

Daiwa House REIT

13th



Asset Management Focused Predominantly on “Stability”



Financial Highlights

■ Operating revenues	¥4,928 million	■ Total assets	¥163,088 million
■ Operating income	¥2,853 million	■ Net assets	¥80,407 million
■ Net income	¥2,359 million	■ Net assets per unit	¥273,979
■ Distributions per unit	¥8,039	[Reference]	
		14th Period (ending February 28, 2015)	¥8,400
		15th Period (ending August 31, 2015)	¥7,950

Topics

■ Acquisition of ACROSSPLAZA Miyoshi (land)

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

■ Inclusion in FTSE EPRA / NAREIT Global Real Estate Index

DHR has been included in the FTSE EPRA/NAREIT Global Real Estate Index Series ^(Note) effective from September 22, 2014. DHR believes that its inclusion in the Index will help to further broaden its potential investor base and increase the liquidity of the fund.

(Note) The Index is a real estate investment index prepared by FTSE in cooperation with the European Public Real Estate Association (EPRA) and the National Association of Real Estate Investment Trusts (NAREIT), two real estate associations that represent Europe and the U.S. The Index is a world-leading international real estate investment index adopted by many real estate investment funds around the world as a benchmark.

■ Investment Unit Split

On March 1, 2014, DHR executed a 2-for-1 investment unit split. The purpose of this investment unit split was to lower the price of individual investment units, thereby making it easier for investors to purchase investment units, resulting in a widening of our investor pool and increasing the liquidity of our investment units.

Overview of the Investment Corporation

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To Our Unitholders

Daiwa House REIT Investment Corporation (DHR) is now in a position to present the financial results for the 13th period (March 1, 2014 to August 31, 2014). For this, we would like to convey our sincere gratitude to each and every one of our unitholders for their support and encouragement.

We would now like to give an overview of DHR's operations in the 13th period and report on the content of the financial results.

In the 13th period, we raised ¥18,667 million in March 2014 through our first public offering since listing, and along with borrowings we used the funds to acquire six logistics properties for a total acquisition price of ¥25,130 million on April 1, 2014, through the Daiwa House Group pipeline. As of the end of the 13th period, our portfolio comprised 32 properties with a total acquisition price of ¥144,163 million. We maintained a high occupancy rate of 99.97% at the end of the period.

As a result, for the 13th period operating revenues came to ¥4,928 million, operating income came to ¥2,853 million, ordinary income came to ¥2,359 million, and net income came to ¥2,359 million. Consequently, distributions per investment unit came to ¥8,039.

During the 14th period (September 1, 2014 to February 28, 2015), through our collaboration with the Daiwa House Group, we took steps toward external growth by acquiring ACROSSPLAZA Miyoshi (land), a retail property. With this acquisition, as of September 30, 2014, our portfolio comprised 33 properties with a total acquisition price of ¥147,553 million.

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

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



Masazumi Kakei
Executive Director
Daiwa House REIT
Investment Corporation



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

Investment Strategy

High-Performance Logistics Properties

with Competitive Specifications

● Investment Criteria

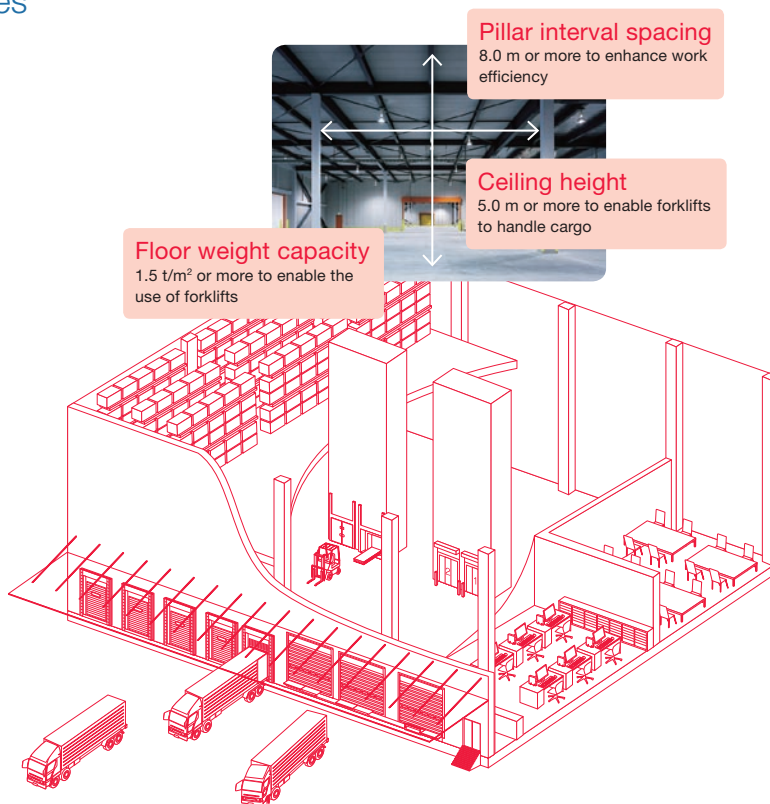
Location

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



Specifications

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



Specialty Retail Complexes

with a Focus on Competitive Specialty Stores

● Investment Criteria

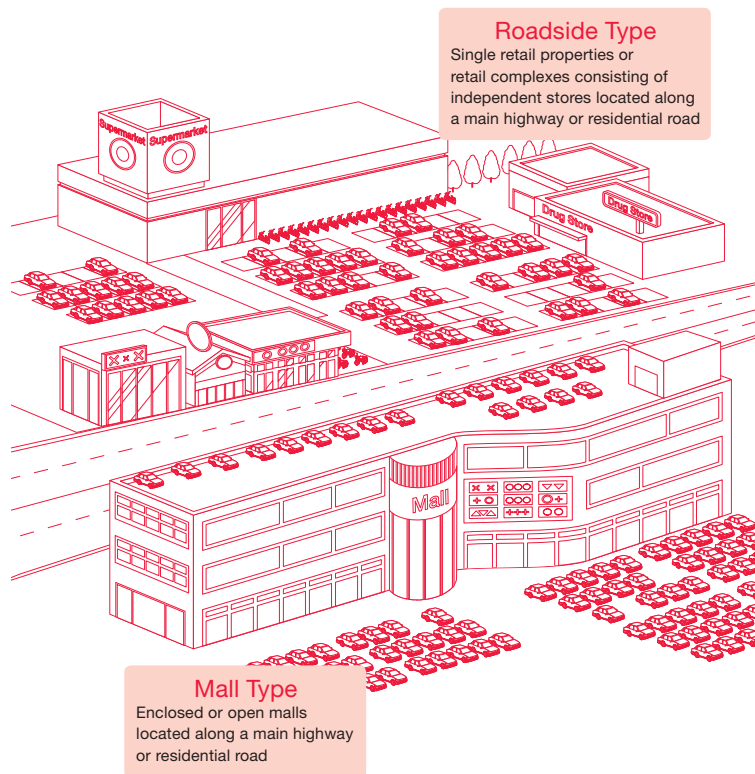
Location

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



Tenants

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



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

Acquisitions in the 13th Period

All acquired through the Daiwa House Group pipeline.

L-B-20 D Project Kuki I



Location | Kuki, Saitama
Construction date | October 5, 2011
Acquisition price | ¥3,500 million

L-B-21 D Project Kuki II



Location | Kuki, Saitama
Construction date | June 21, 2013
Acquisition price | ¥7,200 million

L-B-22 D Project Kawagoe I



Location | Kawagoe, Saitama
Construction date | April 30, 2011
Acquisition price | ¥3,100 million

L-B-23 D Project Kawagoe II



Location | Kawagoe, Saitama
Construction date | September 3, 2012
Acquisition price | ¥4,250 million

L-B-24 DPL Inuyama



Location | Inuyama, Aichi
Construction date | September 18, 2013
Acquisition price | ¥3,380 million

L-B-25 D Project Fukuoka Hakozaki



Location | Fukuoka, Fukuoka
Construction date | October 1, 2012
Acquisition price | ¥3,700 million

Acquisitions in the 11th period

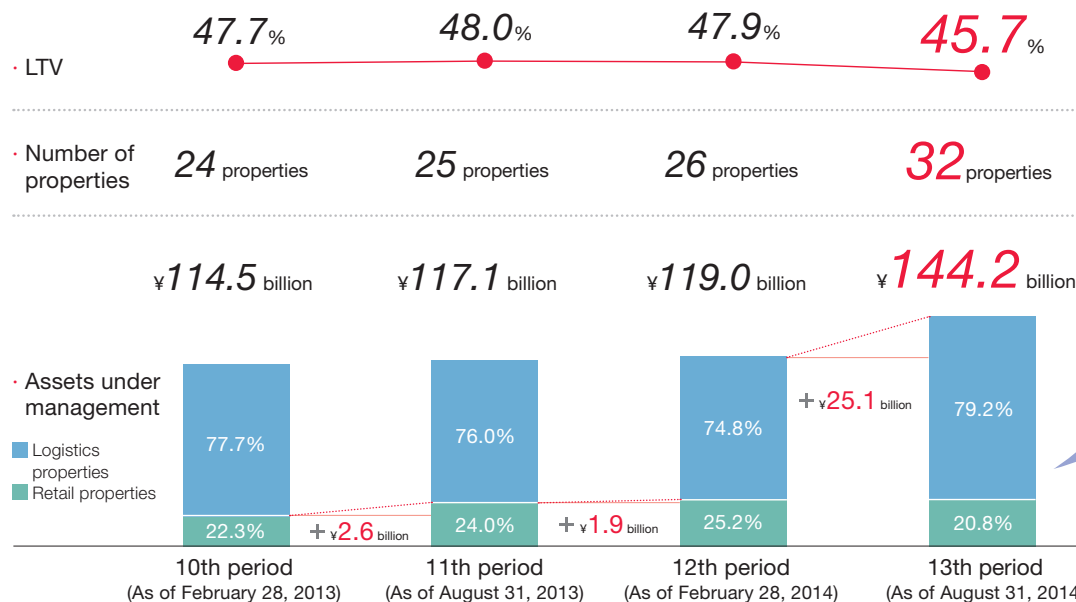


R-M-4 UNICUS Takasaki

Acquisitions in the 12th period



R-R-3 ACROSSPLAZA Inazawa (land)



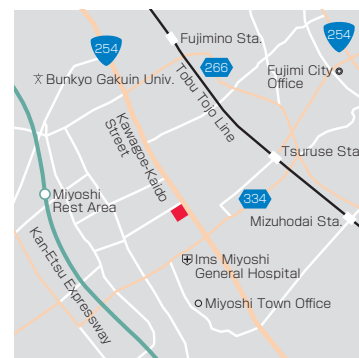
New Acquisitions in the 14th Period

R-M-5 ACROSSPLAZA Miyoshi (land)



Location and market areas

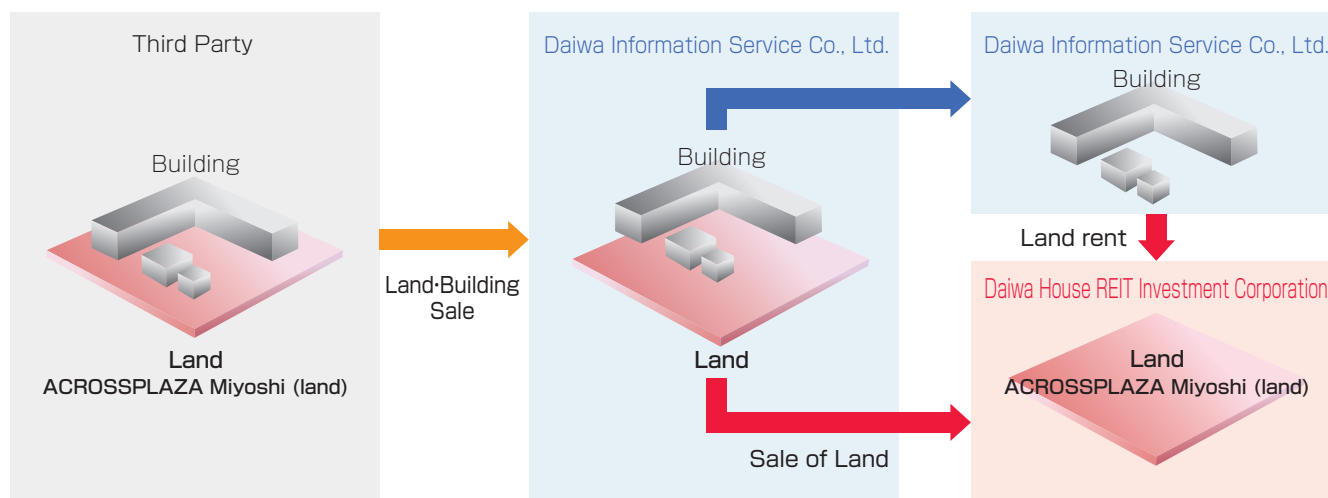
- Located in the southern part of Saitama Prefecture, approximately 30 km from central Tokyo. The area has many workers and students who commute to workplaces and schools in the Tokyo metropolitan area from Tsuruse Station on the Tobu Tojo Line, the nearest station to the property. The facility on the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



Location	Iruma, Saitama	Acquisition price	¥3,390 million
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■ Acquired non-sponsor property through collaboration with the Daiwa House Group

For this property, following on from ACROSSPLAZA Inazawa (land), a property acquired in the 12th period, after Daiwa Information Service Co., Ltd., a member of the Daiwa House Group, acquired a property from a third party, the land alone was sold to DHR, making this an acquisition leveraging the collaboration with the Daiwa House Group.



Financial Strategy

Financial Policy

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

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

Overview of Borrowings

• Borrowings (as of September 30, 2014)

Total borrowings	¥77,500 million
Long-term borrowing ratio	97.4%
Fixed interest ratio	97.4%
Average remaining maturity	3.7 years
Commitment line	¥10,000 million

• Breakdown by Lender (as of September 30, 2014)



• Diversification of Repayment Terms (as of September 30, 2014)



Credit Rating

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

Growth Strategy

Collaboration with Daiwa House Group



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



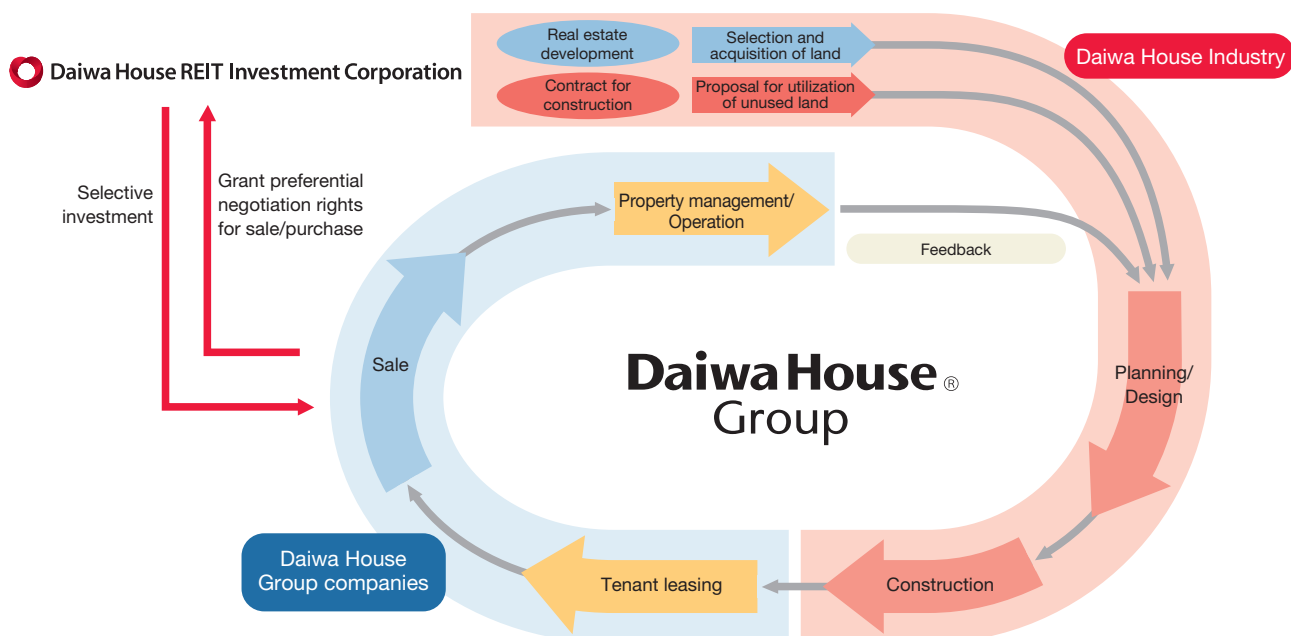
External Growth

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

Internal Growth

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

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



Pipeline with Sponsor

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

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

For logistics properties, the Group provides comprehensive support to help clients' logistics businesses achieve success.

Logistics Properties

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

In the retail properties division, the Group develops a diverse range of stores, provides management appropriate for each type of store and offers a support system.

Retail Properties

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

Properties Developed by Daiwa House Group



D Project Kita Hachioji Annex B



D Project Kuki Shobu I Annex E



D Project Kuki Shobu II Annex F



D Project Kuki Shobu III Annex H



D Project Yashio



D Project Matsudo Annex B



D Project Nishi Yodogawa II



DPL Misato



DPL Sagamiara



FOLEO Shoubu



FOLEO Otsu Ichiriyama



iias Tsukuba

Portfolio Overview

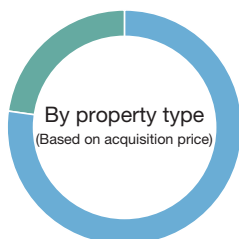
● Portfolio Summary (as of September 30, 2014)

Property number	Property name	Location (City or county, 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	5.2	50,490.39
L-B-2	D Project Hachioji	Hachioji, Tokyo	November 29, 2012	12,600	8.5	62,394.17
L-B-3	D Project Aikawa-Machi	Aiko, Kanagawa	November 28, 2012	2,600	1.8	14,240.84
L-B-4	D Project Shin-Misato	Misato, Saitama	November 29, 2012	4,440	3.0	11,289.91
L-B-5	D Project Urayasu I	Urayasu, Chiba	November 28, 2012	7,700	5.2	36,515.81
L-B-6	D Project Urayasu II	Urayasu, Chiba	November 29, 2012	21,400	14.5	72,320.01
L-B-7	D Project Akanehama	Narashino, Chiba	November 28, 2012	2,550	1.7	11,663.39
L-B-8	D Project Noda	Noda, Chiba	November 28, 2012	5,100	3.5	29,232.53
L-B-9	D Project Inuyama	Inuyama, Aichi	November 28, 2012	6,650	4.5	43,723.70
L-B-10	D Project Gifu	Anpachi, Gifu	November 29, 2012	900	0.6	7,669.91
L-B-11	D Project Neyagawa	Neyagawa, Osaka	November 28, 2012	4,600	3.1	11,151.51
L-B-12	D Project Sapporo Minami	Kitahiroshima, Hokkaido	November 28, 2012	600	0.4	6,749.10
L-B-13	D Project Morioka	Takizawa, Iwate	November 29, 2012	1,000	0.7	9,558.32
L-B-14	D Project Sendai Minami	Iwanuma, Miyagi	November 28, 2012	1,250	0.8	11,052.27
L-B-15	D Project Tsuchiura	Tsuchiura, Ibaraki	November 29, 2012	2,880	2.0	17,448.86
L-B-16	D Project Gotenba	Gotenba, Shizuoka	November 28, 2012	950	0.6	6,737.53
L-B-17	D Project Nishi-Hiroshima	Hiroshima, Hiroshima	November 28, 2012	990	0.7	5,093.51
L-B-18	D Project Fukuoka Umi	Kasuya, Fukuoka	November 29, 2012	3,100	2.1	24,729.56
L-B-19	D Project Tosu	Tosu, Saga	November 29, 2012	2,100	1.4	8,826.00
L-B-20	D Project Kuki I	Kuki, Saitama	April 1, 2014	3,500	2.4	22,708.72
L-B-21	D Project Kuki II	Kuki, Saitama	April 1, 2014	7,200	4.9	50,490.00
L-B-22	D Project Kawagoe I	Kawagoe, Saitama	April 1, 2014	3,100	2.1	16,150.88
L-B-23	D Project Kawagoe II	Kawagoe, Saitama	April 1, 2014	4,250	2.9	19,872.00
L-B-24	DPL Inuyama	Inuyama, Aichi	April 1, 2014	3,380	2.3	21,628.50
L-B-25	D Project Fukuoka Hakozaki	Fukuoka, Fukuoka	April 1, 2014	3,700	2.5	34,710.80
25 logistics properties total				114,140	77.4	606,448.22
R-M-1	ACROSSMALL Shinkamagaya	Kamagaya, Chiba	December 12, 2007	7,419	5.0	41,742.84
R-M-2	FOLEO Hirakata	Hirakata, Osaka	December 11, 2008	5,040	3.4	16,380.78
R-M-3	QIZ GATE URAWA	Saitama, Saitama	December 11, 2008	5,360	3.6	9,705.31
R-M-4	UNICUS Takasaki	Takasaki, Gunma	March 27, 2013	2,570	1.7	9,277.08
R-M-5	ACROSSPLAZA Miyoshi (land)	Iruma, Saitama	September 30, 2014	3,390	2.3	24,018.00
R-R-1	LIFE Sagamihara Wakamatsu	Sagamihara, Kanagawa	December 11, 2008	1,650	1.1	2,973.44
R-R-2	FOLEO Sendai Miyanomori	Sendai, Miyagi	November 29, 2012	6,040	4.1	19,845.72
R-R-3	ACROSSPLAZA Inazawa (land)	Inazawa, Aichi	February 25, 2014	1,944	1.3	31,981.70
8 retail properties total				33,413	22.6	155,924.87
Portfolio total of 33 properties				147,553	100.0	762,373.09

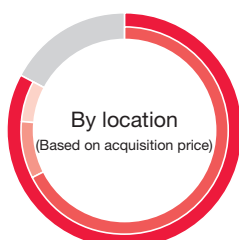
(Note) Investment ratio represents the percentage of the acquisition price for each asset to the total acquisition price. Figures are rounded to the nearest tenth. As a result, the total value may not exactly match the figure obtained by adding together all of the values shown.

Portfolio Map

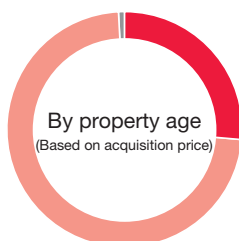
Portfolio Data (as of September 30, 2014)



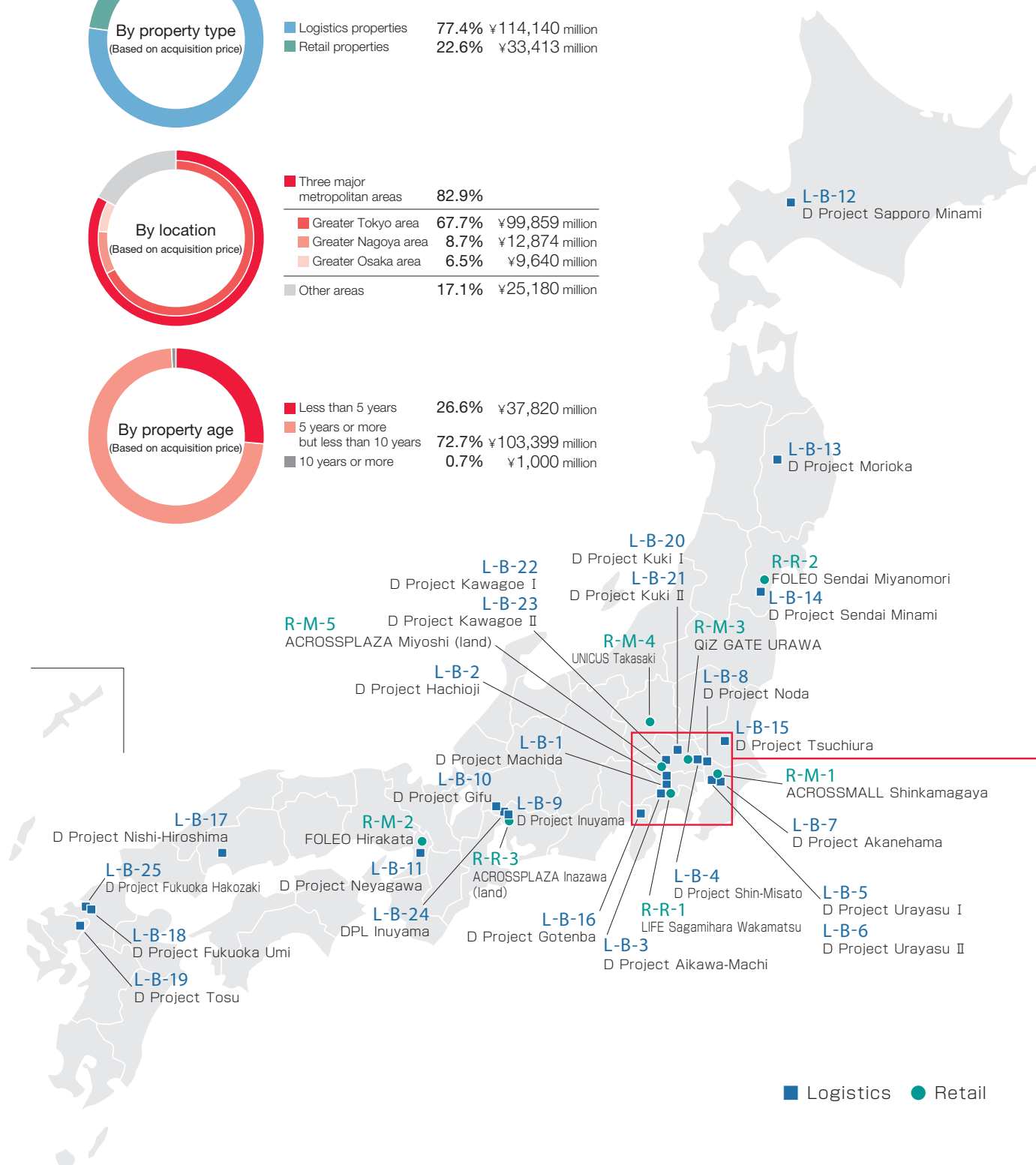
Logistics properties	77.4%	¥114,140 million
Retail properties	22.6%	¥33,413 million



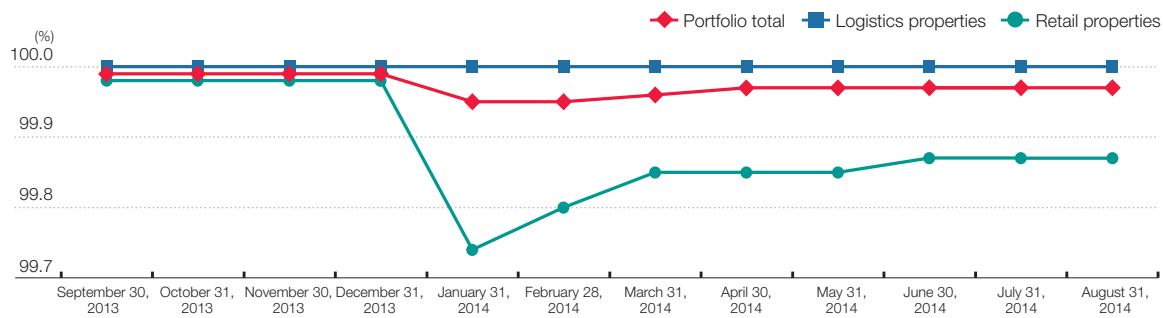
Three major metropolitan areas	82.9%	
Greater Tokyo area	67.7%	¥99,859 million
Greater Nagoya area	8.7%	¥12,874 million
Greater Osaka area	6.5%	¥9,640 million
Other areas	17.1%	¥25,180 million



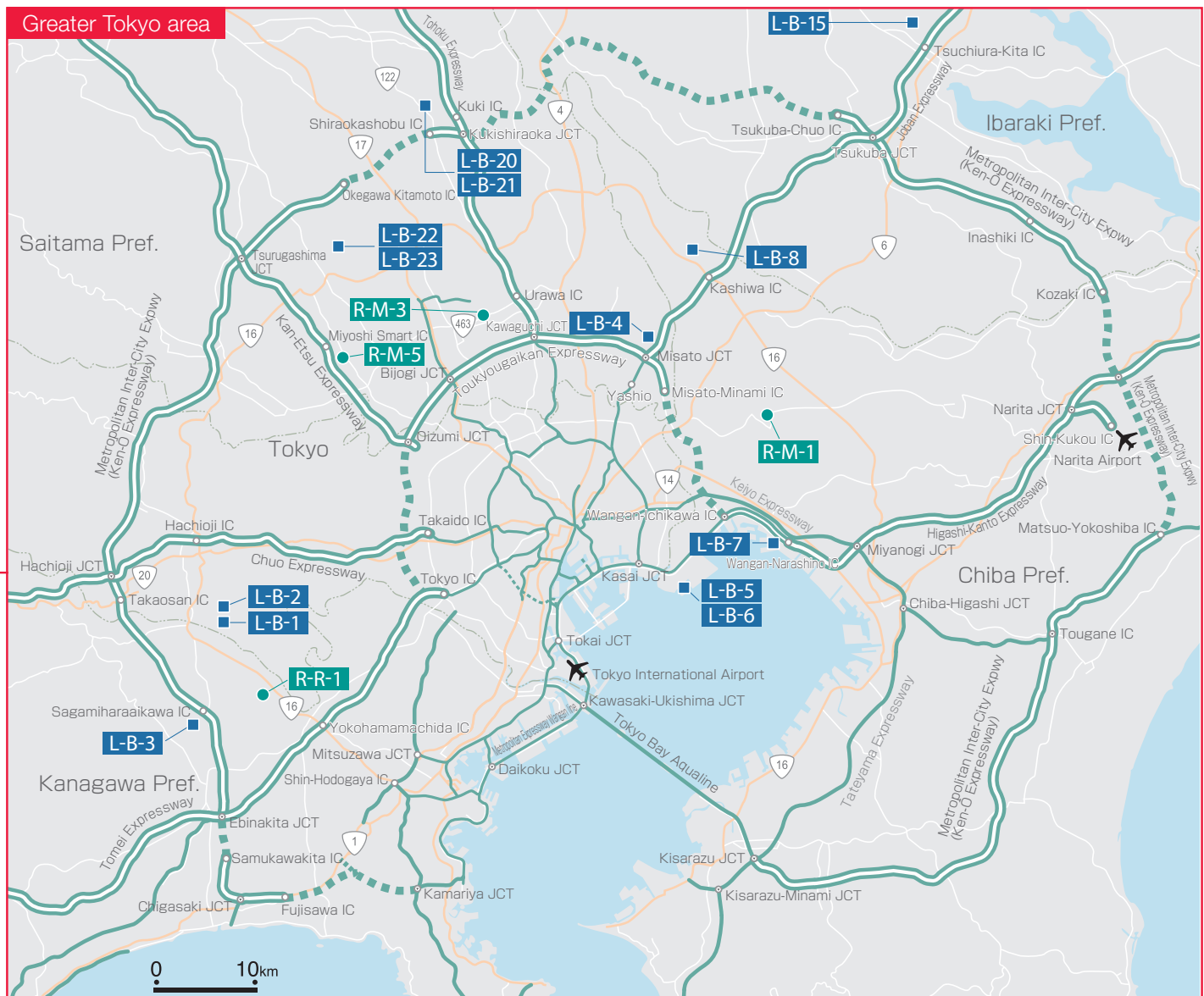
Less than 5 years	26.6%	¥37,820 million
5 years or more but less than 10 years	72.7%	¥103,399 million
10 years or more	0.7%	¥1,000 million



● Occupancy Rates



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



Properties Held at the End of the 13th Period

Logistics



L-B-1 D Project Machida

Logistics



L-B-2 D Project Hachioji

Logistics



L-B-3 D Project Aikawa-Machi

Logistics



L-B-4 D Project Shin-Misato

Logistics



L-B-5 D Project Urayasu I

Logistics



L-B-6 D Project Urayasu II



L-B-7 D Project Akanehama



L-B-8 D Project Noda



L-B-9 D Project Inuyama



L-B-10 D Project Gifu



L-B-11 D Project Neyagawa



L-B-12 D Project Sapporo Minami

Properties Held at the End of the 13th Period

Logistics



L-B-13 D Project Morioka

Logistics



L-B-14 D Project Sendai Minami

Logistics



L-B-15 D Project Tsuchiura

Logistics



L-B-16 D Project Gotenba

Logistics



L-B-17 D Project Nishi-Hiroshima

Logistics



L-B-18 D Project Fukuoka Umi



L-B-19 D Project Tosu



L-B-20 D Project Kuki I



L-B-21 D Project Kuki II



L-B-22 D Project Kawagoe I



L-B-23 D Project Kawagoe II



L-B-24 DPL Inuyama

Properties Held at the End of the 13th Period

Logistics



L-B-25 D Project Fukuoka Hakozaki

Retail



R-M-1 ACROSSMALL Shinkamagaya

Retail



R-M-2 FOLEO Hirakata

Retail



R-M-3 QiZ GATE URAWA

Retail



R-M-4 UNICUS Takasaki

Retail



R-R-1 LIFE Sagamihara Wakamatsu



R-R-2 FOLEO Sendai Miyanomori



R-R-3 ACROSSPLAZA Inazawa (land)

Investment Corporation (DHR) Website

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

Website:

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

■ Topics

Particularly important news about the Investment Corporation is noted here.

■ Fund Information

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

■ Latest Financial Information

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

1 Summary of Asset Management

(1) Historical Operating Results

Period		9th period From March 1, 2012 to August 31, 2012	10th period From September 1, 2012 to February 28, 2013	11th period From March 1, 2013 to August 31, 2013	12th period From September 1, 2013 to February 28, 2014	13th period From March 1, 2014 to August 31, 2014
Operating revenues	(Yen in millions)	748	2,421	4,128	4,153	4,928
Of which, real estate leasing business revenues	(Yen in millions)	748	2,421	4,128	4,153	4,928
Operating expenses	(Yen in millions)	382	968	1,807	1,832	2,074
Of which, real estate leasing business expenses	(Yen in millions)	326	826	1,442	1,462	1,669
Operating income	(Yen in millions)	365	1,452	2,320	2,321	2,853
Ordinary income	(Yen in millions)	318	919	1,967	1,960	2,359
Net income	(Yen in millions)	198	918	1,967	1,959	2,359
Total assets	(Yen in millions)	21,330	127,779	131,372	131,509	163,088
(Period-on-period changes)	(%)	0.8	499.0	2.8	0.1	24.0
Net assets	(Yen in millions)	7,273	60,272	61,348	61,340	80,407
(Period-on-period changes)	(%)	2.8	728.7	1.8	(0.0)	31.1
Unitholders' capital	(Yen in millions)	7,300	59,381	59,381	59,381	78,048
Number of investment units issued	(Units)	14,600	122,540	122,540	122,540	293,480
Net assets per unit (Note 2)	(Yen)	498,152	491,863	500,640	250,288	273,979
Total distributions	(Yen in millions)	—	891	1,967	1,959	2,359
Distributions per unit	(Yen)	—	7,278	16,055	15,992	8,039
Of which, earnings distributions per unit	(Yen)	—	7,278	16,055	15,992	8,039
Of which, distributions in excess of earnings per unit	(Yen)	—	—	—	—	—
Ordinary income to total assets ratio (Note 3)	(%)	1.5	1.2	1.5	1.5	1.6
(Annualized)	(%)	3.0	2.5	3.0	3.0	3.2
Return on equity (Note 3)	(%)	2.8	2.7	3.2	3.2	3.3
(Annualized)	(%)	5.5	5.5	6.4	6.4	6.6
Equity ratio (Note 3)	(%)	34.1	47.2	46.7	46.6	49.3
(Period-on-period changes)	(%)	0.7	13.1	(0.5)	(0.1)	2.7
Payout ratio (Note 3)	(%)	—	(Note 4) 97.1	100.0	100.0	(Note 4) 100.0
<Reference Information>						
Number of investment properties		4	24	25	26	32
Total leasable area	(m ²)	70,802.37	531,535.41	540,812.49	572,794.19	738,355.09
Number of tenants		13	39	40	40	46
Occupancy rate at the end of period	(%)	99.9	100.0	100.0	100.0	100.0
Depreciation during the period	(Yen in millions)	159	605	843	844	1,010
Capital expenditures during the period	(Yen in millions)	5	—	57	6	23
Rental NOI (Net Operating Income) (Note 3)	(Yen in millions)	581	2,200	3,529	3,536	4,269
FFO (Funds from Operation) per unit (Note 3)	(Yen)	24,510	12,445	22,941	22,887	11,482
Interest-bearing debt (Note 3)	(Yen in millions)	12,400	61,000	63,000	63,000	74,500
Interest-bearing debt to total assets ratio (Note 3)	(%)	58.1	47.7	48.0	47.9	45.7
Number of operating days	(Days)	184	181	184	181	184

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

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

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

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

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

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

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

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

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

Interest-bearing debt = Borrowings + Investment corporation bonds

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

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

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

(2) Asset Management during the Period

A. Transition of DHR

Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") was established on September 14, 2007, in accordance with the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act"), with Daiwa House REIT Management Co., Ltd. (hereinafter referred to as the "Asset Manager") as the organizer, and completed its registration with the Kanto Local Finance Bureau on October 23, 2007 (Director-General of the Kanto Local Finance Bureau No. 66).

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

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

In the current fiscal period (ended August 31, 2014), DHR acquired six logistics properties (total acquisition price of ¥25,130 million) (see Note 2) with funds raised in the first capital increase through public offering since DHR's listing and associated loans. Consequently, DHR held a total of 32 properties (total acquisition price of ¥144,163 million) as of August 31, 2014.

(Notes) 1. The Daiwa House Group comprises Daiwa House Industry Co., Ltd. (hereinafter referred to as "Daiwa House"), its 113 consolidated subsidiaries, one non-consolidated subsidiary, 21 equity-method associates, and two non-equity-method associates, as of October 1, 2014). The same shall apply hereinafter.

2. Total acquisition prices shown are rounded to the nearest million yen. The same shall apply hereinafter.

B. Investment Environment and Performance

The Japanese economy maintained its modest recovery trend partly on the back of the effects of various government policies. This occurred despite increasingly marked weakness in individual consumption and other indicators partly reflecting a pullback in demand following a rush ahead of the consumption tax hike implemented in April.

In the real estate market, the *Land Price LOOK Report* published by the Ministry of Land, Infrastructure, Transport and Tourism in August 2014 continued to have areas showing rising land prices accounting for 80% of the total, reflecting heightened eagerness towards real estate investment on the back of monetary easing and other factors. The upward trend in land prices is expected to continue, particularly in retail districts.

J-REIT unit prices rose firmly, with the TSE (Tokyo Stock Exchange) REIT Index rising 5.5% from the closing price on December 30, 2013, through the closing price on June 30, 2014. Even so, owing to heightened competition for property acquisitions, the asset acquisition amount by J-REITs in the January through June 2014 period decreased 42.8% year on year to only approximately ¥770 billion, showing a slowdown in the pace of acquisitions.

The logistics property rental market was firm, underpinned by expansion in industries such as e-commerce and retailers' mail order businesses, which are the main sources of demand for this market. In the vacancy rates for large multi-tenant logistics properties announced in August 2014 by CBRE K.K., demand for logistics properties remained strong, rates in the greater Tokyo and greater Osaka areas rose to 6.1% and 0.8%, respectively (as of June 2014), due to the impact of new supply and other factors. Offered rent levels were stable reflecting continued strength in needs for logistics properties. For the time being, in addition to these factors for growth in the industry, distribution volume will increase in conjunction with an increase in the number of convenience stores and major home delivery operators planning aggressive capital investments. Demand is expected to be maintained for logistics properties due to construction of new networks spanning broad areas.

With regard to the business environment surrounding retail properties, the retail sales total according to the commercial sales statistics (excluding automobile and fuel sales) fluctuated in the first-half period from January to June 2014 due to the impact of the consumption tax hike, with rush demand causing an increase of 2.3% year on year. In the supermarket sector, companies implemented more unique sales strategies, such as developing new products and implementing product renewals among private brand products, and by enhancing customer services in partnership with online retailers and home delivery providers.

In such an environment, DHR expanded and diversified its portfolio by collaborating with the Daiwa House Group to acquire six logistics properties with high occupancy rates and for which long-term agreements have been concluded (total acquisition price of ¥25,130 million). As of August 31, 2014, DHR owned 32 properties (with a total book value of ¥141,050 million at the end of the period) with a total leasable area of 738,355.09 m² and an occupancy rate of 99.97% (the figure is rounded down to the nearest 100th).

C. Overview of Financing

In the 13th fiscal period (ended August 31, 2014), DHR issued new investment units (44,000 units) through public offering on March 19, 2014 and new investment units (4,400 units) through third-party allotment on April 14, 2014, raising a total of ¥18,667 million. As a result, unitholders' capital amounted to ¥78,048 million, and the number of total investment units issued came to 293,480 units as of August 31, 2014.

DHR borrowed funds of ¥11,500 million through syndicated loans as of April 1, 2014 in order to partially cover the acquisition costs for six logistics properties and related costs, and entered into interest rate swap agreements for the purpose of hedging the risk of interest rate fluctuations for the loans. Consequently, as of August 31, 2014, loans payable amounted to ¥74,500 million.

The credit rating DHR has obtained as of August 31, 2014 is as follows:

Rating agency	Rating	Outlook
Japan Credit Rating Agency, Ltd. (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 ¥4,928 million, operating income came to ¥2,853 million, ordinary income came to ¥2,359 million, and net income came to ¥2,359 million, for the fiscal period under review.

In accordance with the distribution policy stipulated in Article 46, item 1 of the Articles of Incorporation of DHR, it was decided that the full amount of unappropriated retained earnings would be distributed, except fractions of less than ¥1 of distributions per investment unit. The aim would be to include earnings distributions in tax deductible expenses based on application of special provisions for taxation (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per investment unit came to ¥8,039.

(3) Summary of Capital Increase

DHR executed an investment unit split effective March 1, 2014, and issued new investment units (44,000 units through public offering and 4,400 units through third-party allotment) on March 19, 2014 and April 14, 2014, raising ¥18,667 million.

DHR's total number of investment units issued and changes in unitholders' capital for the most recent five years until August 31, 2014 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remarks
		Change	Balance	Change	Balance	
November 27, 2012	Capital increase through public offering	102,800	117,400	49,601	56,901	(Note 1)
December 26, 2012	Capital increase through third-party allotment	5,140	122,540	2,480	59,381	(Note 2)
March 1, 2014	Split	122,540	245,080	—	59,381	(Note 3)
March 19, 2014	Capital increase through public offering	44,000	289,080	16,970	76,351	(Note 4)
April 14, 2014	Capital increase through third-party allotment	4,400	293,480	1,697	78,048	(Note 5)

(Notes) 1. New investment units were issued 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.

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

3. A 2-for-1 investment unit split was executed effective March 1, 2014.

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

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

[Changes in market price of investment securities]

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

Period	9th period	10th period	11th period	12th period	13th period
Fiscal period end	August 2012	February 2013	August 2013	February 2014	August 2014
Highest (Yen)	—	¥670,000	¥814,000	¥876,000 ¥423,500 (Note 2)	¥473,000
Lowest (Yen)	—	¥501,000	¥634,000	¥642,000 ¥416,500 (Note 2)	¥401,000

(Notes) 1. 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.

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

(4) Distributions

It was decided that the full amount of unappropriated retained earnings would be distributed, except fractions of less than ¥1 of distributions per investment unit, with the aim of earnings distributions to be included in tax deductible expenses based on application of special provisions for taxation (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per investment unit came to ¥8,039.

Period		9th period From March 1, 2012 to August 31, 2012	10th period From September 1, 2012 to February 28, 2013	11th period From March 1, 2013 to August 31, 2013	12th period From September 1, 2013 to February 28, 2014	13th period From March 1, 2014 to August 31, 2014
Net income	(Yen in thousands)	198,215	918,923	1,967,283	1,959,680	2,359,313
Unappropriated retained earnings (accumulated deficit)	(Yen in thousands)	(26,979)	891,943	1,967,380	1,959,680	2,359,334
Retained earnings	(Yen in thousands)	(26,979)	97	0	21	49
Total distributions	(Yen in thousands)	—	891,846	1,967,379	1,959,659	2,359,285
(Distributions per unit)	(Yen)	—	7,278	16,055	15,992	8,039
Of the above, total earnings distributions	(Yen in thousands)	—	891,846	1,967,379	1,959,659	2,359,285
(Earnings distributions per unit)	(Yen)	—	7,278	16,055	15,992	8,039
Of the above, total capital refunds	(Yen in thousands)	—	—	—	—	—
(Capital refunds per unit)	(Yen)	—	—	—	—	—

(5) Future Operating Policies and Issues to Be Addressed

Despite concerns about a rebound drop following the increase in the consumption tax rate in April 2014, as well as concerns about downside overseas economic risk reflecting the direction of monetary policy in the U.S., the Japanese economy is expected to gradually recover, underpinned by the effects of economic measures already in place.

In the J-REIT market, eagerness towards property acquisition is expected to remain strong amid a stabilized financing environment, as highlighted by the fixing of interest rates on interest-bearing debt at low interest rates and extending maturities. In addition, the introduction of the Japanese (Nippon) version of the Individual Savings Account ("NISA") from January 2014, a tax exemption scheme for small investments, and the investment unit splits executed by a number of J-REIT investment corporations, are expected to enlarge the base of individual investors.

In such an environment, DHR will focus predominantly on "stability" in the management of its assets and, adhering to its basic policy of targeting securing 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 the Daiwa House Group. DHR has entered into separate memorandums (hereinafter referred to as the "pipeline supporting agreements") with Daiwa House, Daiwa Lease Co., Ltd., and Daiwa Odakyu Construction Co., Ltd. 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, starting 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 of properties, as provided for 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, well-planned, and easily-maintained buildings using solid construction and technical capabilities as well as its abundant experience and know-how with respect to logistics and retail properties throughout Japan.

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

DHR will seek to engage in operations and management that take advantage of the Daiwa House Group's know-how through the Daiwa House Group's support with respect to life cycle costs and its property management, and will also take measures to maintain and improve competitiveness and asset values. In this way, DHR will seek to maintain and improve rent and occupancy rates and reduce costs.

C. Financial Strategy

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

(6) Significant Events after Balance Sheet Date

A. Debt Financing

DHR conducted debt financing as described below on September 30, 2014.

Lender	Borrowing amount (Millions of yen)	Interest rate (%)	Floating/ fixed	Date of execution	Repayment due date	Method of repayment	Collateral
Nippon Life Insurance Company	1,000	1.00	Fixed	September 30, 2014	September 29, 2023	Bullet repayment	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	2,000	Base interest rate (Japanese Bankers Association 1 month yen TIBOR) + 0.20	Floating	September 30, 2014	September 30, 2015	Bullet repayment	Unsecured and non-guaranteed
Total	3,000						

B. Acquisition of assets

DHR acquired an asset as described below on September 30, 2014.

Property name	ACROSSPLAZA Miyoshi (land)
Acquisition price (Note 1)	¥3,390,000 thousand
Seller (Note 2)	Daiwa Information Service Co., Ltd.
Asset type	Trust beneficiary interests in real estate
Location	855-403 Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma-gun, Saitama
Agreement date	September 30, 2014
Acquisition date	September 30, 2014

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

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

2 Overview of the Investment Corporation

(1) Status of Investment Units

Period	9th period August 31, 2012	10th period February 28, 2013	11th period August 31, 2013	12th period February 28, 2014	13th period August 31, 2014
Total number of investment units authorized (Units)	2,000,000	2,000,000	2,000,000	2,000,000	4,000,000
Total number of investment units issued (Units)	14,600	122,540	122,540	122,540	293,480 (Note)
Number of unitholders	1	7,846	5,809	4,127	6,105

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

(2) Matters concerning Investment Units

The top ten unitholders in terms of the percentage of investment units held as of August 31, 2014 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)	78,908	26.89
Daiwa House Industry Co., Ltd.	37,600	12.81
The Master Trust Bank of Japan, Ltd. (Trust account)	28,211	9.61
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	15,262	5.20
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	13,278	4.52
Nomura Bank (Luxembourg) S.A.	5,904	2.01
The Fuji Fire and Marine Insurance Co., Ltd.	5,594	1.91
State Street Bank and Trust Company 505225	3,784	1.29
The Hachijuni Bank, Ltd.	3,424	1.17
Trust & Custody Services Bank, Ltd. (Money trust tax account)	2,533	0.86
Total	194,498	66.27

(3) Officers

The following table provides information about the Executive Director, Supervisory Directors and Accounting Auditor during the 13th period.

Title and post	Name	Major concurrent position	Total compensation per title during the 13th period (Yen in thousands)
Executive Director (Notes 1 and 2)	Masazumi Kakei	—	2,400
Supervisory Directors (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	—	15,400 (Note 4)

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

2. Executive Director and Supervisory Directors were elected (reelected) on June 1, 2014 at the 11th Unitholders' Meeting held on May 28, 2014.

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

4. Compensation for Accounting Auditor includes fees for the creation of comfort letters for issuance of new investment units in March 2014.

(4) Asset Manager, Custodian and General Administrators

Business	Name
Asset Manager	Daiwa House REIT Management Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Transfer agent)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Administrative work for organizational operation)	Sumitomo Mitsui Trust Bank, Limited
General Administrator (Accounting administration)	Sumitomo Mitsui Trust Bank, Limited (Note)

(Note) Effective March 1, 2014, DHR changed the Contracted General Administrator for accounting administration as stipulated in Article 117, items 5 and 6 of the Investment Trusts Act from Heiseikaikaisha Tax Corporation to Sumitomo Mitsui Trust Bank, Limited.

3 Portfolio of the Investment Corporation

(1) Composition of Assets

Type of assets	Property type	Area		12th period		13th period	
				February 28, 2014		August 31, 2014	
				Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)
Real estate in trust	Logistics properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	63,329	48.2	81,018	49.7
			Greater Nagoya area	7,430	5.7	10,770	6.6
			Greater Osaka area	4,552	3.5	4,522	2.8
		Other		12,658	9.6	16,253	10.0
		Subtotal		87,970	66.9	112,564	69.0
	Retail properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	13,362	10.2	13,253	8.1
			Greater Nagoya area	1,968	1.5	1,968	1.2
			Greater Osaka area	4,679	3.6	4,640	2.8
		Other		8,663	6.6	8,623	5.3
		Subtotal		28,674	21.8	28,485	17.5
	Total			116,644	88.7	141,050	86.5
	Deposits and other assets (Note 3)			14,864	11.3	22,038	13.5
Total assets (Note 4)			131,509 (116,644)	100.0 (88.7)	163,088 (141,050)	100.0 (86.5)	

(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 for deposits and other assets include the amount of construction in progress in trust.

4. Figures in brackets in the total assets represent the portion corresponding to substantive holding of real estate, etc., in total assets.

(2) Principal Assets Held

The overview of principal assets held by DHR as of August 31, 2014 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions)	Leasable area (m ²) (Note 1)	Leased area (m ²) (Note 2)	Occupancy rate (%)	Rate to total real estate leasing business revenues (%)	Primary Use
D Project Urayasu II	21,132	72,320.01	72,320.01	100.0	— (Note 3)	Logistics property
D Project Hachioji	12,301	62,394.17	62,394.17	100.0	— (Note 3)	Logistics property
D Project Urayasu I	7,590	36,515.81	36,515.81	100.0	— (Note 3)	Logistics property
D Project Machida	7,470	50,490.39	50,490.39	100.0	— (Note 3)	Logistics property
D Project Kuki II	7,211	50,490.00	50,490.00	100.0	— (Note 3)	Logistics property
ACROSSMALL Shinkamagaya	6,707	41,742.84	41,742.84	100.0	5.6	Retail property
D Project Inuyama	6,489	43,723.70	43,723.70	100.0	— (Note 3)	Logistics property
FOLEO Sendai Miyanomori	6,002	19,845.72	19,845.72	100.0	4.8	Retail property
D Project Noda	4,974	29,232.53	29,232.53	100.0	— (Note 3)	Logistics property
QIZ GATE URAWA	4,907	9,705.31	9,558.31	98.5	4.8	Retail property
Total	84,787	416,460.48	416,313.48	100.0	59.7	

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

2. Leased areas as indicated in each lease agreement in relation to each property in trust as of August 31, 2014, are added up and shown. However, the leased areas as indicated in each sublease agreement for properties in trust as of August 31, 2014 that are subject to a pass-through type master lease agreement, under which rent is in principle the same amount as the rent received by the master lessee from end-tenants, are added up and shown. In some properties, leased area is larger than gross floor area due to differences in measurement of floor area in real property registration and lease agreements. Gross floor area is based on the real property registration, while leased area is based on each lease agreement. In particular at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area.

3. These rates to total real estate leasing business revenues are not disclosed as consent for disclosure has not been obtained from lessees.

(3) Description of Portfolio

The outline of portfolio assets held by DHR as of August 31, 2014 is as follows:

Property name		Location (Note 1)	Form of ownership	Leasable area (m ²)	Book value (Yen in millions)	Assessed value at the end of period (Yen in millions) (Note 2)
Logistics properties	D Project Machida	1-6, Oyamagaoka 2-chome, Machida-shi, Tokyo	Trust beneficiary interests in real estate	50,490.39	7,470	8,510
	D Project Hachioji	21-1, Minami-Osawa 3-chome, Hachioji-shi, Tokyo	Trust beneficiary interests in real estate	62,394.17	12,301	14,300
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko-gun, Kanagawa	Trust beneficiary interests in real estate	14,240.84	2,563	3,100
	D Project Shin-Misato	Lala City, Shin-Misato, Misato-shi, Saitama (Note 3)	Trust beneficiary interests in real estate	11,289.91	4,373	5,620
	D Project Urayasu I	12-1, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	36,515.81	7,590	8,550
	D Project Urayasu II	11-5, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	72,320.01	21,132	23,900
	D Project Akanehama	2-8, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficiary interests in real estate	11,663.39	2,513	2,760
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda-shi, Chiba	Trust beneficiary interests in real estate	29,232.53	4,974	5,870
	D Project Inuyama	5-5, Takanebora, Inuyama-shi, Aichi	Trust beneficiary interests in real estate	43,723.70	6,489	7,980
	D Project Gifu	449-9, Nanba Azamura-higashi, Wanouchi-cho, Anpachi-gun, Gifu	Trust beneficiary interests in real estate	7,669.91	874	1,060
	D Project Neyagawa	24-12, Shimeno 2-chome, Neyagawa-shi, Osaka	Trust beneficiary interests in real estate	11,151.51	4,522	5,510
	D Project Sapporo Minami	7-1, Watsu Chuo 5-chome, Kitahiroshima-shi, Hokkaido	Trust beneficiary interests in real estate	6,749.10	583	796
	D Project Morioka	3-18, Kazabayashi, Ogama, Takizawa-shi, Iwate	Trust beneficiary interests in real estate	9,558.32	969	1,170
	D Project Sendai Minami	2-39, Kuko-Minami 3-chome, Iwanuma-shi, Miyagi	Trust beneficiary interests in real estate	11,052.27	1,206	1,420
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura-shi, Ibaraki	Trust beneficiary interests in real estate	17,448.86	2,797	3,270
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba-shi, Shizuoka	Trust beneficiary interests in real estate	6,737.53	928	1,110
	D Project Nishi-Hiroshima	3-11, Tomo-Minami 2-chome, Asaminami-ku, Hiroshima-shi, Hiroshima	Trust beneficiary interests in real estate	5,093.51	977	1,160
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Iino, Umi-machi, Kasuya-gun, Fukuoka	Trust beneficiary interests in real estate	24,729.56	3,024	3,720
	D Project Tosu	1623-2, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga	Trust beneficiary interests in real estate	8,826.00	2,043	2,620
	D Project Kuki I	6004-2 Aza Taikoda, Shobu-cho Shobu, Kuki-shi, Saitama	Trust beneficiary interests in real estate	22,708.72	3,513	3,690
	D Project Kuki II	6201-1 Aza Kazarimen, Shobu-cho Sanga, Kuki-shi, Saitama	Trust beneficiary interests in real estate	50,490.00	7,211	7,660
	D Project Kawagoe I	3-2-3 Yoshinodai, Kawagoe-shi, Saitama	Trust beneficiary interests in real estate	16,150.88	3,111	3,320
	D Project Kawagoe II	3-2-4 Yoshinodai, Kawagoe-shi, Saitama	Trust beneficiary interests in real estate	19,872.00	4,262	4,550
	DPL Inuyama	1-8 Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama-shi, Aichi, etc.	Trust beneficiary interests in real estate	21,628.50	3,406	3,570
	D Project Fukuoka Hakozaki	5-2-1 Hakozakifuto, Higashi-ku, Fukuoka-shi, Fukuoka	Trust beneficiary interests in real estate	34,710.80	3,721	3,960
	Subtotal			606,448.22	112,564	129,176

	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²)	Book value (Yen in millions)	Assessed value at the end of period (Yen in millions) (Note 2)
Retail properties	ACROSSMALL Shinkamagaya	12-1, Shin-Kamagaya 2-chome, Kamagaya-shi, Chiba	Trust beneficiary interests in real estate	41,742.84	6,707	7,280
	FOLEO Hirakata	20-10, Koyamichi 1-chome, Hirakata-shi, Osaka	Trust beneficiary interests in real estate	16,380.78	4,640	4,460
	QIZ GATE URAWA	3720, Oaza Nakao, Midori-ku, Saitama-shi, Saitama	Trust beneficiary interests in real estate	9,705.31	4,907	4,740
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizukamachi, Takasaki-shi, Gunma	Trust beneficiary interests in real estate	9,277.08	2,621	2,780
	LIFE Sagami-hara Wakamatsu	19-5, Wakamatsu 5-chome, Minami-ku, Sagami-hara-shi, Kanagawa	Trust beneficiary interests in real estate	2,973.44	1,638	1,500
	FOLEO Sendai Miyanomori	14-5, Higashi-Sendai 4-chome, Miyagino-ku, Sendai-shi, Miyagi	Trust beneficiary interests in real estate	19,845.72	6,002	6,320
	ACROSSPLAZA Inazawa (land) (Note 4)	1-1, Otsuka Minami 5-chome, Inazawa-shi, Aichi	Trust beneficiary interests in real estate	31,981.70	1,968	2,350
	Subtotal			131,906.87	28,485	29,430
Total				738,355.09	141,050	158,606

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

2. Assessed value at the end of period represents the appraisal value or survey value provided by the Tanizawa Sōgō Appraisal Co., Ltd. and Japan Real Estate Institute, with the date of appraisal value as of August 31, 2014, in accordance with the method and criteria of asset valuation set forth in the Articles of Incorporation of DHR and the rules stipulated by the Investment Trusts Association, Japan.

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

4. ACROSSPLAZA Inazawa (land) had its name changed from Top Mall Inazawa (land) on June 6, 2014. The same shall apply hereinafter.

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

Property name		12th period (From September 1, 2013 to February 28, 2014)				13th period (From March 1, 2014 to August 31, 2014)			
		Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)
Logistics properties	D Project Machida	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Hachioji	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Aikawa-Machi	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Shin-Misato	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu I	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu II	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Akane-hama	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Noda	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Inuyama	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gifu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Neyagawa	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sapporo Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Morioka	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sendai Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Tsuchiura	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gotenba	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Nishi-Hiroshima	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Fukuoka Umi	4	100.0	121	2.9	4	100.0	121	2.5
	D Project Tosu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Kuki I	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)

Property name		12th period (From September 1, 2013 to February 28, 2014)				13th period (From March 1, 2014 to August 31, 2014)			
		Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)
Logistics properties	D Project Kuki II	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Kawagoe I	—	—	—	—	1	100.0	85	1.7
	D Project Kawagoe II	—	—	—	—	1	100.0	115	2.3
	DPL Inuyama	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	D Project Fukuoka Hakozaki	—	—	—	—	1	100.0	— (Note 2)	— (Note 2)
	Subtotal	24	100.0	3,024	72.8	30	100.0	3,736	75.8
Retail properties	ACROSSMALL Shinkamagaya	1	100.0	275	6.6	1	100.0	275	5.6
	FOLEO Hirakata	1 [22]	99.3	191	4.6	1 [23]	99.9	189	3.8
	QIZ GATE URAWA	10	98.5	242	5.8	10	98.5	238	4.8
	UNICUS Takasaki	1	100.0	129	3.1	1	100.0	129	2.6
	LIFE Sagamihara Wakamatsu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	FOLEO Sendai Miyanomori	1	100.0	238	5.7	1	100.0	238	4.8
	ACROSSPLAZA Inazawa (land)	1	100.0	1	0.0	1	100.0	69	1.4
	Subtotal	16	99.8	1,129	27.2	16	99.9	1,191	24.2
Total		40	100.0	4,153	100.0	46	100.0	4,928	100.0

(Notes) 1. Total number of tenants is equal to the number of tenants per property based upon each lease agreement in relation to each property in trust as of the end of the respective period. However, the number of end-tenants is indicated in brackets after the number of master lessees in the case of a property subject to a pass-through type master lease agreement, under which rent is in principle the same amount as the rent received by the master lessee from end-tenants. Meanwhile, only the master lessee is indicated as a tenant with respect to a property subject to a sublease type master lease agreement, under which a certain amount of rent is received regardless of fluctuations in the sublease occupancy rate.

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

(4) Status of Other Assets

Trust beneficiary interests in real estate held by DHR are all listed in “(3) Description of Portfolio.” The following are other specified assets as of August 31, 2014.

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	6,294	—	—	6,948	653	Deposited as business security deposit
Total		10,000	6,294	—	—	6,948	653	

(5) Holding of Assets by Country and Region

Not applicable.

4 Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

There are no scheduled capital expenditures for planned renovation work, etc., for real estate in trust held as of August 31, 2014.

(2) Capital Expenditures during the Period

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

Property name (Location)	Purpose	Period	Construction cost (Millions of yen)
QiZ GATE URAWA (Saitama City, Saitama)	Installment of LED lights in common area	From April 2014 to April 2014	17

(3) Cash Reserves for Long-Term Repairs and Maintenance Plans

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

(Yen in millions)

Operating period	9th period From March 1, 2012 to August 31, 2012	10th period From September 1, 2012 to February 28, 2013	11th period From March 1, 2013 to August 31, 2013	12th period From September 1, 2013 to February 28, 2014	13th period From March 1, 2014 to August 31, 2014
Balance of reserves at the beginning of period	90	101	127	180	239
Amount of reserves during the period	12	25	53	58	60
Amount of reversal of reserves during the period	1	—	—	—	—
Reserves carried forward	101	127	180	239	300

5 Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

Item	12th period From September 1, 2013 to February 28, 2014	13th period From September 1, 2013 to February 28, 2014
(a) Asset management fee (Note)	277,117	297,219
(b) Asset custody fee	11,456	11,763
(c) Administrative service fee	12,947	14,525
(d) Directors' compensation	6,000	6,000
(e) Accounting Auditor's compensation	12,200	13,000
(f) Other expenses	50,565	62,843
Total	370,286	405,351

(Note) In addition to the amount shown above for asset management fee, there was a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. (12th period: ¥4,860 thousand, 13th period: ¥62,825 thousand).

(2) Debt Financing

The status of borrowings per financial institution as of August 31, 2014 is as follows:

	Classification	Borrowing date	Balance at the beginning of period (Yen in millions)	Balance at the end of period (Yen in millions)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term borrowings	Sumitomo Mitsui Banking Corporation	November 29, 2012	4,250	4,250	0.73 Fixed-rate	November 30, 2015	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		4,250	4,250					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		4,250	4,250					
	Mizuho Bank, Ltd.		4,250	4,250					
	Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
	Resona Bank, Limited		1,000	1,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2012	3,000	3,000	0.83 Fixed-rate	November 29, 2016	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		3,000	3,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000	3,000					
	Mizuho Bank, Ltd.		3,000	3,000					
	Mitsubishi UFJ Trust and Banking Corporation		2,000	2,000					
	Resona Bank, Limited		1,000	1,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2012	3,000	3,000	0.96 Fixed-rate	November 29, 2017	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		3,000	3,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000	3,000					
	Mizuho Bank, Ltd.		3,000	3,000					
	Mitsubishi UFJ Trust and Banking Corporation		1,000	1,000					
	Development Bank of Japan Inc.		3,000	3,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2012	2,000	2,000	1.29 Fixed-rate	November 29, 2019	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,000	2,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		2,000	2,000					
	Mizuho Bank, Ltd.		2,000	2,000					
	Development Bank of Japan Inc.		2,000	2,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in millions)	Balance at the end of period (Yen in millions)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term borrowings	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000	2,000	1.50 Fixed-rate (Note 2)	March 27, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2014	—	500	1.05 Fixed-rate (Note 2)	April 1, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	500					
	Mizuho Bank, Ltd.		—	1,000					
	Mitsubishi UFJ Trust and Banking Corporation		—	500					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	—	1,000	1.21 Fixed-rate (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,000					
	Mizuho Bank, Ltd.		—	1,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	—	1,000	1.52 Fixed-rate (Note 2)	April 1, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,000					
	Development Bank of Japan Inc.		—	500					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	—	500	2.03 Fixed-rate (Note 2)	April 1, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	500					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	500					
	Development Bank of Japan Inc.		—	500					
Total			63,000	74,500					

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

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

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

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

(3) Status of Investment Corporation Bonds

There is no investment corporation bond outstanding as of August 31, 2014.

(4) Status of Short-Term Investment Corporation Bonds

There is no short-term investment corporation bond outstanding as of August 31, 2014.

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 Kuki I	April 1, 2014	3,500	—	—	—	—
D Project Kuki II	April 1, 2014	7,200	—	—	—	—
D Project Kawagoe I	April 1, 2014	3,100	—	—	—	—
D Project Kawagoe II	April 1, 2014	4,250	—	—	—	—
DPL Inuyama	April 1, 2014	3,380	—	—	—	—
D Project Fukuoka Hakozaiki	April 1, 2014	3,700	—	—	—	—
Total		25,130		—	—	—

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

(2) Transaction of Other Assets

Type of assets	Acquisition		Disposal		Balance at the end of current period	
	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)
Bonds	—	—	—	—	¥10,000 thousand	6,294
Total	—	—	—	—	¥10,000 thousand	6,294

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

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

(3) Review on Value of Specified Assets

A. Properties, etc.

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 Kuki I	April 1, 2014	Trust beneficiary interests in real estate	3,500	3,690	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2013
Acquisition	D Project Kuki II	April 1, 2014	Trust beneficiary interests in real estate	7,200	7,650	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2013
Acquisition	D Project Kawagoe I	April 1, 2014	Trust beneficiary interests in real estate	3,100	3,320	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2013
Acquisition	D Project Kawagoe II	April 1, 2014	Trust beneficiary interests in real estate	4,250	4,540	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2013
Acquisition	DPL Inuyama	April 1, 2014	Trust beneficiary interests in real estate	3,380	3,500	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2013
Acquisition	D Project Fukuoka Hakozaiki	April 1, 2014	Trust beneficiary interests in real estate	3,700	3,850	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2013

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

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

B. Other

Among transactions DHR conducted, for any transactions requiring surveys on prices, etc., of specified assets in accordance with Article 201 of the Investment Trusts Act, excluding transactions shown above in "A. Properties, etc.," KPMG AZSA LLC was commissioned to do such surveys. During the period under review (from March 1, 2014 to August 31, 2014), four interest rate swap transactions were applied. DHR received a survey report for the said transaction from KPMG AZSA LLC. The survey contained the transaction date, the name of the counterparty to the transaction, the agreed figures, the transaction period, the assumed principal amount and other matters regarding the transaction.

(4) Transactions with Interested Parties

A. Status of Transactions

Classification	Transaction amount, etc. (Note 2)	
	Purchase	Sale
Total amount	¥25,130 million	—
	Of which, purchase from interested parties: ¥25,130 million (100%)	Of which, sale to interested parties: —
Breakdown of transactions with interested parties		
Daiwa House Industry Co., Ltd.	¥25,130 million (100%)	—
Total	¥25,130 million (100%)	—

B. Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties		Rate to total amount paid (B/A)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Outsourcing expenses (Note 3)	160,677	Daiwa Information Service Co., Ltd.	49,910	31.1%
		Daiwa Royal Co., Ltd.	7,914	4.9%
		Daiwa Service Co., Ltd.	6,096	3.8%
		Daiwa House Industry Co., Ltd.	76,111	47.4%
Repairs and maintenance construction (Note 4)	111,798	Daiwa Information Service Co., Ltd.	40,980	36.7%
		Daiwa Royal Co., Ltd.	8,442	7.6%
		Daiwa Service Co., Ltd.	444	0.4%
		Daiwa House Industry Co., Ltd.	13,742	12.3%

(Notes) 1. Interested parties, etc. are interested parties, etc. (including major shareholders of the asset management company as defined in Article 29-4, paragraph 2 of the Financial Instruments and Exchange Act) of the asset management company, with which DHR has concluded an asset management agreement, as provided in Article 123 of the Order for Enforcement of the Act on the Investment Trust and Investment Corporations and Article 26, item 27 of the Investment Trusts Association, Japan's Rules on Management Reports, etc., of Investment Trusts and Investment Corporations.

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

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

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

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

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

7 | Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

(3) Changes in Method to Evaluate Properties

Not applicable.

8 | Other

(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	Subject	Description
March 3, 2014	Conclusion of underwriting agreement for new investment units, etc.	Concerning issuance of new investment units, resolved the conclusion of the underwriting agreement for new investment units, and entrusted Nomura Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Daiwa Securities Co., Ltd., UBS Limited, SMBC Nikko Securities Inc., and Mizuho Securities Co., Ltd. as joint lead managers for Japanese offering with relevant work for soliciting subscribers of new investment units.
May 27, 2014	Partial change to asset management agreement	Approved partial change to the asset management agreement concluded between DHR and the Asset Manager as of September 20, 2007 (including subsequent changes).

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

Not applicable.

(3) Treatment of Fractions in Amounts and Rates

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

DAIWA HOUSE REIT INVESTMENT CORPORATION

BALANCE SHEETS

As of February 28, 2014 and August 31, 2014

	As of	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Assets		
Current Assets:		
Cash and bank deposits (Notes 3 and 4)	¥ 14,365,181	¥ 20,378,516
Tenant receivables	8,914	15,796
Prepaid expenses	138,170	156,284
Consumption taxes receivable	—	1,071,441
Other current assets	418	910
Total current assets	14,512,684	21,622,949
Investment Properties:		
Land (Notes 5 and 6)	64,720,029	75,462,499
Buildings and improvements (Notes 5 and 6)	53,383,270	67,305,078
Structures (Notes 5 and 6)	2,160,386	2,568,482
Machinery and equipment (Notes 5 and 6)	—	343,654
Construction in progress	25,190	300
Less: accumulated depreciation (Notes 5 and 6)	(3,618,851)	(4,629,012)
Total investment properties, net	116,670,025	141,051,002
Other Assets:		
Other intangible assets	2,550	2,210
Investment securities (Note 4)	6,214	6,294
Long-term prepaid expenses	317,532	406,485
Total other assets	326,297	414,990
Total Assets	¥ 131,509,007	¥ 163,088,942

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

DAIWA HOUSE REIT INVESTMENT CORPORATION
BALANCE SHEETS, CONTINUED

As of February 28, 2014 and August 31, 2014

	As of	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Liabilities		
Current Liabilities:		
Accounts payable	¥ 125,411	¥ 100,974
Accrued expenses	307,171	346,292
Income taxes payable	605	605
Accrued consumption taxes	94,287	—
Advances received	419,638	526,541
Other current liabilities	23,890	32,221
Total current liabilities	971,005	1,006,635
Long-term borrowings (Notes 4 and 9)	63,000,000	74,500,000
Tenant security deposits (Note 4)	6,197,271	7,174,671
Total Liabilities	70,168,276	82,681,307
Commitment and contingent liabilities (Note 16)		
Net Assets (Note 8)		
Unitholders' Equity:		
Unitholders' capital	59,381,050	78,048,300
Units authorized:		
2,000,000 units as of February 28, 2014 and		
4,000,000 units as of August 31, 2014		
Units issued and outstanding:		
122,540 units as of February 28, 2014 and		
293,480 units as of August 31, 2014		
Retained earnings	1,959,680	2,359,334
Total unitholders' equity	61,340,730	80,407,635
Total Net Assets	61,340,730	80,407,635
Total Liabilities and Net Assets	¥ 131,509,007	¥ 163,088,942

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

DAIWA HOUSE REIT INVESTMENT CORPORATION

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six months ended February 28, 2014 and August 31, 2014

	For the six months ended	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Operating Revenues:		
Rental revenues (Note 7)	¥ 4,056,517	¥ 4,824,857
Other revenues related to property leasing (Note 7)	97,293	103,632
Total operating revenues	4,153,811	4,928,490
Operating Expenses:		
Rental expenses (Note 7)	1,462,241	1,669,573
Asset management fees	277,117	297,219
Other operating expenses	93,169	108,132
Total operating expenses	1,832,527	2,074,925
Operating Income	2,321,283	2,853,565
Non-Operating Revenues:		
Interest income	1,527	1,914
Insurance income	657	4,159
Other non-operating revenues	80	80
Non-Operating Expenses:		
Interest expense	288,678	360,447
Investment unit issuance expenses	—	55,863
Borrowing related expenses	74,584	83,490
Ordinary Income	1,960,285	2,359,918
Income before Income Taxes	1,960,285	2,359,918
Income taxes-current (Note 11)	605	605
Net Income	1,959,680	2,359,313
Retained Earnings Brought Forward	0	21
Unappropriated Retained Earnings	¥ 1,959,680	¥ 2,359,334

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 28, 2014 and August 31, 2014

	Unitholders' Equity				Total Net Assets
	Number of Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	
	(Units)	(Yen in thousands)			
Balance as of August 31, 2013	122,540	¥ 59,381,050	¥ 1,967,380	¥ 61,348,430	¥ 61,348,430
Changes during the period:					
Cash distributions declared	—	—	(1,967,379)	(1,967,379)	(1,967,379)
Net income	—	—	1,959,680	1,959,680	1,959,680
Total changes during the period	—	—	(7,699)	(7,699)	(7,699)
Balance as of February 28, 2014	122,540	¥ 59,381,050	¥ 1,959,680	¥ 61,340,730	¥ 61,340,730
Changes during the period (Note 8):					
Split of investment units	122,540	—	—	—	—
Issuance of investment units:					
on March 19, 2014	44,000	16,970,228	—	16,970,228	16,970,228
on April 14, 2014	4,400	1,697,022	—	1,697,022	1,697,022
Cash distributions declared	—	—	(1,959,659)	(1,959,659)	(1,959,659)
Net income	—	—	2,359,313	2,359,313	2,359,313
Total changes during the period	—	18,667,250	399,654	19,066,904	19,066,904
Balance as of August 31, 2014	293,480	¥ 78,048,300	¥ 2,359,334	¥ 80,407,635	¥ 80,407,635

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 February 28, 2014 and August 31, 2014

	For the six months ended	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 1,960,285	¥ 2,359,918
Depreciation	844,946	1,010,501
Interest income	(1,527)	(1,914)
Interest expense	288,678	360,447
Investment unit issuance expenses	—	55,863
Increase in prepaid expenses	(4,922)	(18,114)
Decrease (increase) in long-term prepaid expenses	64,782	(88,952)
Decrease (increase) in tenant receivables	2,733	(6,881)
Increase in consumption taxes receivable	—	(1,071,441)
Decrease in accrued consumption taxes	(23,910)	(95,280)
Increase in accounts payable	6,926	856
Increase in accrued expenses	1,334	39,720
Increase in advances received	10,722	106,902
(Decrease) increase in deposits received	(4)	8,331
Interest income received	1,527	1,914
Interest expense paid	(289,642)	(355,944)
Income taxes paid	(605)	(605)
Others, net	88,155	(12,711)
Net Cash Provided by Operating Activities	2,949,480	2,292,609
Cash Flows from Investing Activities:		
Payments for purchases of investment properties	(1,966,229)	(25,420,643)
Net Cash Used in Investing Activities	(1,966,229)	(25,420,643)
Cash Flows from Financing Activities:		
Proceeds from long-term borrowings	—	11,500,000
Proceeds from issuance of investment units	—	18,611,387
Distributions paid	(1,966,663)	(1,959,250)
Net Cash Provided by (Used in) Financing Activities	(1,966,663)	28,152,136
Net Change in Cash and Cash Equivalents	(983,413)	5,024,103
Cash and Cash Equivalents at the Beginning of Period	9,365,821	8,382,408
Cash and Cash Equivalents at the End of Period (Note 3)	¥ 8,382,408	¥ 13,406,512

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

DAIWA HOUSE REIT INVESTMENT CORPORATION

Notes To Financial Statements

As of and for the six months ended February 28, 2014 and August 31, 2014

Note 1 – Organization and Basis of Presentation

Organization

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

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

In the current fiscal period ended August 31, 2014, DHR acquired six properties using funds raised through a public offering as well as debt financing. Consequently, DHR held 32 properties with total acquisition price of ¥144,162 million as of August 31, 2014.

Basis of Presentation

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

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

As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than thousand yen have been omitted. As a result, totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid,

readily convertible to cash and with insignificant risk of market value fluctuation, with maturities of three months or less from the date of acquisition.

(b) Investment Properties

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

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

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

(c) Investment Securities

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

(d) Investment Units Issuance Expenses

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

(e) 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 differences 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. Capitalized real estate taxes amounted to ¥12,160 thousand and ¥151,449 thousand for the periods ended February 28, 2014 and August 31, 2014, respectively.

(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) Hedge Accounting

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

(j) Revenue Recognition

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

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

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

Note 3 – Cash and Cash Equivalents

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

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

	As of February 28, 2014	As of August 31, 2014
	(Yen in thousands)	
Cash and bank deposits	¥ 14,365,181	¥ 20,378,516
Less: restricted bank deposits held in trust	(5,982,772)	(6,972,003)
Cash and cash equivalents	¥ 8,382,408	¥ 13,406,512

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.

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 potential risk of rising interest rates, closely watches the movement of interest rates, and intends to increase the ratio of fixed-rate borrowings. As of the end of the fiscal period, DHR has a derivative (interest-rate swap) as a hedging instrument, in order to avoid interest rate fluctuations and to fix the amount of interest payments for floating-rate borrowings. The assessment of hedge effectiveness is omitted since all interest-rate swaps meet the specific criteria

under the special accounting treatment.

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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

Estimated Fair Value of Financial Instruments

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

	As of February 28, 2014			As of August 31, 2014		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥ 14,365,181	¥ 14,365,181	¥ —	¥ 20,378,516	¥ 20,378,516	¥ —
(2) Investment securities:						
Held-to-maturity debt securities	6,214	6,703	488	6,294	6,948	653
Total	¥ 14,371,395	¥ 14,371,884	¥ 488	¥ 20,384,811	¥ 20,385,464	¥ 653
Liabilities						
(3) Long-term borrowings	¥ 63,000,000	¥ 63,155,619	¥ 155,619	¥ 74,500,000	¥ 74,846,801	¥ 346,801
(4) Tenant security deposits	214,498	203,750	(10,748)	202,667	193,948	(8,719)
Total	¥ 63,214,498	¥ 63,359,370	¥ 144,871	¥ 74,702,667	¥ 75,040,749	¥ 338,082
Derivative transactions	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

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

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

Assets:

(1) Cash and bank deposits

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

(2) Held-to-maturity debt securities

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

	As of February 28, 2014			As of August 31, 2014		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value:						
Japanese Government bonds (*)	¥ 6,214	¥ 6,703	¥ 488	¥ 6,294	¥ 6,948	¥ 653
Total	¥ 6,214	¥ 6,703	¥ 488	¥ 6,294	¥ 6,948	¥ 653

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

Liabilities:

(3) Long-term borrowings

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

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

(4) Tenant security deposits

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

Derivative transactions:

- (1) Derivative transactions for which hedge accounting is not applied... None.
 (2) Derivative transactions for which hedge accounting is applied... Contracted amounts and fair values are as follows:

Hedge accounting method	Type of derivative transaction	Hedged item	As of February 28, 2014			As of August 31, 2014		
			Contracted amount		Fair value	Contracted amount		Fair value
			Total	Due after one year		Total	Due after one year	
			(Yen in thousands)					
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term borrowings	¥ 2,000,000	¥ 2,000,000	(Note)	¥ 13,500,000	¥ 13,500,000	(Note)

Note:

Fair value of interest-rate swap with the special treatment is included in fair value of long-term borrowings as the interest-rate swap and hedged borrowings are processed as a single unit with the hedged long-term borrowings (See “Note 1. Methods to Estimate Fair Value of Financial Instruments, (3) Long-term borrowings” above).

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

	As of	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Tenant security deposits (*)	¥ 5,982,772	¥ 6,972,003

- (*) Tenant security deposits are excluded from the scope of fair value disclosure because they are not marketable, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, which in turn makes it difficult to reasonably estimate future cash flows.

3. Redemption Schedule for Monetary Claims and Securities with Maturity

As of February 28, 2014	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥ 14,365,181	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities:						
Held-to-maturity debt securities	—	—	—	—	—	10,000
Total	¥ 14,365,181	¥ —	¥ —	¥ —	¥ —	¥ 10,000

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

4. Repayment Schedule for Borrowings

As of February 28, 2014	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Long-term borrowings	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ —	¥ 12,000,000
Total	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ —	¥ 12,000,000

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

Note 5 – Investment Properties

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

	As of February 28, 2014			As of August 31, 2014		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 64,720,029	¥ —	¥ 64,720,029	¥ 75,462,499	¥ —	¥ 75,462,499
Buildings and improvements	53,383,270	(3,447,770)	49,935,499	67,305,078	(4,403,658)	62,901,419
Structures	2,160,386	(171,080)	1,989,306	2,568,482	(218,008)	2,350,474
Machinery and equipment	—	—	—	343,654	(7,345)	336,308
Construction in progress	25,190	—	25,190	300	—	300
Total	¥ 120,288,876	¥ (3,618,851)	¥ 116,670,025	¥ 145,680,014	¥ (4,629,012)	¥ 141,051,002

Note 6 – Fair Value of Investment and Rental Properties

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

	As of / For the six months ended	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Book value:		
Balance at the beginning of the period	¥ 115,515,287	¥ 116,644,835
Net increase during the period	1,129,547	24,405,867
Balance at the end of the period	¥ 116,644,835	¥ 141,050,702
Fair value	¥ 129,693,000	¥ 158,606,000

Notes:

1. Book value is stated at acquisition cost less accumulated depreciation.
2. The increase in the fiscal period ended February 28, 2014 was mainly due to the acquisition of ACROSSPLAZA Inazawa (land), (¥1,968,141 thousand) and the decrease was mainly due to recognition of depreciation expense of ¥844,606 thousand.
The increase in the fiscal period ended August 31, 2014 was mainly due to the acquisition of D Project Kuki I, D Project Kuki II, D Project Kawagoe I, D Project Kawagoe II, DPL Inuyama, D Project Fukuoka Hakozaki (¥25,392,754 thousand) and the decrease was mainly due to recognition of depreciation expense of ¥1,010,161 thousand.
3. Fair value is determined mainly by appraisal value provided from real estate appraisers.

Note 7 – Rental Revenues and Expenses

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

	For the six months ended	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Revenues from Property Leasing:		
Rental revenues	¥ 4,056,517	¥ 4,824,857
Common area charges	54,398	53,943
Others	42,894	49,689
Total revenues from property leasing	4,153,811	4,928,490
Rental Expenses:		
Real estate taxes	341,911	363,681
Property management fees	150,395	160,677
Insurance	6,658	8,160
Repairs and maintenance	63,587	73,151
Depreciation	844,606	1,010,161
Other rental expenses	55,082	53,741
Total rental expenses	1,462,241	1,669,573
Operating Income from Property Leasing Activities	¥ 2,691,570	¥ 3,258,916

Note 8 – Net Assets

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

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

Note 9 – Long-Term Borrowings

Long-term borrowings are both fixed-rate and floating-rate loans as of February 28, 2014 and August 31, 2014. The long-term borrowings consist of the following:

	As of	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Unguaranteed, unsecured fixed-rate borrowings due 2015 with average interest rate of 0.73%	¥ 20,000,000	¥ 20,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2016 with average interest rate of 0.83%	15,000,000	15,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2017 with average interest rate of 0.96%	16,000,000	16,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2019 with average interest rate of 1.29%	10,000,000	10,000,000
Unguaranteed, unsecured floating-rate borrowings due 2021 with average interest rate of 1.05% (*)	—	3,000,000
Unguaranteed, unsecured floating-rate borrowings due 2022 with average interest rate of 1.21% (*)	—	3,500,000
Unguaranteed, unsecured floating-rate borrowings due 2023 with average interest rate of 1.50% (*)	2,000,000	2,000,000
Unguaranteed, unsecured floating-rate borrowings due 2024 with average interest rate of 1.52% (*)	—	3,000,000
Unguaranteed, unsecured floating-rate borrowings due 2026 with average interest rate of 2.03% (*)	—	2,000,000
Total long-term borrowings due after one year	¥ 63,000,000	¥ 74,500,000

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

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

Note 10 – Leases

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

	As of	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Due within one year	¥ 5,931,669	¥ 7,622,483
Due after one year	45,001,602	59,916,791
Total	¥ 50,933,271	¥ 67,539,274

Note 11 – Income Taxes

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

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

	For the six months ended	
	February 28, 2014	August 31, 2014
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	(36.58)	(36.58)
Changes in valuation allowance	(0.01)	(0.01)
Others	0.03	0.03
Effective tax rate	0.03%	0.03%

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

	As of	
	February 28, 2014	August 31, 2014
	(Yen in thousands)	
Deferred tax assets:		
Tax loss carried forward	¥ 189,445	¥ 189,210
Total deferred tax assets	189,445	189,210
Valuation allowance	(189,445)	(189,210)
Net deferred tax assets	¥ —	¥ —

Note 12 – Per Unit Information

Information about earnings per unit for the periods ended February 28, 2014 and August 31, 2014 is as follows:

	For the six months ended	
	February 28, 2014	August 31, 2014
	(Yen)	
	<hr/>	
Earnings per Unit:		
Net income per unit	¥7,996	¥ 8,188
Weighted average number of units outstanding (units)	245,080	288,123
	As of	
	February 28, 2014	August 31, 2014
	(Yen)	
	<hr/>	
Net Assets per Unit	¥250,288	¥ 273,979

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

DHR implemented a 2-for-1 split of investment units with an effective date of March 1, 2014. Net income per unit and net assets per unit were calculated based on an assumption that such split was implemented at the beginning of the fiscal period ended February 28, 2014.

(This part is intentionally left blank.)

Note 13 – Distribution Information

DHR's Articles of Incorporation 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. In accordance with the distribution policy, DHR generally intends to distribute approximately 100% of retained earnings.

	For the six months ended	
	February 28, 2014	August 31, 2014
	(Yen)	
Unappropriated retained earnings	¥ 1,959,680,892	¥ 2,359,334,949
Cash distributions declared	1,959,659,680	2,359,285,720
Retained earnings carried forward	¥ 21,212	¥ 49,229

Cash distributions are declared by the board of directors after the end of each period. Such distributions are payable to unitholders of record at the end of each period. A distribution in respect of the six months ended February 28, 2014 of ¥15,992 per investment unit, amounting to a total cash distributions declared of ¥1,959,659,680 was proposed and approved at the board of directors meeting on April 17, 2014. A distribution in respect of the six months ended August 31, 2014 of ¥8,039 per investment unit, amounting to a total cash distributions declared of ¥2,359,285,720 was proposed and approved at the board of directors meeting on October 17, 2014.

(This part is intentionally left blank.)

Note 14 – Related-Party Transactions

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

For the six months ended February 28, 2014

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction	Account	Balance at the end of period
			Yen in millions		%			Yen in thousands		Yen in thousands
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	¥ 200	Asset management business	—	Master lessee and entrustment of property management	Property management fees	¥ 49,528	Accounts payable	¥ 30,712
							Cost of utilities	30,591		
							Other operating expenses	5,216		
							Repairs and maintenance (Note 3)	27,047		
							Purchase of trust beneficiary interests in real estate (Note 4)	1,944,000	—	—
							Acceptance of tenant security deposits	139,320	Tenant security deposits	690,720
							Rental revenues	277,358	Advances received	59,857
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Royal Co., Ltd.	Chiyoda-ku, Tokyo	500	Asset management business	—	Entrustment of property management	Property management fees	9,089	Accounts payable	16,217
							Other operating expenses	3,286		
							Repairs and maintenance (Note 3)	23,072		
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Service Co., Ltd.	Nishi-ku, Osaka	130	Asset management business	—	Repairs and maintenance of properties	Property management fees	5,296	Accounts payable	1,867
							Repairs and maintenance (Note 3)	1,042		
Company of which major corporate unitholders hold a majority of voting rights	Shinwa Agency Co., Ltd.	Nishi-ku, Osaka	62	Advertising agency	—	Lease of real estate held	Rental revenues	25	—	—
Company of which major corporate unitholders hold a majority of voting rights	Daiwa House REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	—	Entrustment of asset management	Asset management fee (Note 5)	281,977	Accrued expenses	296,076
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	161,699	Construction business	13.5	Master lessee and entrustment of property management	Property management fees	66,231	Accounts payable	21,390
							Repairs and maintenance (Note 3)	2,386		
							Rental revenues	238,500	Advances received	41,737
							—	—	Tenant security deposits	238,500

For the six months ended August 31, 2014

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction	Account	Balance at the end of period
			Yen in millions		%			Yen in thousands		Yen in thousands
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Information Service Co., Ltd.	Taito-ku, Tokyo	¥ 200	Asset management business	—	Master lessee and entrustment of property management	Property management fees	¥ 49,910	Accounts payable	¥ 32,148
							Cost of utilities	32,631		
							Other operating expenses	2,895		
							Repairs and maintenance (Note 3)	40,980		
							—	—	Tenant security deposits	690,720
							Rental revenues	345,360	Advances received	11,610
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Royal Co., Ltd.	Chiyoda-ku, Tokyo	500	Asset management business	—	Entrustment of property management	Property management fees	7,914	Accounts payable	6,006
							Other operating expenses	3,078		
							Repairs and maintenance (Note 3)	8,442		
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Service Co., Ltd.	Nishi-ku, Osaka	130	Asset management business	—	Repairs and maintenance of properties	Property management fees	6,096	Accounts payable	1,183
							Repairs and maintenance (Note 3)	444		
							Miscellaneous expense	40	—	—
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Energy Co., Ltd.	Abeno-ku, Osaka	50	Environment business	—	Lease of equipment held	Rental revenues	8,955	Advances received	1,934
Company of which major corporate unitholders hold a majority of voting rights	Daiwa Logistics Co., Ltd.	Nishi-ku, Osaka	3,764	Transportation business	—	Lease of real estate held	Rental revenues	201,250	Advances received	42,262
							Receipt of tenant security deposits	313,648	Tenant security deposits	313,648
Company of which major corporate unitholders hold a majority of voting rights	Daiwa House REIT Management Co., Ltd.	Chuo-ku, Tokyo	200	Investment management business	—	Entrustment of asset management	Asset management fee (Note 5)	360,044	Accrued expenses	319,991

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

Notes:

1. Consumption taxes are not included in transaction amounts but are included in the balance at the end of the period.
2. The terms and conditions of related-party transactions are on an arm's length basis.
3. Repairs and maintenance include capital expenditures and repair costs covered by insurance.
4. The amount of transaction for purchase of trust beneficiary interests in real estate does not include acquisition costs, taxes and dues and consumption taxes.
5. Asset management fee includes management fee for acquisition of properties in the amount of ¥4,860 thousand and ¥62,825 thousand for the periods ended February 28, 2014 and August 31, 2014, respectively. These amounts are included in the acquisition cost of respective investment properties.

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 February 28, 2014

	(Yen in thousands)			
	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1)	¥ 3,024,017	¥ 1,129,794	¥ —	¥ 4,153,811
Segment profit	2,014,497	661,238	(354,453)	2,321,283
Segment assets	93,313,715	31,222,014	6,973,277	131,509,007
Others items				
Depreciation	633,927	210,679	340	844,946
Increase in investment properties and intangible assets	¥ 25,743	¥ 1,973,601	¥ —	¥ 1,999,344

Notes:

1. DHR's operating revenues are exclusively earned from external parties.
2. Adjustment to segment profit of ¥ (354,453) thousand consists of corporate expenses, which include asset management fees, asset custodian fees, general administration fees, directors' fees that are not allocated to any reportable segments.
Adjustment to segment assets of ¥6,973,277 thousand includes ¥6,678,052 thousand of current assets and ¥295,224 thousand of other assets.
Adjustment to depreciation of ¥340 thousand represents depreciation of intangible assets in corporate assets.

For the six months ended August 31, 2014

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

Notes:

1. DHR's operating revenues are exclusively earned from external parties.
2. Adjustment to segment profit of ¥ (391,233) thousand consists of corporate expenses, which include asset management fees, asset custodian fees, general administration fees, directors' fees that are not allocated to any

reportable segments.

Adjustment to segment assets of ¥12,655,568 thousand includes ¥12,272,820 thousand of current assets and ¥382,748 thousand of other assets.

Adjustment to depreciation of ¥340 thousand represents depreciation of intangible assets in corporate assets.

Related Information

Information by Geographic Areas

(1) Operating revenues

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

(2) Investment properties

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

Information on Major Tenants

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

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

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

Note 16 – Commitment and Contingent Liabilities

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

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

Even if the claim were admitted by the Court in full, its impact on DHR's net income for the fiscal period ended

August 31, 2014, would be less than 1%. The outcome of this case is unforeseeable as of the balance sheet date.

Note 17 – Significant Subsequent Events

(1) Borrowing of funds

On September 30, 2014, DHR entered into the following loan agreements with financial institutions. Based on the contractual terms, each loan shall be repaid on lump-sum basis on its repayment date. Neither of them is secured by collateral or guarantee.

Lender	Amount	Interest rate	Repayment date
	(Yen in millions)		
Nippon Life Insurance Company	¥ 1,000	Fixed rate of 1.00 % Japanese Bankers	September 29, 2023
Sumitomo Mitsui Banking Corporation (*)	2,000	Association 1 month yen TIBOR plus 0.20%	September 30, 2015
Total	¥ 3,000		

(*) DHR will make early repayment of this loan on December 25, 2014, utilizing the proceeds obtained through the issuance of the below mentioned investment corporation bonds on December 24, 2014.

(2) Acquisition of assets

On September 30, 2014, DHR acquired a trust beneficiary interest in real estate described below. Acquisition price does not include expenses related to the acquisition, taxes and dues and consumption taxes. Besides, as the seller is a related party, etc. as defined in the Act on Investment Trusts and Investment Corporations, the Asset Manager has gone through the necessary discussion and approval procedures in accordance with its internal rules to avoid conflicts of interest.

Property name	ACROSSPLAZA Miyoshi (land)
Acquisition price	¥ 3,390,000 thousand
Seller	Daiwa Information Service Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	855-403 Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma-gun, Saitama
Agreement date	September 30, 2014
Acquisition date	September 30, 2014

(3) Issuance of the investment corporation bonds

DHR issued the following investment corporation bonds on December 24, 2014.

Name of bonds	Daiwa House REIT Investment Corporation 1st Unsecured Investment Corporation Bonds (with pari passu conditions among specified investment corporation bonds)
Total issue amount	¥ 2,000 million
Issue price	¥100 per value of ¥100 of each bond
Interest rate	0.826 %
Collateral and guarantee	No collateral or guarantee is provided.
Redemption method	Total amount of bonds will be redeemed on December 24, 2024. The bonds may be retired by purchase at any time after the issue date, unless otherwise specified by the depository.
Interest payment date	June 24 and December 24 each year
Use of proceeds	DHR will use the proceeds to make early repayment of the short-term bank loan of ¥2,000 million.



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 February 28, 2014 and August 31, 2014, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for each of the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at February 28, 2014 and August 31, 2014, 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.

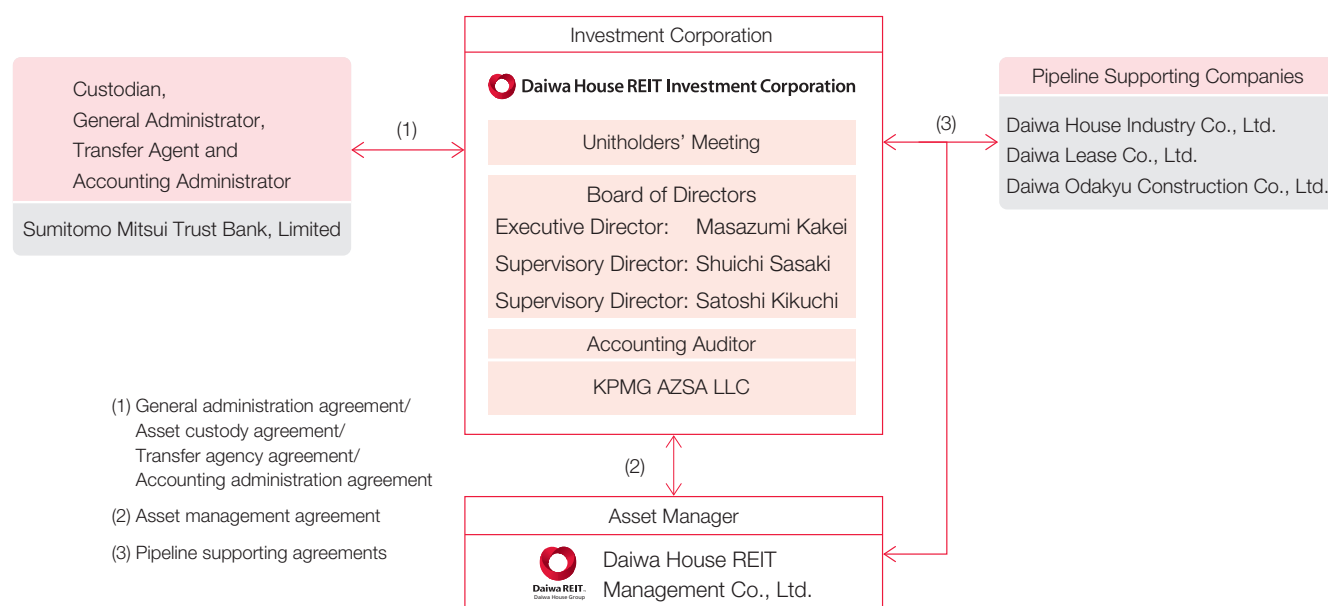
KPMG AZSA LLC

December 24, 2014
Tokyo, Japan

History of the Investment Corporation

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

Structure and Formation



Outline of the Asset Manager

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

Investor Relations Calendar



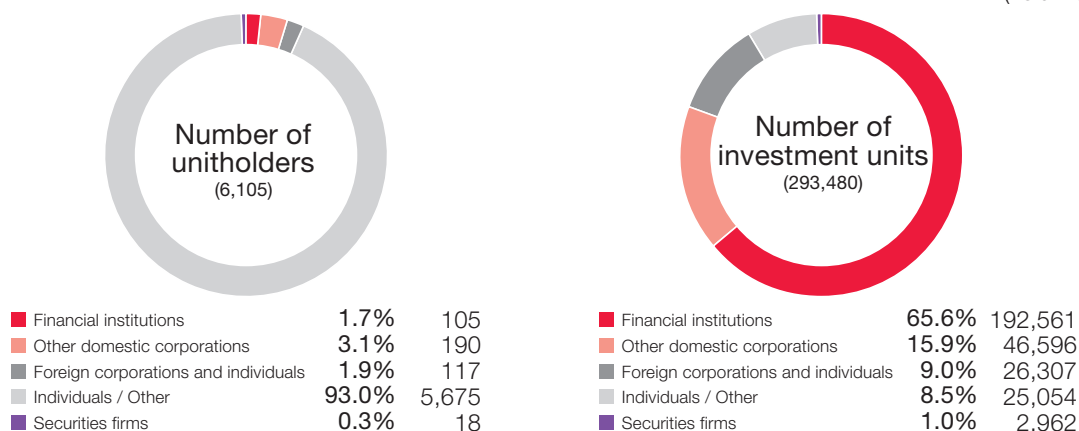
Investment Unit Price



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

Unitholders Data

(As of August 31, 2014)



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

Note for Unitholders

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

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

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

(Note) The period for receiving distributions for the 13th period is from November 10, 2014 to December 30, 2014.

• 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

Regarding the abolishment of the 10% reduced tax rate on distributions from listed investment corporations (7% income tax, 3% local residence tax)

Effective January 1, 2014, the reduced tax rate (7% income tax, 3% local residence tax) on distributions from listed investment corporations has been abolished, and **the new tax rate is the normal tax rate (15% income tax, 5% local residence tax)**.

From January 1, 2013 to December 31, 2037 (25 years), a **2.1% “Special Reconstruction Income Tax”** has been levied **on the income tax amount** in conjunction with the promulgation of the “Act on Special Measures for Reconstruction Funding after the Great East Japan Earthquake” (2011, Act No. 117).

As a result, when the withholding income tax is withheld on the distributions from listed investment corporations, “special reconstruction income tax” will also be withheld.

<Withholding tax rate on distributions from listed investment corporations>

Distribution Payment Start Date	From January 1, 2014 to December 31, 2037		From January 1, 2038	
Tax Rate on Distributions from Listed Investment Corporations	20.315%		20%	
	Breakdown	15% income tax + 0.315% special reconstruction income tax (Note)	Breakdown	15% income tax
		5% local residence tax		5% local residence tax

(Note) $15\% \times 2.1\%$ special reconstruction income tax rate = 0.315%

Please refer to below for other issues to consider.

■ Issues to consider regarding withholding of taxes on distributions from listed investment corporations

- The income tax rate is 20.42% if an individual investor owns 3% or more of all outstanding investment units (20% income tax + 0.42% special reconstruction income tax (Note)).
Separate procedures are necessary for local residence tax.
- If the receiver of a distribution is a corporation, the distribution is not subject to local residence tax.

(Note) $20\% \times 2.1\%$ special reconstruction income tax rate = 0.42%

■ Considerations regarding the special reconstruction income tax

- If the income tax is not taxed, or exempt from tax, or the income tax is less than or equal to the tax rate stipulated by Japanese law due to the application of a tax treaty, the special reconstruction income tax will not be levied.
- Please ask your securities company about the tax amount, etc., if you receive distributions to multiple investment accounts at different brokerages based on the proportion of shares held at each institution.

For all other details, please contact the tax office with jurisdiction over this matter.



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