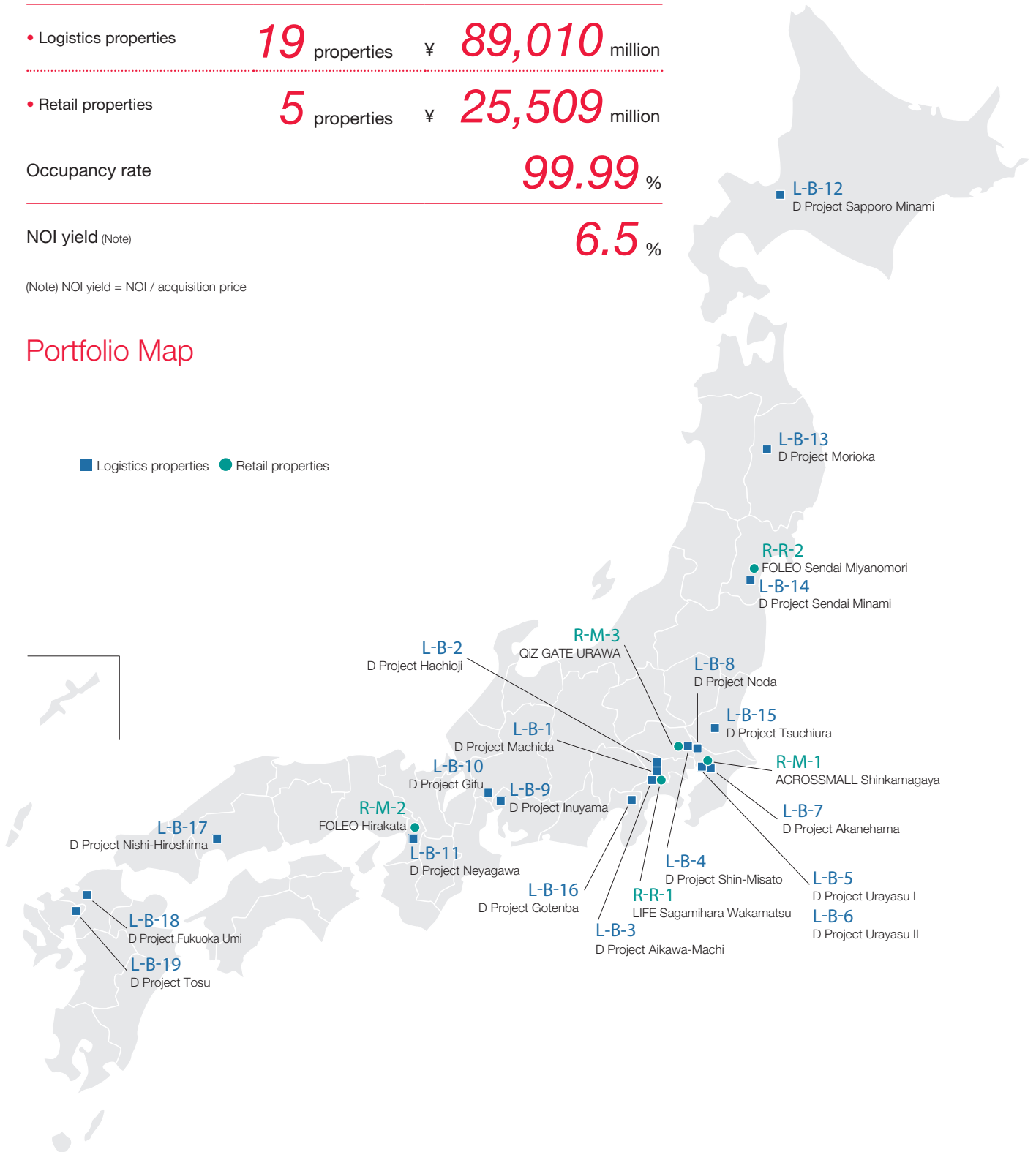
Occupancy rate **99.99** %

NOI yield (Note) **6.5** %

(Note) NOI yield = NOI / acquisition price

Portfolio Map

■ Logistics properties ● Retail properties



Portfolio Overview

Portfolio Summary

Property number	Property name	Location (City or ward, prefecture)	Acquisition date	Acquisition price (Yen in millions)	Investment ratio (%) (Note)	Leasable area (m ²)
L-B-1	D Project Machida	Machida, Tokyo	November 29, 2012	7,600	6.6	50,490.39
L-B-2	D Project Hachioji	Hachioji, Tokyo	November 29, 2012	12,600	11.0	62,394.17
L-B-3	D Project Aikawa-Machi	Aiko, Kanagawa	November 28, 2012	2,600	2.3	14,240.84
L-B-4	D Project Shin-Misato	Misato, Saitama	November 29, 2012	4,440	3.9	11,289.91
L-B-5	D Project Urayasu I	Urayasu, Chiba	November 28, 2012	7,700	6.7	36,515.81
L-B-6	D Project Urayasu II	Urayasu, Chiba	November 29, 2012	21,400	18.7	72,320.01
L-B-7	D Project Akanehama	Narashino, Chiba	November 28, 2012	2,550	2.2	11,663.39
L-B-8	D Project Noda	Noda, Chiba	November 28, 2012	5,100	4.5	29,232.53
L-B-9	D Project Inuyama	Inuyama, Aichi	November 28, 2012	6,650	5.8	43,723.70
L-B-10	D Project Gifu	Anpachi, Gifu	November 29, 2012	900	0.8	7,669.91
L-B-11	D Project Neyagawa	Neyagawa, Osaka	November 28, 2012	4,600	4.0	11,151.51
L-B-12	D Project Sapporo Minami	Kitahiroshima, Hokkaido	November 28, 2012	600	0.5	6,749.10
L-B-13	D Project Morioka	Iwate, Iwate	November 29, 2012	1,000	0.9	9,558.32
L-B-14	D Project Sendai Minami	Iwanuma, Miyagi	November 28, 2012	1,250	1.1	11,052.27
L-B-15	D Project Tsuchiura	Tsuchiura, Ibaraki	November 29, 2012	2,880	2.5	17,448.86
L-B-16	D Project Gotenba	Gotenba, Shizuoka	November 28, 2012	950	0.8	6,737.53
L-B-17	D Project Nishi-Hiroshima	Hiroshima, Hiroshima	November 28, 2012	990	0.9	5,093.51
L-B-18	D Project Fukuoka Umi	Kasuya, Fukuoka	November 29, 2012	3,100	2.7	24,729.56
L-B-19	D Project Tosu	Tosu, Saga	November 29, 2012	2,100	1.8	8,826.00
19 Logistics properties total				89,010	77.7	440,887.32
R-M-1	ACROSSMALL Shinkamagaya	Kamagaya, Chiba	December 12, 2007	7,419	6.5	41,742.84
R-M-2	FOLEO Hirakata	Hirakata, Osaka	December 11, 2008	5,040	4.4	16,380.78
R-M-3	QIZ GATE URAWA	Saitama, Saitama	December 11, 2008	5,360	4.7	9,705.31
R-R-1	LIFE Sagamihara Wakamatsu	Sagamihara, Kanagawa	December 11, 2008	1,650	1.4	2,973.44
R-R-2	FOLEO Sendai Miyanomori	Sendai, Miyagi	November 29, 2012	6,040	5.3	19,845.72
5 Retail properties total				25,509	22.3	90,648.09
Portfolio total of 24 properties				114,519	100.0	531,535.41

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

D Project Urayasu II



L-B-5

D Project Urayasu I

Location: Urayasu, Chiba
 Construction date: May 31, 2005, etc.
 Land area: 19,571.14 m²
 Gross floor area: 36,515.81 m²

L-B-6

D Project Urayasu II

Location: Urayasu, Chiba
 Construction date: April 10, 2007
 Land area: 38,456.00 m²
 Gross floor area: 72,320.01 m²

D Project Urayasu I



These logistics properties are located two to three kilometers from the Shuto Expressway Wangan Line and National Route 357 as well as approximately 20 kilometers from the Tokyo Port, which is also suitable for import logistics.



L-B-2

D Project Hachioji

This logistics property is located near National Route 16, which connects to the Yokohama Machida interchange (IC) on the Tomei Expressway and the Hachioji IC on the Chuo Expressway, and can thus be used as a wider-area distribution base in the south-eastern region of the Tokyo metropolitan area.



Location: Hachioji, Tokyo
 Construction date: December 1, 2008
 Land area: 45,285.43 m²
 Gross floor area: 58,678.15 m²



L-B-3
D Project Aikawa-Machi

This logistics property has access to Hachioji and other areas in the western part of Tokyo via National Route 129, the closest trunk road. By way of National Route 246, this logistics property has also favorable access to Kawasaki and Yokohama.

Location: Aiko, Kanagawa
Construction date: June 30, 2006
Land area: 17,397.31 m²
Gross floor area: 13,213.43 m²



L-B-4
D Project Shin-Misato

This logistics property is located approximately three kilometers from the Misato IC on the Gaikan Expressway, via which the property has high-speed access to highways which lead to the greater Tokyo area. It is easily accessible from public roads including National Routes 298 and 4.

Location: Misato, Saitama
Construction date: April 15, 2009
Land area: 9,616.60 m²
Gross floor area: 11,257.04 m²



L-B-1
D Project Machida

This logistics property is located near National Route 16, which connects to the Yokohama Machida IC on the Tomei Expressway and the Hachioji IC on the Chuo Expressway, and can be used for wider-area distribution, mainly in the south-eastern region of the Tokyo metropolitan area.

Location: Machida, Tokyo
Construction date: October 1, 2006
Land area: 33,860.49 m²
Gross floor area: 50,490.34 m²



L-B-7
D Project Akanehama

This logistics property has favorable access to the Higashi Kanto Expressway, National Route 357 parallel to it and Keiyo Road, and has location potential as a large-size base covering the extensive commercial area in the greater Tokyo area extending from central Tokyo to Chiba.

Location: Narashino, Chiba
Construction date: October 11, 2005
Land area: 13,000.00 m²
Gross floor area: 11,656.89 m²

L-B-11

D Project Neyagawa

This logistics property has relatively favorable traffic access as it is located approximately five kilometers from the Settsu Minami IC on the Kinki Expressway. It is very close to National Route 1, which is the major trunk line connecting Kyoto and Osaka.

Location: Neyagawa, Osaka
Construction date: July 23, 2009
Land area: 9,865.97 m²
Gross floor area: 11,303.11 m²



L-B-8

D Project Noda

This logistics property is located near National Route 16, the major loop line in the greater Tokyo area, and approximately five kilometers from the Kashiwa IC on the Joban Expressway, with favorable traffic access to the expressway.

Location: Noda, Chiba
Construction date: September 30, 2007
Land area: 34,686.75 m²
Gross floor area: 29,190.21 m²

L-B-10

D Project Gifu

This logistics property is located approximately three kilometers from the Ogaki IC and approximately six kilometers from the Gifu Hashima IC on the Meishin Expressway, with favorable access to the expressway. It is also located in an area which functions as a consumer distribution base centering around the Chubu area.

Location: Anpachi, Gifu
Construction date: February 28, 2009
Land area: 7,333.37 m²
Gross floor area: 6,921.06 m²



L-B-9

D Project Inuyama

This logistics property is located approximately ten kilometers from the Komaki IC on the Tomei-Meishin Expressway, approximately seven kilometers from the Komaki Higashi IC on the Chuo Expressway, and thus has favorable location as a wide-area distribution base in the Chubu area.

Location: Inuyama, Aichi
Construction date: December 10, 2009
Land area: 46,530.87 m²
Gross floor area: 42,083.63 m²



L-B-13 D Project Morioka

This logistics property is located 5.7 kilometers from the Morioka IC on the Tohoku Expressway, and can function as a base for distribution to the North Tohoku (Aomori, Akita and Iwate) and Sendai areas.

Location: Iwate, Iwate
 Construction date: September 13, 2002
 Land area: 15,990.00 m²
 Gross floor area: 8,849.12 m²



L-B-14 D Project Sendai Minami

This logistics property is located approximately three kilometers to the Sendai Airport IC on the Sendai Tobu Expressway, and has favorable location for a logistics site as it is possible to distribute to the central part of Sendai via National Route 4 and the Sendai Tobu Expressway.

Location: Iwanuma, Miyagi
 Construction date: March 28, 2006
 Land area: 17,092.58 m²
 Gross floor area: 11,042.27 m²



L-B-12 D Project Sapporo Minami

This logistics property is located in Kitahiroshima City, Hokkaido, which is located at the halfway point between Sapporo and Shin-Chitose Airport, and is adjacent to National Route 36, the major highway connecting the Tomakomai area that handles a large amount of airport cargo.

Location: Kitahiroshima, Hokkaido
 Construction date: October 30, 2007
 Land area: 10,986.06 m²
 Gross floor area: 6,749.10 m²



L-B-15 D Project Tsuchiura

This logistics property is located approximately three kilometers from the Tsuchiura Kita IC on the Joban Expressway and approximately 1.5 kilometers from National Route 125, and has favorable traffic access to highways.

Location: Tsuchiura, Ibaraki
 Construction date: February 19, 2009
 Land area: 18,191.52 m²
 Gross floor area: 17,448.86 m²



L-B-18

D Project Fukuoka Umi

This logistics property has relatively favorable traffic access as it is located relatively close to the central part of Fukuoka, and approximately six kilometers from Fukuoka Airport, and is regarded as a distribution base for the entire Kyushu region by utilizing the Kyushu Expressway.

Location: Kasuya, Fukuoka
 Construction date: May 1, 2006, etc.
 Land area: 31,476.78 m²
 Gross floor area: 23,742.02 m²



L-B-17

D Project Nishi-Hiroshima

This logistics property is located near the Hiroshima Seifu-Shinto IC on the Hiroshima Expressway that connects Chugoku Expressway and Sanyo Expressway, and has traffic convenience as a distribution base for Yamaguchi, Okayama (Shikoku) and the central part of Hiroshima City.

Location: Hiroshima, Hiroshima
 Construction date: January 10, 2008, etc.
 Land area: 24,049.72 m²
 Gross floor area: 4,453.45 m²

L-B-16

D Project Gotenba

This logistics property is located approximately seven kilometers from the Gotenba IC and Susono IC on the Tomei Expressway, where the property can function as a procurement and distribution base for the production of raw materials in the Chubu area and as a major transit point for the greater Tokyo area.

Location: Gotenba, Shizuoka
 Construction date: January 15, 2009
 Land area: 6,154.07 m²
 Gross floor area: 6,457.26 m²



L-B-19

D Project Tosu

This logistics property is located adjacent to the Tosu IC, where Kyushu Longitudinal Expressway and Kyushu Transversal Expressway intersect, and is regarded as a significant logistics site connecting point for highways in Kyushu.

Location: Tosu, Saga
 Construction date: February 19, 2009
 Land area: 12,395.42 m²
 Gross floor area: 8,504.62 m²



R-R-2

FOLEO Sendai Miyanomori

This retail property is located approximately three kilometers northeast of central Sendai City, with favorable access from the residential area and tenants including leading companies.

Location: Sendai, Miyagi
 Construction date: October 6, 2009, etc.
 Land area: 42,273.93 m²
 Gross floor area: 19,845.72 m²



R-M-1

ACROSSMALL Shinkamagaya

This retail property is located in front of Shinkamagaya Station which is the hub for the three train lines of Hokuso Railway, Shin-Keisei Electric Railway and Tobu Noda Line, and is connected to a major highway in the city.

Location: Kamagaya, Chiba
 Construction date: October 31, 2006
 Land area: 17,367.08 m²
 Gross floor area: 35,852.43 m²





R-M-3
QiZ GATE URAWA

This retail property is located in an area where National Route 463 crosses with Second Industrial Road, and in an area where many families are located.

Location: Saitama, Saitama
 Construction date: February 17, 2008
 Land area: 9,917.35 m²
 Gross floor area: 17,028.40 m²



R-R-1
LIFE Sagamihara Wakamatsu

This retail property is located in Sagamihara City, Kanagawa Prefecture, a government-ordinance-designated city, within 1.5 kilometers northwest of Odakyu Odawara Line Sagami-Ono Station. The property is community-based and has a commercial area in which more than one food supermarket can be established.

Location: Sagamihara, Kanagawa
 Construction date: April 25, 2007
 Land area: 3,831.88 m²
 Gross floor area: 2,913.24 m²



R-M-2
FOLEO Hirakata

With good access to National Route 1, this mall type retail property has tenants including specialty stores such as Cineplex, Sports Depo, and various other stores, in addition to restaurants.

Location: Hirakata, Osaka
 Construction date: November 20, 2006
 Land area: 26,736.12 m²
 Gross floor area: 21,499.16 m²



1 Summary of Asset Management

(1) Historical Operating Results

Period		6th period	7th period	8th period	9th period	10th period
		From September 1, 2010 to February 28, 2011	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	From March 1, 2012 to August 31, 2012	From September 1, 2012 to February 28, 2013
Operating revenues	(Yen in millions)	804	1,093	769	748	2,421
Of which, real estate leasing business revenues	(Yen in millions)	804	1,093	769	748	2,421
Operating expenses	(Yen in millions)	406	419	1,491	383	969
Of which, real estate leasing business expenses	(Yen in millions)	340	340	344	326	826
Operating income (loss)	(Yen in millions)	398	674	(Note 3) (722)	365	1,452
Ordinary income (loss)	(Yen in millions)	286	551	(807)	319	920
Net income (loss)	(Yen in millions)	165	319	(709)	198	919
Total assets	(Yen in millions)	23,627	23,534	21,157	21,331	127,780
(Period-on-period changes)	(%)	(0.1)	(0.4)	(10.1)	0.8	499.0
Net assets	(Yen in millions)	7,465	7,784	7,075	7,273	60,273
(Period-on-period changes)	(%)	(0.1)	4.3	(9.1)	2.8	728.7
Unitholders' capital	(Yen in millions)	7,300	7,300	7,300	7,300	59,381
Number of investment units issued	(Units)	14,600	14,600	14,600	14,600	122,540
Net assets per unit	(Yen)	511,323	533,166	484,576	498,152	491,864
Total distributions	(Yen in millions)	—	—	—	—	892
Distributions per unit	(Yen)	—	—	—	—	7,278
Of which, earnings distributions per unit	(Yen)	—	—	—	—	7,278
Of which, distributions in excess of earnings per unit	(Yen)	—	—	—	—	—
Ordinary income to total assets ratio (Note 2)	(%)	1.2	2.4	(3.6)	1.5	1.2
(Annualized)	(%)	2.4	4.7	(7.2)	3.0	2.5
Return on equity (Note 2)	(%)	2.2	4.2	(9.5)	2.8	2.7
(Annualized)	(%)	4.5	8.3	(19.1)	5.5	5.5
Equity ratio (Note 2)	(%)	31.6	33.1	33.4	34.1	47.2
(Period-on-period changes)	(%)	0.0	1.5	0.4	0.7	13.1
Payout ratio (Note 2)	(%)	—	—	—	—	97.1
<Reference Information>						
Number of investment properties		5	5	4	4	24
Total leasable area	(m ²)	74,224.40	74,224.40	70,802.37	70,802.37	531,535.41
Number of tenants		14	13	12	13	39
Occupancy rate at the end of the period	(%)	99.9	99.9	99.8	99.9	100.0
Depreciation during the period	(Yen in millions)	166	166	165	160	606
Capital expenditure during the period	(Yen in millions)	8	5	1	5	—
Rental NOI (Net Operating Income) (Note 2)	(Yen in millions)	630	919	589	581	2,201
FFO (Funds from Operation) per unit (Note 2)	(Yen)	22,672	33,199	37,212	24,511	12,445
Interest-bearing debt (Note 2)	(Yen in millions)	14,250	13,680	12,400	12,400	61,000
Interest-bearing debt to total assets ratio (Note 2)	(%)	60.3	58.1	58.6	58.1	47.7
Number of operating days	(Days)	181	184	182	184	181

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

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

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

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

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

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

3. As ¥1,087 million of loss on sale of property was recorded, operating loss was posted.

(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, with Daiwa House REIT Management Co., Ltd. (hereinafter referred to as the "Asset Manager") 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 Trusts Act"), and completed its registration in the Kanto Local Finance Bureau on October 23, 2007 (Director-General of the Kanto Local Finance Bureau No. 66).

Having twice completed a capital increase through private placement—on December 11, 2007 and December 10, 2008—DHR issued new investment units (102,800 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, (hereinafter referred to as the "TSE"). Furthermore, on December 26, 2012, DHR issued new investment units (5,140 units) through third-party allotment.

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, by collaborating with the Daiwa House Group (Note), which possesses a strong development track record in the planning and development of logistics and retail properties backed by extensive land information and a customer base covering the whole country, DHR is planning steady growth in the scale of its assets by acquiring highly competitive assets. 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, 2013), DHR acquired a total of 20 properties, 19 logistics properties and one retail property (total acquisition price ¥95,050 million). Combined with its four existing retail properties, DHR held a total of 24 properties (total acquisition price ¥114,519 million) as of February 28, 2013.

(Note) The Daiwa House Group comprises Daiwa House Industry Co., Ltd. (hereinafter referred to as "Daiwa House"), its 92 consolidated subsidiaries, one non-consolidated subsidiary, 17 equity-method affiliates, and two non-equity-method affiliates, as of April 1, 2013). The same shall apply hereinafter.

B. Investment Environment and Performance

In the current fiscal period, the Japanese economy weakened somewhat due to a series of factors. These included a deteriorating export environment and reduced capital investment against a backdrop of the European sovereign debt crisis, economic slowdowns in China and other emerging countries, stagnating U.S. economic recovery, and the trend towards a protracted appreciation of the yen. However, moves toward recovery—such as corporate business sentiment showing signs of improvement due to rising stock prices and a weakening of the yen—were seen to arise from the heightened sense of hope placed in the monetary and fiscal policies worked out by a new regime following an election of the members of the House of Representatives in December 2012.

In the real estate market, the Land Price LOOK Report published by the Ministry of Land, Infrastructure, Transport and Tourism in February 2013 had areas showing rising or flat land prices accounting for approximately 80% of the total. The report stated that a transformational shift away from the downward trend in land prices could be clearly seen due to such factors as further increases in the previous quarter in those areas showing rises. Among the factors cited as contributing to this trend were cases of rising store rents due to the opening of large-scale facilities in retail districts and redevelopment in retail districts and surrounding areas and, in residential areas, the shift to rising land prices due to rises in transaction prices in highly convenient, popular areas.

In the J-REIT market, progress was made in discussions toward additional monetary easing measures and reforms to the Investment Trusts Act and other systems, and there was a sense of anticipation that Japan would pull out of deflation due to the new regime that took office following the election of the members of the House of Representatives in December 2012. Besides the four securities issues in 2012 and the two securities issues already implemented in 2013 that fulfilled the TSE listing, capital increases of existing issues are being implemented on an ongoing basis. In the year 2012, the TSE REIT Index recorded its highest rate of increase, rising 33.6% compared with start of the year and recovering to pre-Great East Japan Earthquake levels, and the market stability is increasing as the asset acquisition amount exceeded ¥1 trillion for the first time in the five years since 2007.

Underpinned by demand from Internet mail order companies and the fashion and apparel industries as well as their supporting third-party logistics (3PL) providers, the logistics property rental market was firm. According to the Industrial Market Research published in March 2013 by Ichigo Real Estate Service Co., Ltd., the occupancy rate remained stable as the vacancy rates in the Tokyo and Osaka areas were 2.2% and 1.5%, respectively (as of January 2013), and almost flat rent levels continued. For the time being, demand is expected for logistics properties capable of responding to burgeoning distribution network and infrastructure needs due to such factors as the expected growth in the Internet mail order, fashion, and apparel industries and an increased volume of goods for convenience stores, which are expected to be opening in record-high numbers in 2013.

With regard to the business environment surrounding retail properties, the retail sales total as shown in the Monthly Report on the Current Survey of Commerce published in February 2013 by the Ministry of Economy, Trade and Industry remained stable for 2012. At the time of the February 2013 survey, the Consumer Confidence Index that shows consumer trends reported personal consumption as firm and achieving levels not seen since June 2007, before the Lehman shock, and signs of a recovery in consumer confidence.

In such an environment, DHR increased the scale of its assets by acquiring 20 properties (total acquisition price ¥95,050 million) with the proceeds from having issued new investment units after the TSE listing and, as of February 28, 2013, owned 24 properties (with a total book value of ¥113,638 million at the end of the period) with a total leasable area of 531,535.41 m² and an occupancy rate of 99.99% (the figure is rounded down to the nearest 100th).

C. Overview of Financing

DHR issued new investment units (102,800 units) through public offering on November 27, 2012 and new investment units (5,140 units) through third-party allotment on December 26, 2012. As a result, unitholders' capital amounted to ¥59,381 million, and the number of total investment units issued came to 122,540 units as of February 28, 2013.

Following the issue of the new investment units, borrowings of ¥12,400 million were paid off in a lump sum before the due date on November 27, 2012, and funds of ¥61,000 million borrowed on November 29, 2012 in order to partially cover the acquisition costs for trust beneficiary interests in real estate and related costs, resulting in the borrowing of ¥61,000 million as of February 28, 2013. The ratio of long-term loans therefore became 100.0%. In addition, in case the need arises to arrange financing to purchase investment assets, a commitment line borrowing limit has been set at ¥10 billion.

The credit rating DHR has obtained as of February 28, 2013 is as follows:

Rating agency	Rating	Outlook
Japan Credit Rating Agency (JCR)	Long-term issuer rating: AA-	Stable

D. Overview of Financial Results and Distributions

As a result of the above-mentioned operations, operating revenues came to ¥2,421 million, operating income came to ¥1,452 million, ordinary income came to ¥920 million, and net income came to ¥919 million, for the current fiscal period.

In accordance with the distribution policy stipulated in Article 46, item 1 of the Articles of Incorporation of DHR, it was decided that the all amount of unappropriated retained earnings would be distributed except a fraction of less than ¥1 of distributions per investment unit, with the aim of the greatest possible distributions of profits being 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 ¥7,278.

(3) Summary of Capital Increase

DHR's total number of investment units issued and changes in total investments since its incorporation are as follows:

Date	Event	Total number of investment units issued (Units)		Total investments (Yen in millions)		Remarks
		Change	Balance	Change	Balance	
September 14, 2007	Incorporation through private placement of investment units	400	400	200	200	(Note 1)
December 11, 2007	Capital increase through private placement of investment units	6,800	7,200	3,400	3,600	(Note 2)
December 10, 2008	Capital increase through private placement of investment units	7,400	14,600	3,700	7,300	(Note 3)
November 27, 2012	Capital increase through public offering of investment units	102,800	117,400	49,601	56,901	(Note 4)
December 26, 2012	Capital increase through third-party allotment of investment units	5,140	122,540	2,480	59,381	(Note 5)

(Notes) 1. At the incorporation of DHR, investment units were issued with an issue price per unit of ¥500,000.

2. New investment units were issued through private placement with an issue price per unit of ¥500,000 in order to raise funds for the acquisition of new properties.

3. New investment units were issued through private placement with an issue price per unit of ¥500,000 in order to raise funds for the acquisition of new properties and repayments of loans payable.

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

5. 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.

[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	6th period	7th period	8th period	9th period	10th period
Fiscal period end	February 2011	August 2011	February 2012	August 2012	February 2013
Highest (Yen)	—	—	—	—	¥670,000
Lowest (Yen)	—	—	—	—	¥501,000

(Note) Since DHR was listed on the J-REIT section of the Tokyo Stock Exchange as of November 28, 2012, there is no market price in and before the 9th period.

(4) Cash Distributions

It was decided that the all amount of unappropriated retained earnings would be distributed except a fraction of less than ¥1 of distributions per investment unit, with the aim of the greatest possible distributions of profits 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 ¥7,278.

Period		6th period	7th period	8th period	9th period	10th period
		From September 1, 2010 to February 28, 2011	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	From March 1, 2012 to August 31, 2012	From September 1, 2012 to February 28, 2013
Net income (loss)	(Yen in thousands)	165,309	318,906	(709,413)	198,216	918,923
Unappropriated retained earnings (accumulated deficit)	(Yen in thousands)	165,312	484,218	(225,195)	(26,979)	891,944
Retained earnings	(Yen in thousands)	165,312	484,218	(225,195)	(26,979)	97
Total cash distributions	(Yen in thousands)	—	—	—	—	891,846
(Distributions per unit)	(Yen)	—	—	—	—	7,278
Of the above, total earnings distributions	(Yen in thousands)	—	—	—	—	891,846
(Earnings distributions per unit)	(Yen)	—	—	—	—	7,278
Of the above, total capital refunds	(Yen in thousands)	—	—	—	—	—
(Capital refunds per unit)	(Yen)	—	—	—	—	—

(5) Future Operating Policies and Issues to Be Addressed

In the Japanese economy, some weaknesses will remain, due to the risks caused by those external factors, such as the European sovereign debt crisis and concerns about economic downside risk in China and other emerging countries. Despite these risks, a trend toward gradual recovery is expected, underpinned by improved confidence against a backdrop of reconstruction demand following the Great East Japan Earthquake, improvement in the export environment due to the correction of the yen's appreciation, and the effects of fiscal and monetary policies.

With regard to the J-REIT market, it is thought that there will be a further increase in needs against a backdrop of the stabilized financing environment and the expectation that the Bank of Japan will continue to purchase investment units as well as the effects of the new regime's policies aimed toward pulling the economy out of deflation.

In such an environment, 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, 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 Daiwa House and the Daiwa House Group companies. DHR has entered into separate memorandums (hereinafter referred to as "pipeline supporting agreements") with Daiwa House, Daiwa Lease Co., Ltd., and Daiwa Odakyu Construction Co., Ltd. and through these agreements DHR intends to 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 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, as contemplated under the pipeline supporting agreements.

B. Internal Growth Strategy

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

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 vast experience and expertise 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 expertise, 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 expertise 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 this way, we 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. Property Acquisition

DHR acquired the following property on March 27, 2013.

Property name	UNICUS Takasaki
Acquisition price (Note 1)	¥2,570,000 thousand
Seller (Note 2)	Domestic general operating company
Asset type	Trust beneficiary interests in real estate
Location	1150-5 Aza-Nishikanai, Iizukamachi, Takasaki-shi, Gunma, etc.
Agreement date	March 27, 2013
Acquisition date	March 27, 2013

(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. The name of the seller is not disclosed as consent for disclosure has not been obtained from the seller. The seller is not an interested party, etc. as defined in the Investment Trusts Act and is not an interested party as defined in the Asset Manager's regulations concerning prevention of conflicts of interest.

B. Debt Financing

To acquire the property described in "A. Property acquisition" above, DHR implemented the following borrowing.

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Note
Sumitomo Mitsui Trust Bank, Limited	2,000	Basic interest rate (Japanese Bankers Association 3 month yen TIBOR) + 0.50% (Floating interest rate)	March 27, 2013	March 27, 2023	Bullet repayment	Unsecured and non-guaranteed

2 Overview of the Investment Corporation

(1) Status of Investment Units

Period		6th period	7th period	8th period	9th period	10th period
		February 28, 2011	August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013
Total number of authorized investment units	(Units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of investment units issued	(Units)	14,600	14,600	14,600	14,600	122,540
Number of investors		1	1	1	1	7,846

(2) Matters concerning Investment Units

Top ten investors in terms of the percentage of investment units held as of February 28, 2013 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)	23,610	19.27
Daiwa House Industry Co., Ltd.	16,600	13.55
Nomura Bank (Luxembourg) S.A.	6,385	5.21
The Master Trust Bank of Japan, Ltd. (Trust account)	5,886	4.80
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	5,142	4.20
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,844	3.95
State Street Bank and Trust Company 505225	1,736	1.42
National Mutual Insurance Federation of Agricultural Cooperatives	1,337	1.09
BARCLAYS CAPITAL SECURITIES LIMITED A/C CAYMAN CLIENTS	1,285	1.05
The Fuji Fire and Marine Insurance Co., Ltd.	1,274	1.04
Total	68,099	55.57

(3) Officers

The status of Executive Director, Supervisory Directors, and Accounting Auditor during the current period is shown below:

Title and post	Name	Major concurrent position	Total compensation per title during the current period (Yen in thousands)
Executive Director (Notes 1 and 2)	Masazumi Kakei	Corporate Auditor System Trust Laboratory Co., Ltd.	2,400
Supervisory Director (Notes 1 and 2)	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 3)	KPMG AZSA LLC	—	26,360 (Note 4)

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

2. Executive Director and Supervisory Directors were appointed (reappointed) as of October 18, 2012 at the tenth Unitholders' Meeting held on October 17, 2012.

3. Accounting Auditor shall be dismissed pursuant to the provision of the Investment Trust Act. Refusal of reappointment of Accounting Auditor shall be considered at DHR's board of directors totally in view of various factors.

4. Compensation for Accounting Auditor includes fees for the creation of comfort letters for issuance of new investment units in November 2012 and other services.

(4) Asset Manager, Custodian and General Administrators

Type	Name
Asset Manager	Daiwa House REIT Management Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Administration of register of unitholders)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Transfer agency services)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Accounting administration)	Heiseikaikeshi Tax Corporation

3 Portfolio of the Investment Corporation

(1) Composition of Assets

Type of assets	Property type	Area		9th period		10th period		
				August 31, 2012		February 28, 2013		
				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 (Note 1)	Greater Tokyo area	—	—	64,152	50.2	
			Greater Nagoya area	—	—	7,563	5.9	
			Greater Osaka area	—	—	4,613	3.6	
		Other	—	—	12,910	10.1		
		Subtotal	—	—	89,238	69.8		
	Retail properties	Three major metropolitan areas (Note 1)	Greater Tokyo area	13,684	64.2	13,560	10.6	
			Greater Nagoya area	—	—	—	—	
			Greater Osaka area	4,800	22.5	4,759	3.7	
		Other	—	—	6,081	4.8		
		Subtotal	18,484	86.7	24,400	19.1		
	Real estate in trust - Total				18,484	86.7	113,638	88.9
	Deposits and other assets				2,847	13.3	14,142	11.1
	Total assets (Note 3)				21,331 (18,484)	100.0 (86.7)	127,780 (113,638)	100.0 (88.9)

(Notes) 1. References to the "three major metropolitan areas of Japan" are to the combined greater Tokyo area, greater Nagoya area and greater Osaka area. References to the "greater Tokyo area" are to Tokyo, Kanagawa, Saitama and Chiba prefectures. References to the "greater Nagoya area" are to Aichi, Gifu and Mie prefectures. References to the "greater Osaka area" are to Osaka, Kyoto, Hyogo, Nara and Shiga prefectures. 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 in parentheses in "Total assets" represent 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, 2013 (top ten properties in terms of book value at end of 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 the total real estate leasing business revenues (%)	Primary Use
D Project Urayasu II	21,460	72,320.01	72,320.01	100.0	— (Note 3)	Logistics property
D Project Hachioji	12,616	62,394.17	62,394.17	100.0	— (Note 3)	Logistics property
D Project Urayasu I	7,723	36,515.81	36,515.81	100.0	— (Note 3)	Logistics property
D Project Machida	7,620	50,490.39	50,490.39	100.0	— (Note 3)	Logistics property
ACROSSMALL Shinkamagaya	6,867	41,742.84	41,742.84	100.0	11.3	Retail property
D Project Inuyama	6,659	43,723.70	43,723.70	100.0	— (Note 3)	Logistics property
FOLEO Sendai Miyanomori	6,081	19,845.72	19,845.72	100.0	5.0	Retail property
D Project Noda	5,108	29,232.53	29,232.53	100.0	— (Note 3)	Logistics property
QIZ GATE URAWA	5,044	9,705.31	9,705.31	100.0	9.7	Retail property
FOLEO Hirakata	4,759	16,380.78	16,367.31	99.9	7.8	Retail property
Total	83,937	382,351.26	382,337.79	100.0	75.8	

(Notes) 1. Leasable area means the leasable area of the building in relation to each property in trust, which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building.

2. The leased area means the total leased area as indicated in each lease agreement in relation to each property in trust as of February 28, 2013. However, 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, the leased area is as indicated in each sublease agreement in relation to each property in trust as of February 28, 2013. In some properties, total leasable area and total leased area are larger than gross floor area due to differences in measurement of floor area in real property registration and lease agreements. Gross floor area is based on the real property registration, while "total leasable area" and "total leased area" are based on the lease agreements. In particular at logistics properties, when eaves are included in the leased area, the leased area may largely exceed the total floor area.

3. The rate to total real estate leasing business revenues is not disclosed as consent for disclosure has not been obtained from lessees.

(3) Description of Portfolio

The DHR portfolio outline as of February 28, 2013 is as follows:

Property name	Location (Note 1)	Form of ownership	Leasable area (m ²)	Book value (Yen in millions)	Assessed value at end of period (Yen in millions) (Note 2)	
Logistics properties	D Project Machida	1-6, Oyamagaoka 2-chome, Machida-shi, Tokyo	Trust beneficiary interests in real estate	50,490.39	7,620	7,920
	D Project Hachioji	21-1, Minami-Osawa 3-chome, Hachioji-shi, Tokyo	Trust beneficiary interests in real estate	62,394.17	12,616	12,900
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko-gun, Kanagawa	Trust beneficiary interests in real estate	14,240.84	2,611	2,890
	D Project Shin-Misato	Lala City, Shin-Misato, Misato-shi, Saitama (Note 3)	Trust beneficiary interests in real estate	11,289.91	4,454	5,520
	D Project Urayasu I	12-1, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	36,515.81	7,723	8,070
	D Project Urayasu II	11-5, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	72,320.01	21,460	22,200
	D Project Akanehama	2-8, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficiary interests in real estate	11,663.39	2,560	2,620
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda-shi, Chiba	Trust beneficiary interests in real estate	29,232.53	5,108	5,580
	D Project Inuyama	5-5, Takanebora, Inuyama-shi, Aichi	Trust beneficiary interests in real estate	43,723.70	6,659	7,520
	D Project Gifu	449-9, Nanba Azamura-higashi, Wanouchi-cho, Anpachi-gun, Gifu	Trust beneficiary interests in real estate	7,669.91	903	1,050
	D Project Neyagawa	24-12, Shime-no 2-chome, Neyagawa-shi, Osaka	Trust beneficiary interests in real estate	11,151.51	4,613	5,120
	D Project Sapporo Minami	7-1, Wattsu Chuo 5-chome, Kita-Hiroshima-shi, Hokkaido	Trust beneficiary interests in real estate	6,749.10	604	773
	D Project Morioka	3-18, Aza Kazabayashi, Ogama, Takizawa-mura, Iwate-gun, Iwate	Trust beneficiary interests in real estate	9,558.32	1,003	1,130
	D Project Sendai Minami	2-39, Kuko-Minami 3-chome, Iwanuma-shi, Miyagi	Trust beneficiary interests in real estate	11,052.27	1,253	1,340
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura-shi, Ibaraki	Trust beneficiary interests in real estate	17,448.86	2,884	3,170
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba-shi, Shizuoka	Trust beneficiary interests in real estate	6,737.53	955	1,100
	D Project Nishi-Hiroshima	3-11, Tomo-Minami 2-chome, Asaminami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interests in real estate	5,093.51	1,000	1,130
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya-gun, Fukuoka	Trust beneficiary interests in real estate	24,729.56	3,108	3,500
	D Project Tosu	1623-2, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga	Trust beneficiary interests in real estate	8,826.00	2,104	2,480
		Subtotal		440,887.32	89,238	96,013
Retail properties	ACROSSMALL Shinkamagaya	12-1, Shin-Kamagaya 2-chome, Kamagaya-shi, Chiba	Trust beneficiary interests in real estate	41,742.84	6,867	6,970
	FOLEO Hirakata	20-10, Koyamichi 1-chome, Hirakata-shi, Osaka	Trust beneficiary interests in real estate	16,380.78	4,759	4,350
	QIZ GATE URAWA	3720, Oaza Nakao, Midori-ku, Saitama-shi, Saitama	Trust beneficiary interests in real estate	9,705.31	5,044	4,700
	LIFE Sagamihara Wakamatsu	19-5, Wakamatsu 5-chome, Minami-ku, Sagamihara-shi, Kanagawa	Trust beneficiary interests in real estate	2,973.44	1,649	1,440
	FOLEO Sendai Miyanomori	14-5, Higashi-Sendai 4-chome, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interests in real estate	19,845.72	6,081	6,110
		Subtotal		90,648.09	24,400	23,570
	Total		531,535.41	113,638	119,583	

(Notes) 1. Location means displayed address. If a property does not have the displayed address, the address of the building in the registry (when there are more than one address, any of them) is shown.

2. Assessed value at end of period represents the appraisal value or survey price provided by a real estate appraiser, in accordance with the method and criteria of asset valuation set forth in the Articles 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	9th period (From March 1, 2012 to August 31, 2012)				10th period (From September 1, 2012 to February 28, 2013)				
	Total number of tenants (as of the end of the period) (Note 1)	Occupancy rate (as of the end of the period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to the total real estate leasing business revenues (%)	Total number of tenants (as of the end of the period) (Note 1)	Occupancy rate (as of the end of the period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to the total real estate leasing business revenues (%)	
Logistics properties	D Project Machida	—	—	—	—	1 (1)	100.0	— (Note 2)	— (Note 2)
	D Project Hachioji	—	—	—	—	2	100.0	— (Note 2)	— (Note 2)
	D Project Aikawa-Machi	—	—	—	—	1 (1)	100.0	— (Note 2)	— (Note 2)
	D Project Shin-Misato	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu I	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu II	—	—	—	—	1 (1)	100.0	— (Note 2)	— (Note 2)
	D Project Akanehama	—	—	—	—	1 (1)	100.0	— (Note 2)	— (Note 2)
	D Project Noda	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Inuyama	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Gifu	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Neyagawa	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Sapporo Minami	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Morioka	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Sendai Minami	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Tsuchiura	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Gotenba	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Nishi-Hiroshima	—	—	—	—	2	100.0	— (Note 2)	— (Note 2)
D Project Fukuoka Umi	—	—	—	—	4	100.0	62	2.6	
D Project Tosu	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)	
Subtotal	—	—	—	—	24	100.0	1,552	64.1	
Retail properties	ACROSSMALL Shinkamagaya	1	100.0	273	36.5	1	100.0	273	11.3
	FOLEO Hirakata	1 (23)	99.9	189	25.2	1 (23)	99.9	189	7.8
	QIZ GATE URAWA	10	99.4	236	31.6	11	100.0	235	9.7
	LIFE Sagami-hara Wakamatsu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	FOLEO Sendai Miyanomori	—	—	—	—	1	100.0	122	5.0
	Subtotal	13	99.9	748	100.0	15	100.0	869	35.9
Total	13	99.9	748	100.0	39	100.0	2,421	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 respective period. However, 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, the number of end-tenants is indicated in the brackets after the number of master lessee, and 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, only the master lease company is indicated as a tenant.

2. Real estate leasing business revenues and the rate to total real estate leasing business revenues is not disclosed as consent 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, 2013.

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	6,054	—	—	6,300	246	Deposited as security deposit
	Total	10,000	6,054	—	—	6,300	246	

(5) Holding of Assets by Country and Region

Not applicable.

4 | Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

There is no scheduled capital expenditures for planned renovation work, etc. for real estate in trust held as of February 28, 2013.

(2) Capital Expenditures during the Period

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

(3) Cash Reserves for Long-Term Repair Plans

Based on long-term repair 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 for funds for large repairs over the medium to long term.

(Yen in millions)

Operating period	6th period From September 1, 2010 to February 28, 2011	7th period From March 1, 2011 to August 31, 2011	8th period From September 1, 2011 to February 29, 2012	9th period From March 1, 2012 to August 31, 2012	10th period From September 1, 2012 to February 28, 2013
Balance of reserve at the beginning of the period	56	69	81	91	102
Amount of reserves during the period	13	12	13	13	25
Amount of reversal of reserves during the period	—	—	3 (Note)	2	—
Reserves carried forward	69	81	91	102	127

(Note) The amount above includes reversal of reserves as a result of a transfer of COSPA Noma-Oike on January 24, 2012.

5 | Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

Item	9th period From March 1, 2012 to August 31, 2012	10th period From September 1, 2012 to February 28, 2013
(a) Asset management fee (Note)	35,894	68,922
(b) Asset custody fee	1,879	1,834
(c) Administrative service fee	5,760	15,574
(d) Directors' compensation	2,600	6,000
(e) Accounting Auditor's compensation	3,000	13,360
(f) Other expenses	7,523	36,816
Total	56,656	142,506

(Note) In addition to the amount shown above for Asset management fee, there was management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. (9th period: ¥- thousand, 10th period: ¥237,625 thousand).

(2) Debt Financing

The status of borrowings per financial institution as of February 28, 2013 is as follows:

	Classification		Borrowing date	Balance at beginning of the period (Yen in millions)	Balance at end of the period (Yen in millions)	Average interest rate (%) (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender									
Long-term borrowings due within 1 year	Sumitomo Mitsui Banking Corporation		December 12, 2011	3,119	—	0.48	June 12, 2013 (Note 2)	Bullet repayment	(Note 3)	Jointly guaranteed by Daiwa House Industry Co., Ltd. (Note 5)
	Sumitomo Mitsui Trust Bank, Limited			3,043	—					
	Bank of Tokyo-Mitsubishi UFJ, Ltd.			3,119	—					
	Mizuho Corporate Bank, Ltd.			3,119	—					
	Subtotal			12,400	—					
Long-term borrowings	Sumitomo Mitsui Banking Corporation		November 29, 2012	—	4,250	0.73	November 30, 2015	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited			—	4,250					
	Bank of Tokyo-Mitsubishi UFJ, Ltd.			—	4,250					
	Mizuho Corporate 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	0.83	November 29, 2016	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited			—	3,000					
	Bank of Tokyo-Mitsubishi UFJ, Ltd.			—	3,000					
	Mizuho Corporate Bank, Ltd.			—	3,000					
	Mitsubishi UFJ Trust and Banking Corporation			—	2,000					
	Resona Bank, Limited			—	1,000					
	Sumitomo Mitsui Banking Corporation		November 29, 2012	—	3,000	0.96	November 29, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited			—	3,000					
	Bank of Tokyo-Mitsubishi UFJ, Ltd.			—	3,000					
	Mizuho Corporate Bank, Ltd.			—	3,000					
	Mitsubishi UFJ Trust and Banking Corporation			—	1,000					
	Development Bank of Japan Inc.			—	3,000					
	Sumitomo Mitsui Banking Corporation		November 29, 2012	—	2,000	1.29	November 29, 2019	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited			—	2,000					
Bank of Tokyo-Mitsubishi UFJ, Ltd.		—		2,000						
Mizuho Corporate Bank, Ltd.		—		2,000						
Development Bank of Japan Inc.		—		2,000						
Subtotal		—		61,000						
Total		12,400	61,000							

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

2. Fully prepaid on November 27, 2012.

3. Used for repayment of borrowings.

4. Used for acquisition of trust beneficiary interests in real estate and for repayment of borrowings.

5. Due to the joint and several guarantee, payment for financing-related costs (guarantee charge) to Daiwa House Industry Co., Ltd. has arisen.

(3) Status of Investment Corporation Bonds

There is no investment corporation bond outstanding as of February 28, 2013.

(4) Status of Short-Term Investment Corporation Bonds

There is no short-term investment corporation bond outstanding as of February 28, 2013.

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)
D Project Machida	November 29, 2012	7,600	—	—	—	—
D Project Hachioji	November 29, 2012	12,600	—	—	—	—
D Project Aikawa-Machi	November 28, 2012	2,600	—	—	—	—
D Project Shin-Misato	November 29, 2012	4,440	—	—	—	—
D Project Urayasu I	November 28, 2012	7,700	—	—	—	—
D Project Urayasu II	November 29, 2012	21,400	—	—	—	—
D Project Akanehama	November 28, 2012	2,550	—	—	—	—
D Project Noda	November 28, 2012	5,100	—	—	—	—
D Project Inuyama	November 28, 2012	6,650	—	—	—	—
D Project Gifu	November 29, 2012	900	—	—	—	—
D Project Neyagawa	November 28, 2012	4,600	—	—	—	—
D Project Sapporo Minami	November 28, 2012	600	—	—	—	—
D Project Morioka	November 29, 2012	1,000	—	—	—	—
D Project Sendai Minami	November 28, 2012	1,250	—	—	—	—
D Project Tsuchiura	November 29, 2012	2,880	—	—	—	—
D Project Gotenba	November 28, 2012	950	—	—	—	—
D Project Nishi-Hiroshima	November 28, 2012	990	—	—	—	—
D Project Fukuoka Umi	November 29, 2012	3,100	—	—	—	—
D Project Tosu	November 29, 2012	2,100	—	—	—	—
FOLEO Sendai Miyanomori	November 29, 2012	6,040	—	—	—	—
Total		95,050	—	—	—	—

(Note) Acquisition price is the amount that does not include the various expenses required in the acquisition of the concerned real estate, 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.).

(2) Transaction of Other Assets

Type of assets	Acquisition		Disposal		Balance at end of current period	
	Number of units equivalent to face value	Amount (Yen in thousands)	Number of units equivalent to face value	Amount (Yen in thousands)	Number of units equivalent to face value	Amount (Yen in thousands)
Bonds	—	—	—	—	¥10,000 thousand	6,054
Total	—	—	—	—	¥10,000 thousand	6,054

(Note) 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	D Project Machida	November 29, 2012	Trust beneficiary interests in real estate	7,600	7,920	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Hachioji	November 29, 2012	Trust beneficiary interests in real estate	12,600	13,000	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Aikawa-Machi	November 28, 2012	Trust beneficiary interests in real estate	2,600	2,900	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Shin-Misato	November 29, 2012	Trust beneficiary interests in real estate	4,440	5,520	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Urayasu I	November 28, 2012	Trust beneficiary interests in real estate	7,700	8,070	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Urayasu II	November 29, 2012	Trust beneficiary interests in real estate	21,400	22,000	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Akanehama	November 28, 2012	Trust beneficiary interests in real estate	2,550	2,630	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Noda	November 28, 2012	Trust beneficiary interests in real estate	5,100	5,600	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Inuyama	November 28, 2012	Trust beneficiary interests in real estate	6,650	7,570	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Gifu	November 29, 2012	Trust beneficiary interests in real estate	900	1,050	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Neyagawa	November 28, 2012	Trust beneficiary interests in real estate	4,600	5,150	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Sapporo Minami	November 28, 2012	Trust beneficiary interests in real estate	600	771	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Morioka	November 29, 2012	Trust beneficiary interests in real estate	1,000	1,130	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Sendai Minami	November 28, 2012	Trust beneficiary interests in real estate	1,250	1,350	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Tsuchiura	November 29, 2012	Trust beneficiary interests in real estate	2,880	3,190	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Gotenba	November 28, 2012	Trust beneficiary interests in real estate	950	1,100	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Nishi-Hiroshima	November 28, 2012	Trust beneficiary interests in real estate	990	1,140	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Fukuoka Umi	November 29, 2012	Trust beneficiary interests in real estate	3,100	3,500	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	D Project Tosu	November 29, 2012	Trust beneficiary interests in real estate	2,100	2,470	The Tanizawa Sōgō Appraisal Co., Ltd.	June 30, 2012
	FOLEO Sendai Miyanomori	November 29, 2012	Trust beneficiary interests in real estate	6,040	6,100	Japan Real Estate Institute	June 30, 2012
	Total			95,050	102,161		

(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 concerned real estate, 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.).

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 and Major Shareholders

A. Status of Transactions

Classification	Transaction amount, etc.			
	Purchase		Sale	
Total amount	¥95,050 million		¥— million	
	Of which, purchase from interested parties and major shareholders: ¥6,500 million (6.8%)		Of which, sale to interested parties and major shareholders: ¥— million (—%)	
Breakdown of transactions with interested parties and major shareholders				
Daiwa House Industry Co., Ltd.	¥6,500 million (6.8%)		¥— million (—%)	
Total	¥6,500 million (6.8%)		¥— million (—%)	

B. Amount of Payment Commission

Classification	Total amount including payment commission, etc. (A) (Yen in thousands)	Breakdown of transactions with interested parties and major shareholders (Note 1)		Rate to the total amount (B/A)
		Payment recipient	Payment amount (B) (Yen in thousands)	
Outsourcing expenses (Note 2)	90,302	Daiwa Information Service Co., Ltd.	46,105	51.1%
		Daiwa Royal Co., Ltd.	7,694	8.5%
		Daiwa Service Co., Ltd.	3,048	3.4%
		Daiwa House Industry Co., Ltd.	33,374	37.0%
Guarantee charge (Note 3)	5,979	Daiwa House Industry Co., Ltd.	5,979	100.0%
Repair construction (Note 4)	16,352	Daiwa Information Service Co., Ltd.	11,139	68.1%
		Daiwa Royal Co., Ltd.	3,970	24.3%
		Daiwa Service Co., Ltd.	111	0.7%

(Notes) 1. Interested parties, etc., and major shareholders 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, and major shareholders of the asset management company as defined in Article 29-4, paragraph 2 of the Financial Instruments and Exchange Act.

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

3. Guarantee arrangement contracts expired in the current fiscal period.

4. Repairs and maintenance expenses include the repair amount covered by insurance in addition to the payment in relation to construction.

(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, building lots and buildings transaction business 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," "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 at DHR's board of directors is as follows:

Approval date	Matters approved or resolved	Overview
September 26, 2012	Signing of memorandum on additional services (accounting administration agreement)	Signed a memorandum on service pertaining to accounting administration agreement with the trustee of accounting service
	Conclusion of general administration agreement	Upon new listing, terminated the old agreement with the administrator of register of unitholders and concluded a new general administration agreement
October 10, 2012	Partial change on asset management agreement	Approved partial change on asset management agreement concluded with the Asset Manager as of September 20, 2007 (including subsequent changes)
October 24, 2012	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., Mizuho Securities Co., Ltd., Daiwa Securities Co., Ltd. and SMBC Nikko Securities Inc. as joint lead managers for Japanese offering, and Morgan Stanley & Co. International plc, Nomura International plc and UBS Limited as International joint lead managers with relevant work for soliciting subscribers of new investment units

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

Not applicable

(3) Treatment of Fractions in Amounts and Rates

Unless otherwise specified, values less than the units indicated are rounded to the nearest unit in this report.

DAIWA HOUSE REIT INVESTMENT CORPORATION
BALANCE SHEETS

As of August 31, 2012 and February 28, 2013

	As of	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Assets		
Current Assets:		
Cash and bank deposits (Note 4)	¥2,819,269	¥11,322,422
Tenant receivables	7,876	13,732
Prepaid expenses	7,187	134,656
Consumption taxes receivable	—	2,172,672
Other current assets	134	104,928
Total current assets	2,834,466	13,748,410
Investment Properties:		
Land (Notes 5, 14)	9,457,095	61,060,144
Buildings and improvements (Notes 5, 14)	10,004,018	52,402,113
Structures (Notes 5, 14)	347,918	2,106,811
Less: accumulated depreciation (Notes 5, 14)	(1,324,633)	(1,930,608)
Construction in progress	5,840	—
Total investment properties, net	18,490,238	113,638,460
Other Assets:		
Other intangible assets	—	3,230
Investment securities (Note 4)	5,974	6,054
Long-term prepaid expenses	—	383,359
Total other assets	5,974	392,643
Total Assets	¥21,330,678	¥127,779,513

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

DAIWA HOUSE REIT INVESTMENT CORPORATION
BALANCE SHEETS, CONTINUED

As of August 31, 2012 and February 28, 2013

	As of	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Liabilities		
Current Liabilities:		
Long-term borrowings due within one year (Notes 4, 7)	¥12,400,000	¥ —
Accounts payable	36,081	51,681
Accrued expenses	52,279	78,952
Income taxes payable	605	605
Accrued consumption taxes	1,030	—
Advances received	92,665	385,685
Other liabilities	23,807	53,629
Total current liabilities	12,606,467	570,552
Long-term borrowings (Notes 4, 7)	—	61,000,000
Tenant security deposits (Note 4)	1,451,190	5,935,967
Total Liabilities	14,057,657	67,506,519
Net Assets (Note 6)		
Unitholders' Equity: Unitholders' capital	7,300,000	59,381,050
Units authorized: 2,000,000 units		
Units issued and outstanding:		
14,600 units as of August 31, 2012 and		
122,540 units as of February 28, 2013		
Retained earnings (Accumulated deficit)	(26,979)	891,944
Total unitholders' equity	7,273,021	60,272,994
Total Net Assets	7,273,021	60,272,994
Total Liabilities and Net Assets	¥21,330,678	¥127,779,513

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

DAIWA HOUSE REIT INVESTMENT CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
(ACCUMULATED DEFICIT)

For the six months ended August 31, 2012 and February 28, 2013

	For the six months ended	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Operating Revenues and Expenses		
Operating Revenues:		
Rental (Note 8)	¥684,711	¥2,346,449
Other revenues related to property leasing (Note 8)	63,345	74,727
Total operating revenues	748,056	2,421,176
Operating Expenses:		
Rental expenses (Note 8)	326,342	826,422
Asset management fees	35,894	68,923
Other operating expenses	20,762	73,584
Total operating expenses	382,998	968,929
Operating Income	365,058	1,452,247
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	254	612
Insurance income	335	751
Other non-operating revenues	542	122
Non-Operating Expenses:		
Interest expense	30,005	153,539
New investment units issuance costs	—	292,786
Borrowing related expenses	17,335	87,860
Other non-operating expenses	107	19
Ordinary Income	318,742	919,528
Income before Income Taxes	318,742	919,528
Current income tax expense (Note 10)	605	605
Deferred income tax expense (Note 10)	119,921	—
Net Income	198,216	918,923
Accumulated Deficit Brought Forward	(225,195)	(26,979)
Unappropriated Retained Earnings (Accumulated Deficit)	¥(26,979)	¥891,944

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 months ended February 29, 2012, August 31, 2012 and February 28, 2013

	Number of Units	Unitholders' Equity			Total Net Assets
		Unitholders' Capital	Retained Earnings (Accumulated Deficit)	Total Unitholders' Equity	
	(Units)	(Yen in thousands)			
Balance as of February 29, 2012	14,600	7,300,000	(225,195)	7,074,805	7,074,805
Changes during the period:					
Net income	—	—	198,216	198,216	198,216
Total changes during the period	—	—	198,216	198,216	198,216
Balance as of August 31, 2012	14,600	7,300,000	(26,979)	7,273,021	7,273,021
Changes during the period:					
Issuance of new investment units	107,940	52,081,050	—	52,081,050	52,081,050
Net income	—	—	918,923	918,923	918,923
Total changes during the period	107,940	52,081,050	918,923	52,999,973	52,999,973
Balance as of February 28, 2013	122,540	¥59,381,050	¥891,944	¥60,272,994	¥60,272,994

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

DAIWA HOUSE REIT INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS

For the six months ended August 31, 2012 and February 28, 2013

	For the six months ended	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Cash Flows from Operating Activities:		
Income before income taxes	¥318,742	¥919,528
Depreciation	159,642	606,145
Interest income	(254)	(612)
Interest expense	30,005	153,539
New investment units issuance costs	—	292,786
(Increase) decrease in prepaid expenses	4,073	(127,469)
(Increase) decrease in long-term prepaid expenses	2,778	(383,359)
Decrease in tenant receivables	(2,460)	(5,856)
Decrease in consumption taxes receivable	—	(2,172,673)
Decrease in accrued consumption taxes	(21,281)	(1,030)
Increase in accounts payable	2,625	15,600
Increase in accrued expenses	5,909	28,095
Increase in advances received	—	293,020
Increase (decrease) in deposits received	(162)	29,822
Interest income received	254	612
Cash payments of interest expense	(29,678)	(154,961)
Income taxes paid	(605)	(605)
Others, net	(4,056)	(116,705)
Net Cash Provided by (Used in) Operating Activities	465,532	(624,123)
Cash Flows from Investing Activities:		
Payments for purchases of investment properties	(11,278)	(95,754,196)
Others, net	—	(3,400)
Net Cash Used in Investing Activities	(11,278)	(95,757,596)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	—	61,000,000
Repayment of long-term borrowings	—	(12,400,000)
Proceeds from issuance of new units	—	51,788,264
Net Cash Provided by Financing Activities	—	100,388,264
Net Change in Cash and Cash Equivalents	454,254	4,006,545
Cash and Cash Equivalents at the Beginning of Period	1,163,816	1,618,070
Cash and Cash Equivalents at the End of Period	¥1,618,070	¥5,624,615

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

Notes To Financial Statements

As of and for the six months ended August 31, 2012 and February 28, 2013

Note 1 – Organization and Basis of Presentation

Organization

Daiwa House REIT Investment Corporation (hereinafter “DHR”) was established on September 14, 2007, with an initial ¥200 million capital contribution by Daiwa House Industry Co., Ltd. (hereinafter “Daiwa House”), under the Act on Investment Trusts and Investment Corporations (hereinafter the “Investment Trust Act”), and completed its registration in the Kanto Local Finance Bureau on October 23, 2007.

On December 11, 2007, DHR raised capital of ¥3.4 billion through a placement by Daiwa House to purchase one retail and one logistics property. In addition, on December 10, 2008, DHR raised additional capital of ¥3.7 billion through a placement by Daiwa House to increase its total capital to ¥7.3 billion.

Subsequently, DHR issued additional investment units (102,800 units) through a public offering on November 27, 2012, and was listed on the real estate investment trust securities market of Tokyo Stock Exchange (Securities code 3263) on November 28, 2012. In addition, new investment units (5,140 units) were issued through third-party allotment on December 26, 2012. During the fiscal period ended February 28, 2013, DHR acquired 19 logistics properties and one retail property. Consequently, DHR held 24 properties at the end of the fiscal period.

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 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 are a translation from the financial statements of DHR prepared in accordance with Japanese GAAP into English. 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’s fiscal period is a six-month period ending at the end of February and August of each year, respectively.

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. The estimated useful lives of the principal assets are as follows:

	As of August 31, 2012	As of February 28, 2013
	(years)	
Buildings and improvements	3~46	3~46
Structures	10~24	10~30

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) New Investment Units Issuance Costs

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

(e) Long-term Prepaid Expenses

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

(f) Income Taxes

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

(g) 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, half of such taxes on investment properties for each calendar year are charged as operating expenses in each fiscal period. No capitalized real estate taxes were incurred for the six month period ended August 31, 2012. Capitalized real estate taxes amounted to ¥48,696 thousand for the period ended February 28, 2013.

(h) 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.

(i) Revenue Recognition

Operating revenues consist of rental revenues including fixed rental revenues and variable rental revenues, common area charges, and other operating revenues including 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, respectively.

(j) 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 statement.

(k) Rounding of Amounts Presented

Amounts have been truncated in the Japanese financial statements prepared in accordance with Japanese GAAP and filed with regulatory authorities in Japan, whereas amounts have been rounded to the nearest thousand in the accompanying financial statements. Totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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.

	As of August 31, 2012	As of February 28, 2013
	(Yen in thousands)	
Cash and bank deposits	¥ 2,819,269	¥ 11,322,422
Less: restricted bank deposits held in trust . .	(1,201,199)	(5,697,807)
Cash and cash equivalents	¥ 1,618,070	¥ 5,624,615

Note 4 – Financial Instruments

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 mid- and 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. Currently DHR is not engaged in any derivative transactions.

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 are used to acquire real estate properties and to repay outstanding debts. These borrowings are exposed to liquidity risk. 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 impact caused by rising interest rates, closely watches the movement of interest rates, and intends to increase the ratio of fixed rate

borrowings, etc. 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.

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of August 31, 2012 and February 28, 2013 are as follows:

	As of August 31, 2012			As of February 28, 2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference
	(Yen in thousands)					
Assets						
Cash and bank deposits	¥ 2,819,269	¥ 2,819,269	¥ —	¥ 11,322,422	¥ 11,322,422	¥ —
Investment securities:						
Held-to-maturity debt securities	5,974	6,209	235	6,054	6,300	246
Total	¥ 2,825,243	¥ 2,825,478	¥ 235	¥ 11,328,476	¥ 11,328,722	¥ 246
Liabilities						
Long-term borrowings due within						
one year	¥ 12,400,000	¥ 12,400,000	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	—	—	—	61,000,000	60,981,215	(18,785)
Tenant security deposits	249,991	228,760	(21,231)	238,160	¥ 221,262	(16,898)
Total	¥ 12,649,991	¥ 12,628,760	¥ (21,231)	¥ 61,238,160	¥ 61,202,477	¥ (35,683)

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 of held-to-maturity debt securities were as follows:

	As of August 31, 2012			As of February 28, 2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value:						
Japanese Government bonds (*)	¥ 5,974	¥ 6,209	¥ 235	¥ 6,054	¥ 6,300	¥ 246
Securities with fair value not exceeding book value:						
Japanese Government bonds (*)	—	—	—	—	—	—
Total	¥ 5,974	¥ 6,209	¥ 235	¥ 6,054	¥ 6,300	¥ 246

(*) 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:

(1) Long-term borrowings due within one year

Book values of these borrowings are used to determine their fair values, as the book values are considered to approximate fair values because these borrowings are floating rate loans and settled within a short term period.

(2) Long-term borrowings

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

(3) 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 into consideration the remaining term.

2. Financial instruments whose fair values are deemed extremely difficult to determine are as follows:

	As of	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Tenant security deposits (*)	¥ 1,201,199	¥ 5,697,807

(*) Tenant security deposits are not subject to 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, 2012	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	¥ 2,819,269	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities: Held-to-maturity debt securities	—	—	—	—	—	10,000
Total	¥ 2,819,269	¥ —	¥ —	¥ —	¥ —	¥ 10,000

As of February 28, 2013	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	¥ 11,322,422	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities: Held-to-maturity debt securities	—	—	—	—	—	10,000
Total	¥ 11,322,422	¥ —	¥ —	¥ —	¥ —	¥ 10,000

4. Repayment Schedule for Borrowings

As of August 31, 2012	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 due within one year	¥ 12,400,000	¥ —	¥ —	¥ —	¥ —	¥ —
Total	¥ 12,400,000	¥ —	¥ —	¥ —	¥ —	¥ —

As of February 28, 2013	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	¥ 10,000,000
Total	¥ —	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ 10,000,000

Note 5 – Schedule of Tangible Assets of Investment Properties

Tangible assets as of August 31, 2012 and February 28, 2013 consisted of the following:

	As of August 31, 2012			As of February 28, 2013		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 9,457,095	¥ —	¥ 9,457,095	¥ 61,060,144	¥ —	¥ 61,060,144
Buildings and improvements	10,004,018	(1,267,382)	8,736,636	52,402,113	(1,843,680)	50,558,433
Structures	347,918	(57,251)	290,667	2,106,811	(86,928)	2,019,883
Construction in progress	5,840	—	5,840	—	—	—
Total	¥ 19,814,871	¥ (1,324,633)	¥ 18,490,238	¥ 115,569,068	¥ (1,930,608)	¥ 113,638,460

Note 6 – Net Assets

DHR issues only non-par value units in accordance with the Investment Trust Act and all of the issue prices 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.

Note 7 – Long-Term Borrowings

Long-term borrowings are floating rate loans as of August 31, 2012 and fixed rate loans as of February 28, 2013. Long-term borrowings consisted of the following:

	As of	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Guaranteed, unsecured borrowings due 2013 from banks with average interest rate 0.48% (*1)	¥ 12,400,000	¥ —
Unguaranteed, unsecured borrowings due 2015 from banks with average interest rate 0.73%	—	20,000,000
Unguaranteed, unsecured borrowings due 2016 from banks with average interest rate 0.83%	—	15,000,000
Unguaranteed, unsecured borrowings due 2017 from banks with average interest rate 0.96%	—	16,000,000
Unguaranteed, unsecured borrowings due 2019 from banks with average interest rate 1.29%	—	10,000,000
Less: amount due within one year	(12,400,000)	—
Long-term borrowings due after one year	¥ —	¥ 61,000,000

(*1) Guaranteed by Daiwa House.

During the 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 were available as of February 28, 2013.

Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended August 31, 2012 and February 28, 2013 were as follows:

	For the six months ended	
	August 31, 2012	February 28, 2013
(Yen in thousands)		
Revenues from Property Leasing:		
Rental revenues.	¥ 684,711	¥ 2,346,449
Common area charges.	30,142	42,544
Others.	33,203	32,183
Total revenues from property leasing.	748,056	2,421,176
Rental Expenses:		
Real estate taxes.	68,739	68,710
Property management fees.	49,979	90,302
Insurance.	2,125	4,414
Repairs and maintenance.	8,073	15,321
Depreciation.	159,642	605,975
Other rental expenses.	37,784	41,700
Total rental expenses.	326,342	826,422
Operating Income from Property Leasing Activities	¥ 421,714	¥ 1,594,754

Note 9 – Leases

The future minimum rental revenues under existing non-cancelable operating leases as of August 31, 2012 and February 28, 2013 were as follows:

	As of	
	August 31, 2012	February 28, 2013
(Yen in thousands)		
Due within one year	¥ 470,579	¥ 5,532,604
Due after one year	4,029,243	45,948,781
Total	¥ 4,499,822	¥ 51,481,385

Note 10 – Income Taxes

DHR is subject to Japanese corporate income taxes on all of its taxable income. However, DHR may deduct from its taxable income the amounts distributed to its unitholders, provided certain requirements are met under the Special Taxation Measure Act of Japan. Under this act, DHR must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If DHR does not satisfy all of the requirements, 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 months ended	
	August 31, 2012	February 28, 2013
Statutory tax rate	42.05%	36.59%
Deductible cash distributions	—	(35.49)
Changes in valuation allowance	(4.47)	(1.13)
Others	0.23	0.10
Effective tax rate	37.81%	0.07%

The significant components of deferred tax assets and liabilities as of August 31, 2012 and February 28, 2013 were as follows:

	As of	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Deferred tax assets:		
Tax loss carried forward	¥ 200,449	¥ 189,866
Total deferred tax assets.	200,449	189,866
Valuation allowance	(200,449)	(189,866)
Net deferred tax assets	¥ —	¥ —

Note 11 – Per Unit Information

Information about earnings per unit for the periods ended August 31, 2012 and February 28, 2013 were as follows:

	For the six months ended	
	August 31, 2012	February 28, 2013
	(Yen)	
Earnings per Unit:		
Net income per unit	¥ 13,576	¥ 13,159
Weighted average number of units outstanding (units) . . .	14,600	69,834
	As of	
	August 31, 2012	February 28, 2013
	(Yen)	
Net Assets Per Unit	¥ 498,152	¥ 491,864

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.

Note 12 – Distribution Information

In accordance with the distribution policy in the DHR's articles of incorporation which stipulates DHR should make a distribution in excess of 90% of distributable profit as defined in the Special Taxation Measure Act of Japan for each fiscal period, DHR generally intends to distribute approximately 100% of retained earnings.

	For the six months ended	
	August 31, 2012	February 28, 2013
	(Yen)	
Unappropriated retained earnings (accumulated deficit) .	¥ (26,979,401)	¥ 891,943,611
Cash distribution declared	—	891,846,120
Retained earnings (accumulated deficit) carried forward	¥ (26,979,401)	¥ 97,491

A dividend in respect of the six months ended February 28, 2013 of ¥7,278 per investment unit, amounting to a total dividend of ¥891,846 thousand was proposed and approved at the board of directors meeting on April 12, 2013. These financial statements do not reflect this dividend payable.

Cash distributions per investment unit were ¥7,278 for the six months ended February 28, 2013.

Note 13 – Related-Party Transactions

Related-party transactions for the periods ended August 31, 2012 and February 28, 2013 were as follows:

For the six months ended August 31, 2012

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction	Account	Balance at the end of period
			Yen in millions		%			Yen in thousands		Yen in thousands
Subsidiary of parent company	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	¥200	Asset management business	—	Master lessee and entrustment of property management	Property management fees	¥ 42,239	Prepaid expenses	¥ 11
							Cost of utilities	29,087	Accounts payable	20,564
							Other operating expenses	2,397		
							—	—	Tenant security deposits	546,000
							Rental revenues	273,006	Advances received	47,775
							Repairs and maintenance (Note 3)	7,917	Accounts payable	3,504
Subsidiary of parent company	Daiwa Royal Co., Ltd.	Chiyoda-ku, Tokyo	500	Asset management business	—	Entrustment of property management	Property management fees	7,740	Accounts payable	2,162
							Other operating expenses	3,203		
							Repairs and maintenance (Note 3)	6,396		
Parent company	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	110,120	Construction business	100.0	Repairs and maintenance of properties	Borrowing related expenses	12,502	Accrued expenses	10,396
Director and/or close relatives	Kenjiro Matsutake	—	—	Executive Director of DHR and President & CEO of Daiwa House REIT Management Co., Ltd.	—	Payment of asset management fees to Daiwa House REIT Management Co., Ltd.	Asset management fees (Note 5)	35,894	Accrued expenses	37,688

For the six months ended February 28, 2013

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction	Account	Balance at the end of period	
			Yen in millions		%			Yen in thousands		Yen in thousands	
Company whose major corporate unitholder holds 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	¥ 46,105	Accounts payable	¥ 18,539	
							Cost of utilities	27,617			
							Other operating expenses	1,907			
							Repairs and maintenance (Note 3)	11,139			
							—	—	Tenant security deposits		546,000
							Rental revenues	273,000	Advances received		47,775
Company whose major corporate unitholder holds a majority of voting rights	Daiwa Royal Co., Ltd.	Chiyoda-ku, Tokyo	500	Asset management business	—	Entrustment of property management	Property management fees	7,694	Accounts payable	1,815	
							Other operating expenses	3,150			
							Repairs and maintenance (Note 3)	3,970			
Company whose major corporate unitholder holds a majority of voting rights	Daiwa Service Co., Ltd.	Nishi-ku, Osaka	130	Asset management business	—	Entrustment of property management	Property management fees	3,048	Accounts payable	1,116	
							Repairs and maintenance (Note 3)	111			
Company whose major corporate unitholder holds 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	306,548	Accrued expenses	72,369	
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	110,120	Construction business	13.5	Repairs and maintenance of properties	Borrowing related expenses (Note 6)	5,979	—	—	
							Property management fees	33,374	Accounts payable	18,816	
							Miscellaneous expenses	250	—	—	
							Rental revenues	122,200	Advances received	41,738	
							Purchase of real estate trust beneficiary interest (Note 7)	6,500,000	—	—	
							Acceptance of tenant security deposits	238,500	Tenant security deposits	238,500	

Notes:

- Consumption taxes are not included in transaction amounts and are included in the balance at the end of the period.
- The terms and conditions of related-party transactions are on an arm's length basis.
- Repairs conducted by insurance are included in repairs and maintenance excluding payments related to constructions.
- Kenjiro Matsutake entered into this transaction as a representative of Daiwa House REIT Management Co., Ltd. The fee amount is set forth in the Articles of DHR.
- Kenjiro Matsutake stepped down as the executive director of DHR on July 31, 2012. As his replacement, Hirotaka Najima was appointed as the new executive director on August 1, 2012. The amount includes all transactions of this period.
- Guarantee arrangement contracts expired in the current fiscal period.
- The amount of transaction shown was based on the purchase prices stated in the Sale and Purchase Agreements excluding expenses related to acquisition, such as brokerage fees and taxes.

Note 14 – Investment and Rental Property

DHR owns logistics and retail properties for rent in the Greater Tokyo Area and other areas. The carrying amounts, net increase (decrease) in the carrying amounts and the fair value of the investment and rental properties, were as follows:

	As of / For the six months ended	
	August 31, 2012	February 28, 2013
	(Yen in thousands)	
Carrying amounts:		
Balance at the beginning of the period . . .	¥ 18,638,602	¥ 18,484,398
Net increase (decrease) during the period . . .	(154,204)	95,154,062
Balance at the end of the period	<u>18,484,398</u>	<u>113,638,460</u>
Fair value	¥ 17,420,000	¥ 119,583,000

Notes:

1. Carrying amounts are stated at acquisition cost less accumulated depreciation.
2. The increase in the fiscal period ended February 28, 2013 was mainly due to the acquisitions of 20 properties (D Project Urayasu II etc, ¥95,759,778 thousand) and the decrease was mainly due to recognition of depreciation costs of ¥605,975 thousand.
The decrease in the fiscal period ended August 31, 2012 was mainly due to recognition of depreciation costs of ¥159,642 thousand.
3. Fair value is determined mainly by appraisal value provided from real estate appraisers.

Information about profit and loss from investment and rental properties is disclosed in Note 8 (Rental Revenues and Expenses) .

Note 15 – Segment Information

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 months ended August 31, 2012

Description is omitted since DHR has only one segment, which is retail property leasing business.

For the six months ended February 28, 2013

	(Yen in thousands)			
	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1)	¥ 1,552,075	¥ 869,101	¥ —	¥ 2,421,176
Segment profit	1,081,308	502,815	(131,876)	1,452,247
Segment assets	94,587,358	26,586,492	6,605,663	127,779,513
Others items				
Depreciation	422,615	183,360	170	606,145
Increase in investment properties and intangible assets	¥ 89,654,863	¥ 6,099,333	¥ 3,400	¥ 95,757,596

Notes:

- DHR's operating revenues are fully from external customers.
- Adjustment to segment profit of ¥(131,876) thousand consists of ¥131,876 thousand of corporate expenses, which includes asset management fees, asset custodian fees, general administration fees, directors' fees that are not allocated to any reportable segments.
Adjustment to segment assets of ¥6,605,663 thousand consists of ¥6,254,687 thousand in current assets and ¥350,976 thousand in other assets.
Adjustment to depreciation of ¥170 thousand represents depreciation of intangible assets in corporate assets.
Adjustment to increase in investment properties and intangible assets of ¥3,400 thousand represents increase in intangible assets in corporate assets not allocated to any reportable segments.

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 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 (accumulated deficit), were as follows:

	Revenues for the six months ended		Related segment
	August 31, 2012	February 28, 2013	
	(Yen in thousands)		
Hitachi Capital Corporation	¥—	¥—(*2)	Logistics property leasing business
Mitsubishi Shokuhin Co., Ltd.	—	—(*2)	Logistics property leasing business
Daiwa Information Service Co., Ltd. (*1)	273,006	273,000	Retail property leasing business
Nitori Co., Ltd.	—(*2)	—	Retail property leasing business

(*1) DHR leases properties to Daiwa Information Service Co., Ltd. under a master lease agreement, and Daiwa Information Service Co., Ltd. subleases such properties to subtenants.

(*2) Not disclosed, due to the constraint of obtaining tenants' consent.

Note 16 – Subsequent Events

Purchase of Additional Property

On March 27, DHR executed a purchase agreement for the acquisition of trust beneficiary interests in the following property.

Property name:	UNICUS Takasaki
Acquisition price: (Note 1)	¥2,570 million
Seller: (Note 2)	Domestic operating company
Form of ownership:	Trust beneficiary interest
Location:	Takasaki, Gunma
Date of acquisition:	March 27, 2013

Notes:

1. The amount of transaction shown was based on the purchase prices stated in the Sale and Purchase Agreements excluding expenses related to the acquisition, such as brokerage fees and taxes.
2. Undisclosed as consent for disclosure has not been obtained from the seller.

Borrowing of funds

To acquire the property described in “Purchase of Additional Property” above, DHR implemented the following borrowing.

Lender:	Sumitomo Mitsui Trust Bank, Limited
Borrowing amount:	¥2,000 million
Interest rate:	Basic interest rate (Japanese Bankers Association 3 month yen TIBOR) +0.50% (Floating interest rate)
Date of execution:	March 27, 2013
Repayment due date:	March 27, 2023
Method of repayment:	Bullet repayment
Collateral, guarantee:	Unsecured and non-guaranteed



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, 2012 and February 28, 2013, and the statements of income and retained earnings (accumulated deficit), 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, 2012 and February 28, 2013, 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.

KPMG AZSA LLC

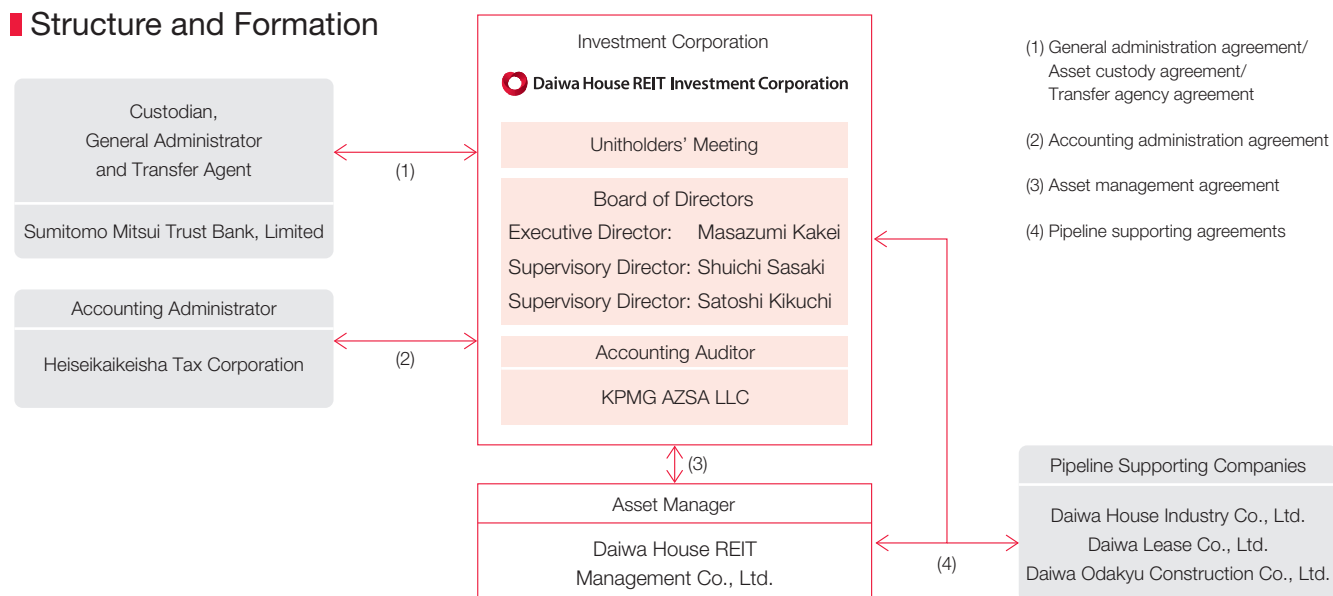
June 21, 2013
Tokyo, Japan

Outline of the Investment Corporation

Corporate History

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

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 of 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

Focusing on Unitholders' Interests

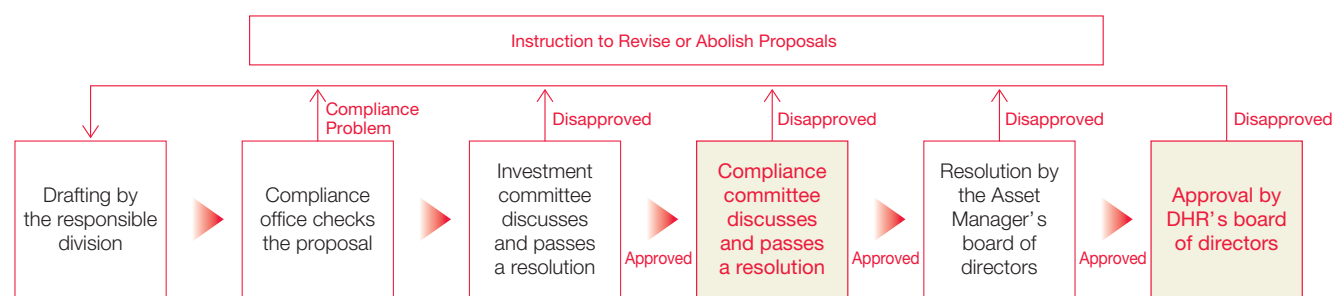
Ownership of Investment Units by Daiwa House Industry Co., Ltd. (“Same Boat Investments”)

Daiwa House Industry Co., Ltd. confirmed its intentions under a pipeline supporting agreement in terms of sharing interests of the DHR's unitholders and itself as a DHR sponsor.

1. Intends to consider, in good faith, purchasing a portion of investment units when newly issued
2. Intends, in principle, to continue to hold acquired investment units

Ensuring Involvement of Third Parties in Flow of Decision-Making to Protect Unitholders Interests

DHR has adopted an internal set of rules that ensures that third-party considerations are met. Before we can conduct a transaction with an interested party, these rules require DHR to obtain resolutions by the Compliance Committee with the approval of a third-party outside committee member, in addition to obtaining the approval of a majority of its board of directors consisting solely of third-party directors.



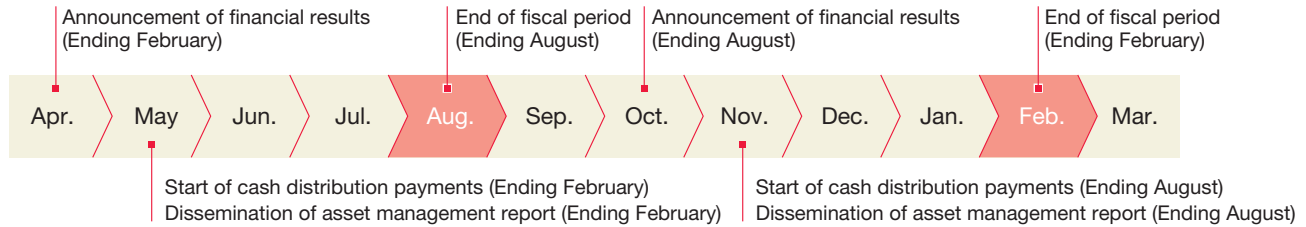
Adoption of Internal Rules to Avoid Transactions with Conflicts of Interest

Seeking to avoid transactions with conflicts of interest, DHR has adopted an internal set of rules that apply to all transactions with interested parties, including the following:

Transaction type involving an interested party	Summary of transaction rules
Acquisition of properties	No acquisition if the price exceeds appraisal value ^(Note) .
Disposal of properties	No disposing if under appraisal value.
Lease of properties	Leases to be based on adequate lease terms taking into account comprehensively the market quotations of the surrounding area and standard lease terms of target properties.
Outsourcing property management business	Outsourcing to be conducted with appropriate conditions by taking into consideration the track record, market standards, contents of services provided and volume of work. As a result of periodic performance checks by the Asset Manager, if such standards are not met, the contract will not be renewed.
Outsourcing sales and purchase and rental agent business	Outsourcing fees to be within the limit of compensation set forth in the Building Lots and Buildings Transaction Business Act of Japan and subject to appropriate conditions by taking into consideration the contents of services provided.
Placing an order for construction (valued at ¥10 million or more per order)	Orders to be placed with an appropriate price, upon obtaining examination material such as estimates or opinions from a third party and taking into consideration various factors such as degree of knowledge of the property.

(Note) In the case of acquisition of a property warehoused by Daiwa House, the property may be acquired at the investment price for the investment target plus all the expenses for the acquisition incurred by the interested party.

Investor Relations Calendar

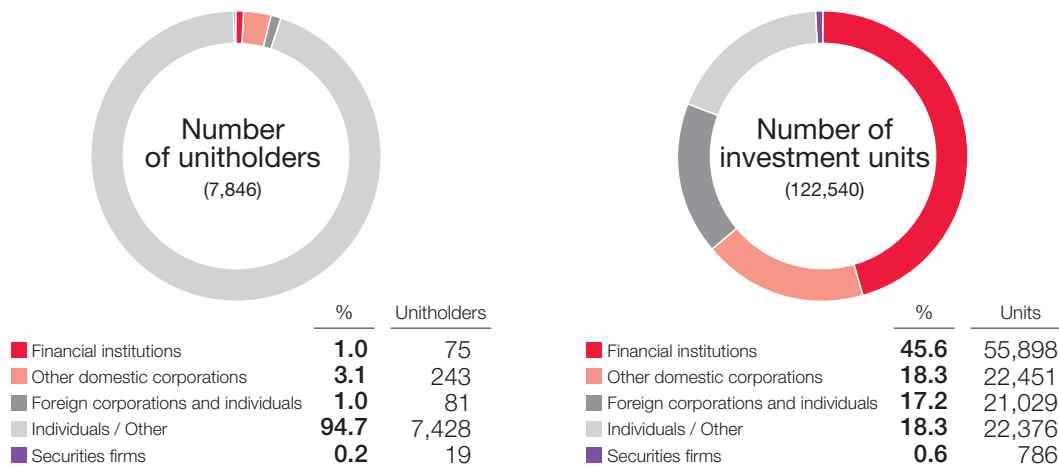


Investment Unit Price



Unitholders Data

(As of February 28, 2013)



(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 (Cash 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 agency	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.
Contact	Head office or a branch of Sumitomo Mitsui Trust Bank, Limited

• 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.

From the 11th period (ending August 31, 2013), Japan Post Bank (Ordinary Savings Accounts) will also be designated 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 10th period is from May 20, 2013 to June 28, 2013.

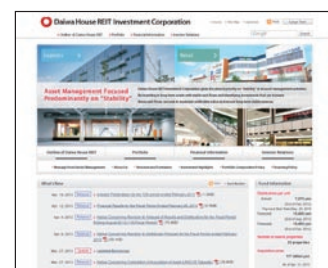
• Procedures for Changes of Address, etc.

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.

Investment Corporation (DHR) Website

Cash distribution information, disclosure information such as press releases, and property listings are posted on the Investment Corporation (DHR)'s website.

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





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