

# Daiwa House REIT

11<sup>th</sup>

 Daiwa House REIT Investment Corporation

Semi-Annual Report for the 11<sup>th</sup> Period  
From March 1, 2013 to August 31, 2013



## To Our Unitholders

Daiwa House REIT Investment Corporation (DHR) is now in a position to present the financial results for the 11th period (March 1, 2013 to August 31, 2013), the first full fiscal period with six months operation since DHR's listing. For this too, 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 11th period and report on the content of the financial results. During the period under review, we worked to achieve external growth and acquired a retail property, UNICUS Takasaki, from a third party other than the sponsor, resulting in 25 properties with a total acquisition price of ¥117,089 million in our portfolio at the end of the period. We maintained the occupancy rate at the high level of 99.99% at the end of the period.

As a result, for the 11th period operating revenues came to ¥4,128 million, operating income came to ¥2,321 million, ordinary income came to ¥1,968 million, and net income came to ¥1,967 million. Consequently, distributions per investment unit came to ¥16,055.

Our ultimate goal will be 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, and also seek stable growth opportunities through collaboration with the Daiwa House Group, which retains a strong development track record in logistics and retail properties.

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



Masazumi Kakei  
Executive Director  
Daiwa House REIT  
Investment Corporation



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



## Financial Highlights

■ Operating revenues	¥ <b>4,128</b> million	■ Total assets	¥ <b>131,372</b> million
■ Operating income	¥ <b>2,321</b> million	■ Net assets	¥ <b>61,348</b> million
■ Ordinary income	¥ <b>1,968</b> million	■ Equity ratio	<b>46.7</b> %
■ Net income	¥ <b>1,967</b> million	■ Net assets per unit	¥ <b>500,640</b>
■ Distributions per unit	¥ <b>16,055</b>		

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## Basic Policy

### Asset Management Focused Predominantly on “Stability”

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



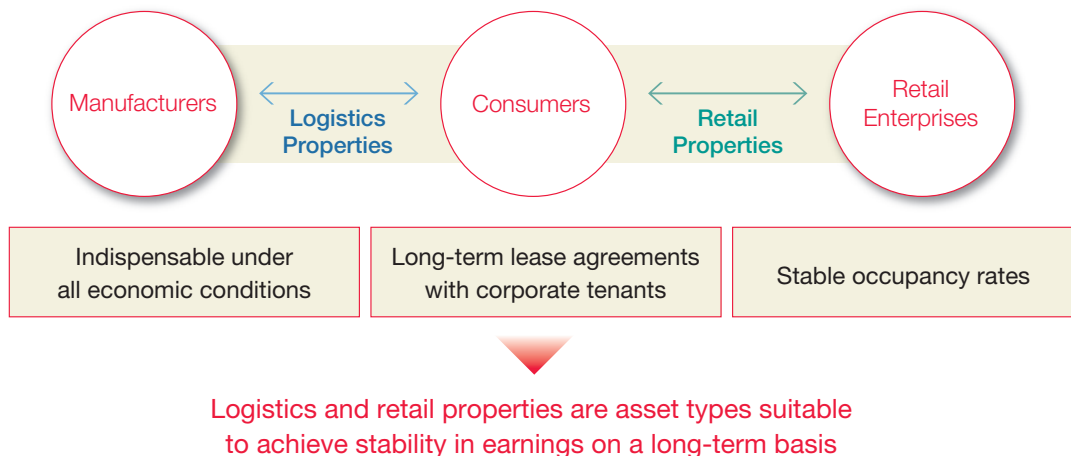
## Investment Policy

### Ensuring Long-Term Stable Earnings

Based on its investment policy which places the highest priority on stability, DHR aims to achieve stable distributions for its unitholders by investing in logistics and retail properties, in particular high-performance logistics properties and specialty retail complexes.

#### Logistics and retail properties as indispensable assets closely connected to daily life

DHR believes these two asset types have a common feature in that they are both points of contact with consumers: logistics properties connect manufacturers with consumers, and retail properties connect retail enterprises with consumers. DHR believes that such properties are indispensable under any economic conditions and continuous stable demand for these properties is anticipated in the future.



#### Securing stable earnings through long-term lease agreements

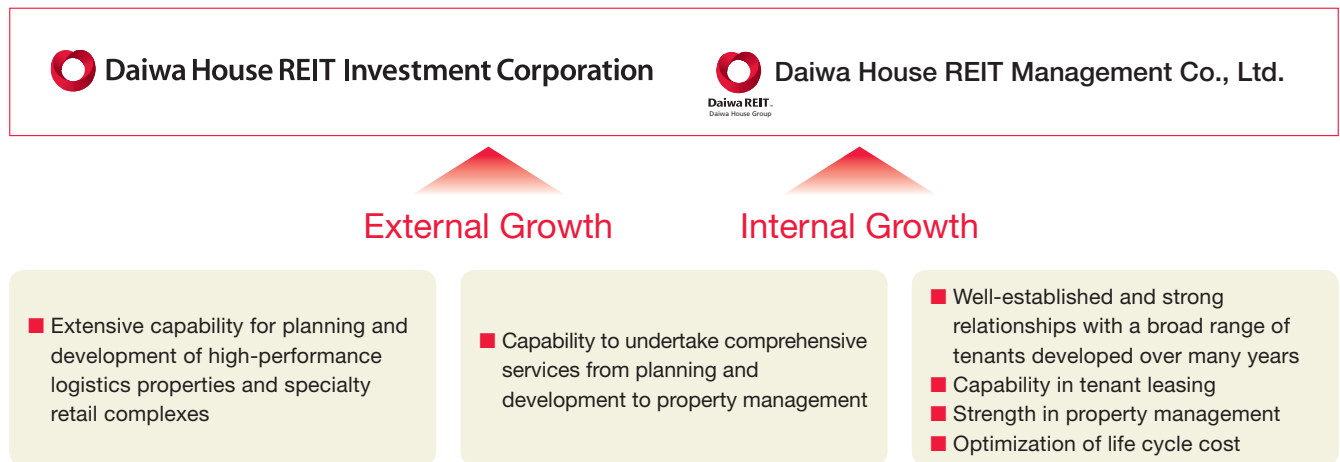
DHR believes logistics and retail properties are asset types suitable to ensure stable earnings on a long-term basis because, compared to properties used for other purposes, it is possible to enter into relatively long-term lease agreements with corporate tenants and occupancy rates tend to be stable.



# Collaboration

## Collaboration with Daiwa House Group

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



## ■ REIT Strategy of Daiwa House

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

## Investment Strategy

### Investment in High-Performance Logistics Properties

DHR believes high-performance logistics properties can ensure stable cash flows over the long term because they feature location and specifications ideal for logistics properties as well as flexibility for meeting individual tenant needs.

#### Investment Criteria

##### Location

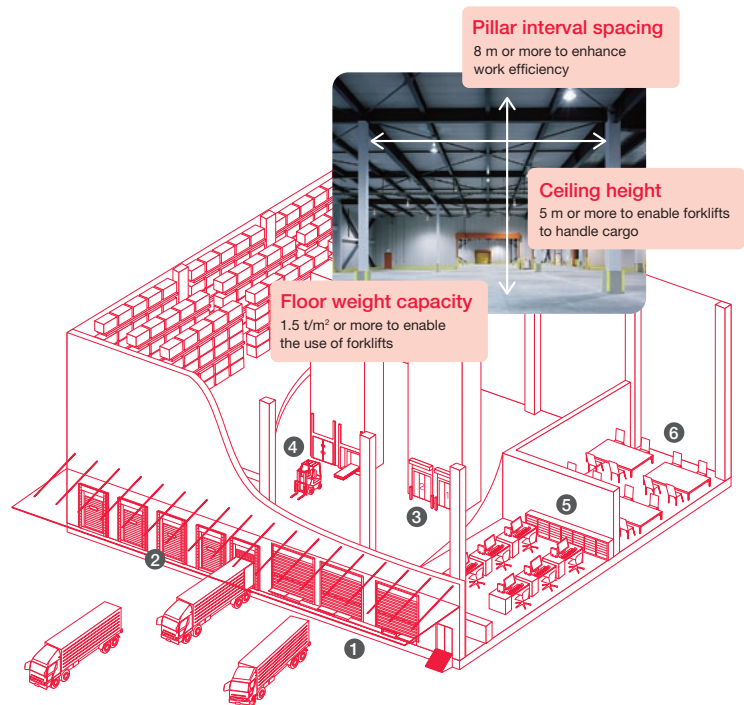
- Proximity to both consumption and production areas
- Accessibility to transportation networks
  - Highways, airports and harbors, etc.
- Ease in securing workforce and convenience in commuting for employees



##### Specifications

- Space and other specifications in principle
  - Gross floor area (6,000 m<sup>2</sup> or more)
  - Floor weight capacity (1.5 t/m<sup>2</sup> or more)
  - Ceiling height (5 m or more)
  - Pillar interval spacing (8 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

#### Specifications of Competitive High-performance Logistics Properties



**1** Car berths  
Sufficient number to enhance efficiency in cargo loading



**2** Dock shelters  
To prevent entry of outside air, rain, wind, moisture, dust, etc., during cargo handling



**3** Elevators  
Sufficient number to enhance on-site distribution efficiency



**4** Vertical carrier machines  
Sufficient number to convey cargo efficiently



**5** Office space  
Comfortable work environment for employees



**6** Cafeteria  
Hospitable work environment for employees

(Note) Not all logistics properties in DHR's portfolio are necessarily equipped with all of the specifications above.

## Investment in Specialty Retail Complexes

DHR believes specialty retail complexes can ensure stable cash flows over the long term. Specialty retail complexes feature specifications ideal for retail properties to attract a constant number of customers over the long term. Such features include accessibility from main highways, residential roads and urban areas, competitive specialty stores in each business field, well-known tenants connected to people's daily life, and long-term agreements with "core tenants (Note)."

### 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

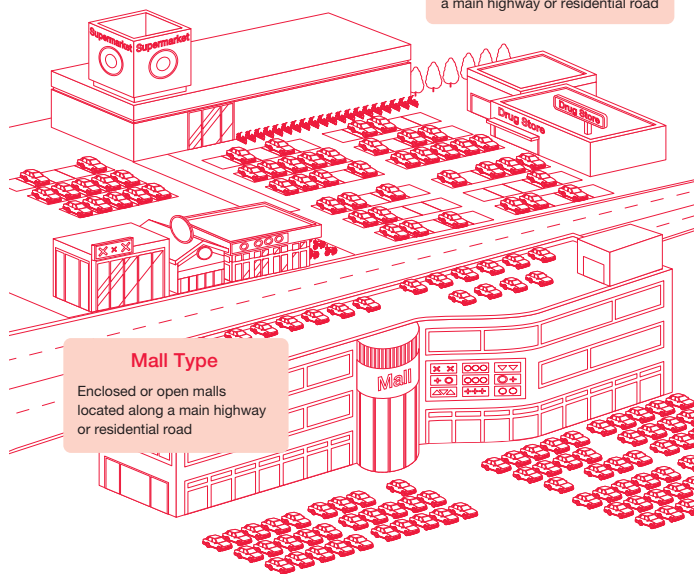
- Competitive specialty stores
- Well-known tenants connected to people's daily life
- Long-term agreements with "core tenants (Note)"
- Stable occupancy rate

(Note) "Core tenants" have a lease area of at least 2,000 m<sup>2</sup>.

### Specialty Retail Complexes with a Focus on Competitive Specialty Stores

#### Roadside Type

Single retail properties or retail complexes consisting of independent stores located along a main highway or residential road



#### Mall Type

Enclosed or open malls located along a main highway or residential road

### Major Tenants



(Note) Not all retail properties in our portfolio necessarily have all of the above tenants.

## External Growth Strategy

### Pipeline with Daiwa House Group

Taking full advantage of memorandums with Daiwa House Group (“pipeline supporting agreements”), DHR aims for steady growth in the scale of its assets by acquiring highly competitive assets.

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



D Project Kuki Shobu I Annex C  
Kuki, Saitama



D Project Kuki Shobu II Annex F  
Kuki, Saitama



D Project Kawagoe Annex B  
Kawagoe, Saitama



D Project Kawagoe Annex C  
Kawagoe, Saitama

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



FOLEO Shobu  
Kuki, Saitama



FOLEO Hakata  
Fukuoka, Fukuoka



FOLEO Otsu Ichiriyama  
Otsu, Shiga



iias Tsukuba  
Tsukuba, Ibaraki

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

### Sourcing Opportunities through Proprietary Network

DHR intends to proactively collect information from independent information sources available and make efforts to acquire quality assets using such information.

#### New acquisition in the 11th period

##### R-M-4

##### UNICUS Takasaki

Location: Takasaki, Gunma  
Construction date: November 5, 2008  
Land area: 19,256.35 m<sup>2</sup>  
Gross floor area: 9,801.89 m<sup>2</sup>



## Internal Growth Strategy

### DHR aims to optimize life cycle costs by leveraging the Daiwa House Group's expertise in property management to full advantage

As an energy/electricity-saving measure, LED lights have been installed in the common area of ACROSSMALL Shinkamagaya to reduce energy consumption and CO<sub>2</sub> emission, achieving an increase in the master lease contracted rent.



ACROSSMALL Shinkamagaya



## 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.

### Credit Rating

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

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

### Overview of Interest-Bearing Debt

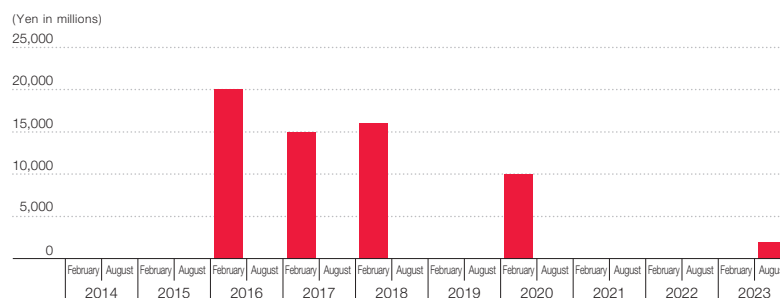
Balance of interest-bearing debt	LTV
¥63,000 million	48.0%

#### ● Solid Bank Formation



Sumitomo Mitsui Trust Bank, Limited	22.6%	¥14,250 million
Sumitomo Mitsui Banking Corporation	19.4%	¥12,250 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19.4%	¥12,250 million
Mizuho Bank, Ltd.	19.4%	¥12,250 million
Mitsubishi UFJ Trust and Banking Corporation	7.9%	¥5,000 million
Development Bank of Japan Inc.	7.9%	¥5,000 million
Resona Bank, Limited	3.2%	¥2,000 million

#### ● Diversification of Repayment Terms



#### ● Interest-Bearing Debt

Term	Lenders	Borrowings (Yen in millions)	Interest rate	Floating/Fixed	Borrowing date	Repayment due date	Maturity	Note	Remaining term
Long-term	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; and Resona Bank, Limited	20,000	0.73%	Fixed	November 29, 2012	November 30, 2015	3 years	Unsecured and non-guaranteed	2.2 years
	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; and Resona Bank, Limited	15,000	0.83%			November 29, 2016	4 years		3.2 years
	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; and Development Bank of Japan Inc.	16,000	0.96%			November 29, 2017	5 years		4.2 years
	Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mizuho Bank, Ltd.; and Development Bank of Japan Inc.	10,000	1.29%			November 29, 2019	7 years		6.2 years
	Sumitomo Mitsui Trust Bank, Limited	2,000	1.50% <sup>(Note)</sup>			Fixed <sup>(Note)</sup>	March 27, 2013		March 27, 2023
Total interest-bearing debt		63,000	0.92%	—	—	—	4.6 years	—	3.9 years

(Note) The interest rate is fixed in effect by entering into an interest-rate swap agreement.

## Portfolio Overview

### Portfolio Composition Policy

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

#### Target Geographical Area

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

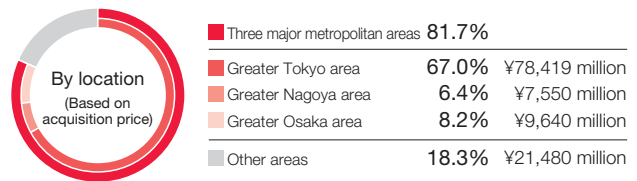
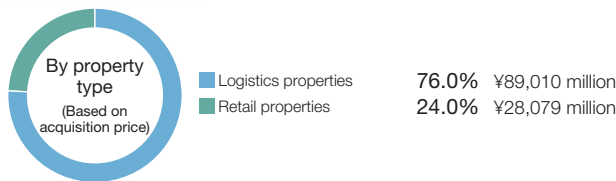
#### Target Scale

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

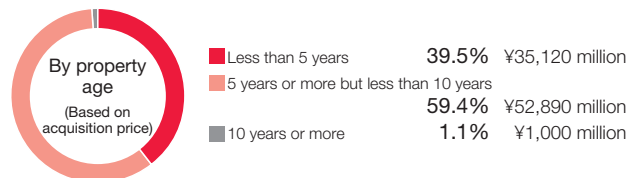
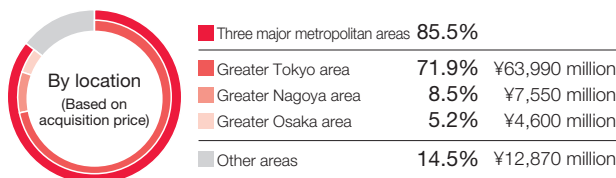
(Note) References to the "three major metropolitan areas of Japan" are to the combined greater Tokyo area, greater Nagoya area and greater Osaka area. References to the "greater Tokyo area" are to Tokyo, Kanagawa, Saitama and Chiba prefectures. References to the "greater Nagoya area" are to Aichi, Gifu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

### Portfolio Data

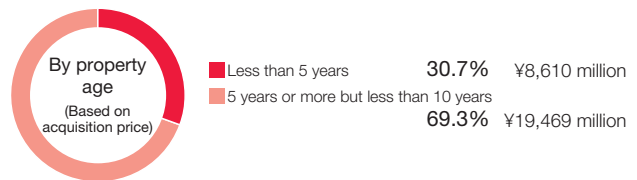
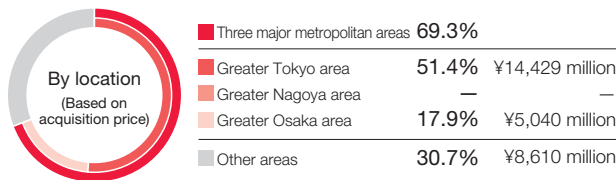
#### Portfolio total



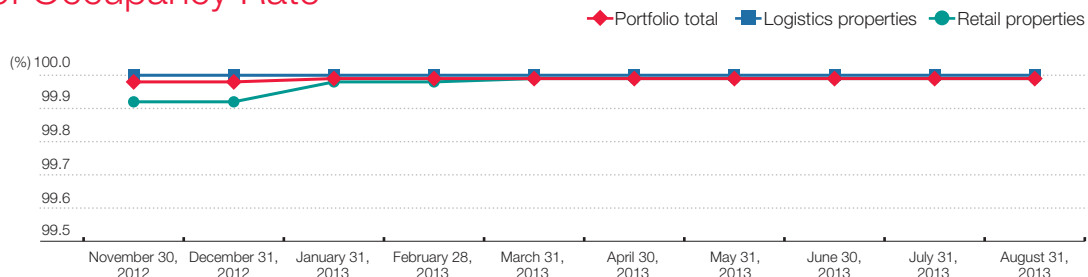
#### Logistics properties



#### Retail properties



### Trend of Occupancy Rate



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

## Portfolio Highlights

Assets under management **25** properties    ¥ **117,089** million

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

• Retail properties    **6** properties    ¥ **28,079** million

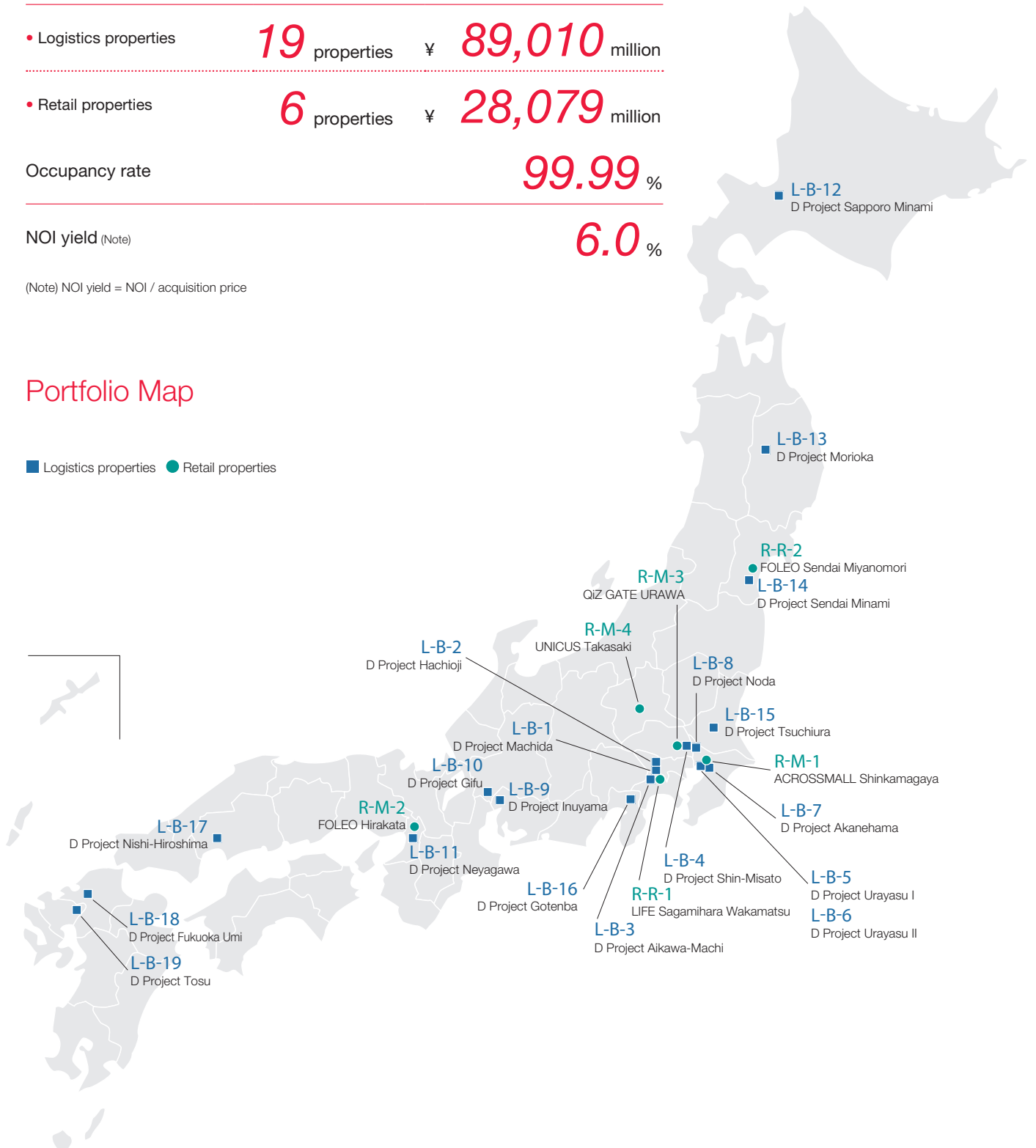
Occupancy rate    **99.99** %

NOI yield (Note)    **6.0** %

(Note) NOI yield = NOI / acquisition price

## Portfolio Map

■ Logistics properties    ● Retail properties



## Portfolio Overview

### Portfolio Summary

Property number	Property name	Location (City or county, prefecture)	Acquisition date	Acquisition price (Yen in millions)	Investment ratio (%) (Note)	Leasable area (m <sup>2</sup> )
L-B-1	D Project Machida	Machida, Tokyo	November 29, 2012	7,600	6.5	50,490.39
L-B-2	D Project Hachioji	Hachioji, Tokyo	November 29, 2012	12,600	10.8	62,394.17
L-B-3	D Project Aikawa-Machi	Aiko, Kanagawa	November 28, 2012	2,600	2.2	14,240.84
L-B-4	D Project Shin-Misato	Misato, Saitama	November 29, 2012	4,440	3.8	11,289.91
L-B-5	D Project Urayasu I	Urayasu, Chiba	November 28, 2012	7,700	6.6	36,515.81
L-B-6	D Project Urayasu II	Urayasu, Chiba	November 29, 2012	21,400	18.3	72,320.01
L-B-7	D Project Akanehama	Narashino, Chiba	November 28, 2012	2,550	2.2	11,663.39
L-B-8	D Project Noda	Noda, Chiba	November 28, 2012	5,100	4.4	29,232.53
L-B-9	D Project Inuyama	Inuyama, Aichi	November 28, 2012	6,650	5.7	43,723.70
L-B-10	D Project Gifu	Anpachi, Gifu	November 29, 2012	900	0.8	7,669.91
L-B-11	D Project Neyagawa	Neyagawa, Osaka	November 28, 2012	4,600	3.9	11,151.51
L-B-12	D Project Sapporo Minami	Kitahiroshima, Hokkaido	November 28, 2012	600	0.5	6,749.10
L-B-13	D Project Morioka	Iwate, Iwate	November 29, 2012	1,000	0.9	9,558.32
L-B-14	D Project Sendai Minami	Iwanuma, Miyagi	November 28, 2012	1,250	1.1	11,052.27
L-B-15	D Project Tsuchiura	Tsuchiura, Ibaraki	November 29, 2012	2,880	2.5	17,448.86
L-B-16	D Project Gotenba	Gotenba, Shizuoka	November 28, 2012	950	0.8	6,737.53
L-B-17	D Project Nishi-Hiroshima	Hiroshima, Hiroshima	November 28, 2012	990	0.8	5,093.51
L-B-18	D Project Fukuoka Umi	Kasuya, Fukuoka	November 29, 2012	3,100	2.6	24,729.56
L-B-19	D Project Tosu	Tosu, Saga	November 29, 2012	2,100	1.8	8,826.00
<b>19 Logistics properties total</b>				<b>89,010</b>	<b>76.0</b>	<b>440,887.32</b>
R-M-1	ACROSSMALL Shinkamagaya	Kamagaya, Chiba	December 12, 2007	7,419	6.3	41,742.84
R-M-2	FOLEO Hirakata	Hirakata, Osaka	December 11, 2008	5,040	4.3	16,380.78
R-M-3	QiZ GATE URAWA	Saitama, Saitama	December 11, 2008	5,360	4.6	9,705.31
R-M-4	UNICUS Takasaki	Takasaki, Gunma	March 27, 2013	2,570	2.2	9,277.08
R-R-1	LIFE Sagami-hara Wakamatsu	Sagami-hara, Kanagawa	December 11, 2008	1,650	1.4	2,973.44
R-R-2	FOLEO Sendai Miyanomori	Sendai, Miyagi	November 29, 2012	6,040	5.2	19,845.72
<b>6 Retail properties total</b>				<b>28,079</b>	<b>24.0</b>	<b>99,925.17</b>
<b>Portfolio total of 25 properties</b>				<b>117,089</b>	<b>100.0</b>	<b>540,812.49</b>

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



D Project Urayasu II



**L-B-5**  
D Project Urayasu I

Location: Urayasu, Chiba  
Construction date: May 31, 2005, etc.  
Land area: 19,571.14 m<sup>2</sup>  
Gross floor area: 36,515.81 m<sup>2</sup>

**L-B-6**  
D Project Urayasu II

Location: Urayasu, Chiba  
Construction date: April 10, 2007  
Land area: 38,456.00 m<sup>2</sup>  
Gross floor area: 72,320.01 m<sup>2</sup>

D Project Urayasu I



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



**L-B-2**  
D Project Hachioji

This logistics property is located near National Route 16, which connects to the Yokohama Machida interchange (IC) on the Tomei Expressway and the Hachioji IC on the Chuo Expressway, and can thus be used as a wider-area distribution base for parts of the Tokyo metropolitan area outside the main 23 wards.



Location: Hachioji, Tokyo  
Construction date: December 1, 2008  
Land area: 45,285.43 m<sup>2</sup>  
Gross floor area: 58,678.15 m<sup>2</sup>



### L-B-3 D Project Aikawa-Machi

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

Location: Aiko, Kanagawa  
 Construction date: June 30, 2006  
 Land area: 17,397.31 m<sup>2</sup>  
 Gross floor area: 13,213.43 m<sup>2</sup>



### L-B-4 D Project Shin-Misato

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

Location: Misato, Saitama  
 Construction date: April 15, 2009  
 Land area: 9,616.60 m<sup>2</sup>  
 Gross floor area: 11,257.04 m<sup>2</sup>



### L-B-1 D Project Machida

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

Location: Machida, Tokyo  
 Construction date: October 1, 2006  
 Land area: 33,860.49 m<sup>2</sup>  
 Gross floor area: 50,490.34 m<sup>2</sup>



### L-B-7 D Project Akanehama

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

Location: Narashino, Chiba  
 Construction date: October 11, 2005  
 Land area: 13,000.00 m<sup>2</sup>  
 Gross floor area: 11,656.89 m<sup>2</sup>

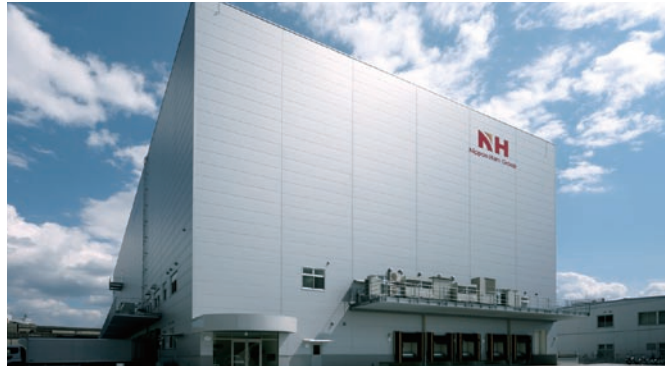


## L-B-11

### D Project Neyagawa

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

Location: Neyagawa, Osaka  
Construction date: July 23, 2009  
Land area: 9,865.97 m<sup>2</sup>  
Gross floor area: 11,303.11 m<sup>2</sup>



## L-B-8

### D Project Noda

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

Location: Noda, Chiba  
Construction date: September 30, 2007  
Land area: 34,686.75 m<sup>2</sup>  
Gross floor area: 29,190.21 m<sup>2</sup>

## L-B-10

### D Project Gifu

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

Location: Anpachi, Gifu  
Construction date: February 28, 2009  
Land area: 7,333.37 m<sup>2</sup>  
Gross floor area: 6,921.06 m<sup>2</sup>



## L-B-9

### D Project Inuyama

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

Location: Inuyama, Aichi  
Construction date: December 10, 2009  
Land area: 46,530.87 m<sup>2</sup>  
Gross floor area: 42,083.63 m<sup>2</sup>



## L-B-13 D Project Morioka

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

Location: Iwate, Iwate  
 Construction date: September 13, 2002  
 Land area: 15,990.00 m<sup>2</sup>  
 Gross floor area: 8,849.12 m<sup>2</sup>



## L-B-14 D Project Sendai Minami

This logistics property is located approximately three kilometers from the Sendai Airport IC on the Sendai Tobu Expressway, and has favorable access to the central part of Sendai via National Route 4 and the Sendai Tobu Expressway.

Location: Iwanuma, Miyagi  
 Construction date: March 28, 2006  
 Land area: 17,092.58 m<sup>2</sup>  
 Gross floor area: 11,042.27 m<sup>2</sup>



## L-B-12 D Project Sapporo Minami

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

Location: Kitahiroshima, Hokkaido  
 Construction date: October 30, 2007  
 Land area: 10,986.06 m<sup>2</sup>  
 Gross floor area: 6,749.10 m<sup>2</sup>



## L-B-15 D Project Tsuchiura

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

Location: Tsuchiura, Ibaraki  
 Construction date: February 19, 2009  
 Land area: 18,191.52 m<sup>2</sup>  
 Gross floor area: 17,448.86 m<sup>2</sup>





## L-B-18

### D Project Fukuoka Umi

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

Location: Kasuya, Fukuoka  
 Construction date: May 1, 2006, etc.  
 Land area: 31,476.78 m<sup>2</sup>  
 Gross floor area: 23,742.02 m<sup>2</sup>



## L-B-17

### D Project Nishi-Hiroshima

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

Location: Hiroshima, Hiroshima  
 Construction date: January 10, 2008, etc.  
 Land area: 24,049.72 m<sup>2</sup>  
 Gross floor area: 4,453.45 m<sup>2</sup>



## L-B-16

### D Project Gotenba

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

Location: Gotenba, Shizuoka  
 Construction date: January 15, 2009  
 Land area: 6,154.07 m<sup>2</sup>  
 Gross floor area: 6,457.26 m<sup>2</sup>



## L-B-19

### D Project Tosu

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

Location: Tosu, Saga  
 Construction date: February 19, 2009  
 Land area: 12,395.42 m<sup>2</sup>  
 Gross floor area: 8,504.62 m<sup>2</sup>



## R-R-2

### FOLEO Sendai Miyanomori

This retail property is located approximately three kilometers northeast of central Sendai City. It has favorable access from the residential area and its tenants include leading companies.

Location: Sendai, Miyagi  
 Construction date: October 6, 2009, etc.  
 Land area: 42,273.93 m<sup>2</sup>  
 Gross floor area: 19,845.72 m<sup>2</sup>



## R-M-1

### ACROSSMALL Shinkamagaya

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

Location: Kamagaya, Chiba  
 Construction date: October 31, 2006  
 Land area: 17,367.08 m<sup>2</sup>  
 Gross floor area: 35,852.43 m<sup>2</sup>





### R-M-4 UNICUS Takasaki

Located two kilometers north of JR Takasaki Station, this retail property has a supermarket as its core tenant and also various specialty stores.

Location: Takasaki, Gunma  
 Construction date: November 5, 2008  
 Land area: 19,256.35 m<sup>2</sup>  
 Gross floor area: 9,801.89 m<sup>2</sup>



### R-R-1 LIFE Sagamihara Wakamatsu

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

Location: Sagamihara, Kanagawa  
 Construction date: April 25, 2007  
 Land area: 3,831.88 m<sup>2</sup>  
 Gross floor area: 2,913.24 m<sup>2</sup>

### R-M-3 QiZ GATE URAWA

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

Location: Saitama, Saitama  
 Construction date: February 17, 2008  
 Land area: 9,917.35 m<sup>2</sup>  
 Gross floor area: 17,028.40 m<sup>2</sup>



### R-M-2 FOLEO Hirakata

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

Location: Hirakata, Osaka  
 Construction date: November 20, 2006  
 Land area: 26,736.12 m<sup>2</sup>  
 Gross floor area: 21,499.16 m<sup>2</sup>



## 1 Summary of Asset Management

## (1) Historical Operating Results

Period		7th period	8th period	9th period	10th period	11th period
		From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	From March 1, 2012 to August 31, 2012	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013
Operating revenues	(Yen in millions)	1,093	769	748	2,421	4,128
Of which, real estate leasing business revenues	(Yen in millions)	1,093	769	748	2,421	4,128
Operating expenses	(Yen in millions)	419	1,491	383	969	1,808
Of which, real estate leasing business expenses	(Yen in millions)	340	344	326	826	1,443
Operating income (loss)	(Yen in millions)	674	(Note 3) (722)	365	1,452	2,321
Ordinary income (loss)	(Yen in millions)	551	(807)	319	920	1,968
Net income (loss)	(Yen in millions)	319	(709)	198	919	1,967
Total assets	(Yen in millions)	23,534	21,157	21,331	127,780	131,372
(Period-on-period changes)	(%)	(0.4)	(10.1)	0.8	499.0	2.8
Net assets	(Yen in millions)	7,784	7,075	7,273	60,273	61,348
(Period-on-period changes)	(%)	4.3	(9.1)	2.8	728.7	1.8
Unitholders' capital	(Yen in millions)	7,300	7,300	7,300	59,381	59,381
Number of investment units issued	(Units)	14,600	14,600	14,600	122,540	122,540
Net assets per unit	(Yen)	533,166	484,576	498,152	491,864	500,640
Total distributions	(Yen in millions)	—	—	—	892	1,967
Distributions per unit	(Yen)	—	—	—	7,278	16,055
Of which, earnings distributions per unit	(Yen)	—	—	—	7,278	16,055
Of which, distributions in excess of earnings per unit	(Yen)	—	—	—	—	—
Ordinary income to total assets ratio (Note 2)	(%)	2.4	(3.6)	1.5	1.2	1.5
(Annualized)	(%)	4.7	(7.2)	3.0	2.5	3.0
Return on equity (Note 2)	(%)	4.2	(9.5)	2.8	2.7	3.2
(Annualized)	(%)	8.3	(19.1)	5.5	5.5	6.4
Equity ratio (Note 2)	(%)	33.1	33.4	34.1	47.2	46.7
(Period-on-period changes)	(%)	1.5	0.4	0.7	13.1	(0.5)
Payout ratio (Note 2)	(%)	—	—	—	(Note 4) 97.1	100.0
<b>&lt;Reference Information&gt;</b>						
Number of investment properties		5	4	4	24	25
Total leasable area	(m <sup>2</sup> )	74,224.40	70,802.37	70,802.37	531,535.41	540,812.49
Number of tenants		13	12	13	39	40
Occupancy rate at the end of period	(%)	99.9	99.8	99.9	100.0	100.0
Depreciation during the period	(Yen in millions)	166	165	160	606	844
Capital expenditures during the period	(Yen in millions)	5	1	5	—	58
Rental NOI (Net Operating Income) (Note 2)	(Yen in millions)	919	589	581	2,201	3,529
FFO (Funds from Operation) per unit (Note 2)	(Yen)	33,199	37,212	24,511	12,445	22,942
Interest-bearing debt (Note 2)	(Yen in millions)	13,680	12,400	12,400	61,000	63,000
Interest-bearing debt to total assets ratio (Note 2)	(%)	58.1	58.6	58.1	47.7	48.0
Number of operating days	(Days)	184	182	184	181	184

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

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

Ordinary income to total assets ratio = Ordinary income / ((Total assets at 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

3. As ¥1,088 million of loss on sale of property was recorded, operating loss was posted.

4. Due to the issuance of new investment units, the payout ratio for the 10th period was 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, with Daiwa House REIT Management Co., Ltd. (hereinafter referred to as the "Asset Manager") as the organizer under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions, hereinafter referred to as the "Investment Trusts Act"), and completed its registration in the Kanto Local Finance Bureau on October 23, 2007 (Director-General of the Kanto Local Finance Bureau No. 66).

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

To achieve its basic investment policy of focusing predominantly on "stability" in the management of its assets, DHR targets investment in logistics and retail properties, investing in "high-performance logistics properties" and "specialty retail complexes." In addition, DHR aims for steady growth in the scale of its assets by acquiring highly competitive assets through collaboration with the Daiwa House Group <sup>(Note)</sup>, which has an extensive logistics and retail property development track record supported by its nationwide land information network and customer base. Furthermore, DHR has its sights set on maintaining and enhancing the value of its assets through operations and management that maximize their competitiveness.

In the 11th period (ended August 31, 2013), DHR acquired one retail property, UNICUS Takasaki (acquisition price: ¥2,570 million). Consequently, DHR held a total of 25 properties (total acquisition price: ¥117,089 million after rounding to the nearest million yen) as of August 31, 2013.

(Note) The Daiwa House Group comprises Daiwa House Industry Co., Ltd. (hereinafter referred to as "Daiwa House"), its 101 consolidated subsidiaries, one non-consolidated subsidiary, 18 equity-method affiliates, and two non-equity-method affiliates, as of October 1, 2013). The same shall apply hereinafter.

### B. Investment Environment and Performance

In the period under review, the Japanese economy displayed a modest recovery due to a number of factors, including firm personal consumption and a continued increase in exports to the U.S., resulting from the "Abenomics" impact since the start of the new regime in December 2012 as well as the pickup of overseas economies.

In the real estate market, the Land Price LOOK Report published by the Ministry of Land, Infrastructure, Transport and Tourism in August 2013 had areas showing rising land prices accounting for approximately two-thirds of the total. The report stated that a shift from the previous downward or flat trend to an upward swing in land prices was broadly seen. Among the factors cited as contributing to this trend were the increase in eagerness towards real estate investment in highly convenient retail districts and increased demand in residential areas, which led to rising land prices in the three major metropolitan areas of Tokyo, Osaka and Nagoya, as well as certain regional areas.

The J-REIT market saw a large fluctuation during the period under review. After the Tokyo Stock Exchange REIT Index rose 47% from the closing price on December 28, 2012 through the closing price on March 29, 2013, supported by fund inflows primarily from individual investors, the index declined 15% through the closing price on June 28, 2013 due to concerns about a rise in interest rates caused by a scaling down of monetary easing in the U.S. and other factors. However, there has been an increase in eagerness to acquire properties in the real estate market, as expectations for an improvement in real estate gains and a favorable financing environment helped to push the asset acquisition amount by J-REITs in the January through June 2013 period to above ¥1.3 trillion, already greatly exceeding the amount for all of 2012 (¥787.9 billion).

Underpinned by demand from Internet mail order companies and the fashion and apparel industries as well as their supporting third-party logistics (3PL) providers, the logistics property rental market was firm. According to the leasing market trend for large multi-tenant logistics properties announced in August 2013 by CBRE K.K., occupancy rates remained stable as the vacancy rates in the greater Tokyo and Kinki areas were 2.7% and 1.5%, respectively (as of June 2013), and offered rent levels began to increase after previously moving sideways. For the time being, demand is expected to be maintained for logistics properties capable of responding to burgeoning distribution network and infrastructure needs due to such factors as the expected growth in the Internet mail order, fashion, and apparel industries, and the rise in distribution volume in conjunction with the increase in the number of convenience stores.

With regard to the business environment surrounding retail properties, the retail sales total according to the commercial sales (excluding automobile and fuel sales) statistics increased 0.8% year-on-year in the January through June 2013 half-year period, representing stability, and department store and other sales showed firm personal consumption, particularly in expensive goods and durable consumer goods. In the supermarket sector, companies implemented more unique sales strategies, such as expanding the scope of high price range goods in the private brand products space by independent planning.

In such an environment, DHR increased the scale of its assets by leveraging the Asset Manager's proprietary network to acquire retail property UNICUS Takasaki (acquisition price: ¥2,570 million) from an outside entity, and as of August 31, 2013, DHR owned 25 properties (total book value at the end of the period: ¥115,515 million) with a total leasable area of 540,812.49 m<sup>2</sup> and an occupancy rate of 99.99% (the figure is rounded down to the nearest 100th).

### C. Overview of Financing

In the 11th period (ended August 31, 2013), DHR borrowed funds of ¥2,000 million with maturity of 10 years as of March 27, 2013 in order to partially cover the acquisition costs for trust beneficiary interests in real estate and related costs, and entered into an interest rate swap agreement as of August 15, 2013 for the purpose of hedging the risk of fluctuations in interest rate for this borrowing. Consequently, as of August 31, 2013, borrowings amounted to ¥63,000 million, while both the ratio of long-term borrowings and the ratio of fixed-rate borrowings were 100.0%.

The credit rating DHR has obtained as of August 31, 2013 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 ¥4,128 million, operating income came to ¥2,321 million, ordinary income came to ¥1,968 million, and net income came to ¥1,967 million, for the 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, with the aim of earnings distributions being included in tax deductible expenses based on application of special provisions for taxation (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per investment unit came to ¥16,055.

### (3) Summary of Capital Increase

During the 11th period, there were no changes in the total number of investment units issued and total investments.

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

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

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

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

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

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

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

#### [Changes in market price of investment securities]

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

Period	7th period	8th period	9th period	10th period	11th period
Fiscal period end	August 2011	February 2012	August 2012	February 2013	August 2013
Highest (Yen)	—	—	—	¥670,000	¥814,000
Lowest (Yen)	—	—	—	¥501,000	¥634,000

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



#### (4) 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 ¥16,055.

Period		7th period	8th period	9th period	10th period	11th period
		From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	From March 1, 2012 to August 31, 2012	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013
Net income (loss)	(Yen in thousands)	318,906	(709,413)	198,216	918,923	1,967,283
Unappropriated retained earnings (accumulated deficit)	(Yen in thousands)	484,218	(225,195)	(26,979)	891,944	1,967,381
Retained earnings	(Yen in thousands)	484,218	(225,195)	(26,979)	97	0
Total distributions	(Yen in thousands)	—	—	—	891,846	1,967,380
(Distributions per unit)	(Yen)	—	—	—	7,278	16,055
Of the above, total earnings distributions	(Yen in thousands)	—	—	—	891,846	1,967,380
(Earnings distributions per unit)	(Yen)	—	—	—	7,278	16,055
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 downside risk for the economy in some emerging countries, a trend toward gradual recovery of the Japanese economy is expected, underpinned by improved confidence against a backdrop of reconstruction demand following the Great East Japan Earthquake, improvement in the export environment due to the correction of the yen's appreciation, and the effects of fiscal and monetary policies.

With regard to the J-REIT market, eagerness towards property acquisition is expected to remain strong against a backdrop of the stabilized financing environment and the effects of the new regime's policies aimed toward pulling the economy out of deflation.

In such an environment, DHR will focus predominantly on "stability" in the management of its assets and, adhering to its basic policy of targeting long-term, stable earnings and maximizing unitholder value, will work to further expand the scale of its assets while maintaining and enhancing asset value over the medium to long term.

##### A. External Growth Strategy

DHR aims to achieve stable external growth through support and assistance from the Daiwa House Group. DHR has entered into separate memorandums (hereinafter referred to as "pipeline supporting agreements") with Daiwa House, Daiwa Lease Co., Ltd., and Daiwa Odakyu Construction Co., Ltd. and through these agreements DHR intends to take full advantage of the Daiwa House Group's strong development capabilities in supplying community-based properties that leverage the strengths of each regional economy through the Daiwa House Group's nationwide land information network.

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

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

##### B. Internal Growth Strategy

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

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

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

repairs and improving performance.

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

Not applicable.

## 2 | Overview of the Investment Corporation

### (1) Status of Investment Units

Period		7th period	8th period	9th period	10th period	11th period
		August 31, 2011	February 29, 2012	August 31, 2012	February 28, 2013	August 31, 2013
Total number of investment units authorized	(Units)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total number of investment units issued	(Units)	14,600	14,600	14,600	122,540	122,540
Number of unitholders		1	1	1	7,846	5,809

### (2) Matters concerning Investment Units

The top ten unitholders in terms of the percentage of investment units held as of August 31, 2013 are as follows:

Name	Number of investment units held (Units)	Percentage of units held to the total number of units issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	29,146	23.78
Daiwa House Industry Co., Ltd.	16,600	13.55
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	6,868	5.60
The Master Trust Bank of Japan, Ltd. (Trust account)	6,019	4.91
Nomura Bank (Luxembourg) S.A.	5,409	4.41
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	4,928	4.02
State Street Bank and Trust Company 505225	1,817	1.48
The Hachijuni Bank, Ltd.	1,815	1.48
The Fuji Fire and Marine Insurance Co., Ltd.	1,794	1.46
National Mutual Insurance Federation of Agricultural Cooperatives	1,142	0.93
Total	75,538	61.64

### (3) Officers

The following table provides information about the Executive Director, Supervisory Directors and Accounting Auditor during the 11th period.

Title and post	Name	Major concurrent position	Total compensation per title during the 11th period (Yen in thousands)
Executive Director (Note 1)	Masazumi Kakei	— (Note 2)	2,400
Supervisory Directors (Note 1)	Shuichi Sasaki	Attorney Sasaki & Suzuki Law Office	1,800
	Satoshi Kikuchi	Certified Public Accountant Satoshi Kikuchi Certified Public Accountant Office	1,800
Accounting Auditor (Note 3)	KPMG AZSA LLC	—	12,200

(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. The Executive Director resigned as a Corporate Auditor of System Trust Laboratory Co., Ltd. on June 27, 2013.

3. An Accounting Auditor shall be dismissed pursuant to the provision of the Investment Trust Act. Refusal of reappointment of Accounting Auditor shall be considered at DHR's board of directors taking into full account all relevant factors.

(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)	Heiseikaikeisha Tax Corporation



### 3 Portfolio of the Investment Corporation

#### (1) Composition of Assets

Type of assets	Property type	Area	10th period February 28, 2013		11th period August 31, 2013		
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)	
Real estate in trust	Logistics properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	64,152	50.2	63,740	48.5
			Greater Nagoya area	7,563	5.9	7,497	5.7
			Greater Osaka area	4,613	3.6	4,583	3.5
		Other	12,910	10.1	12,784	9.7	
		Subtotal	89,238	69.8	88,604	67.4	
	Retail properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	13,560	10.6	13,490	10.3
			Greater Nagoya area	—	—	—	—
			Greater Osaka area	4,759	3.7	4,716	3.6
		Other	6,081	4.8	8,705	6.6	
		Subtotal	24,400	19.1	26,911	20.5	
	Total			113,638	88.9	115,515	87.9
	Deposits and other assets			14,142	11.1	15,857	12.1
	Total assets (Note 3)			127,780 [113,638]	100.0 [88.9]	131,372 [115,515]	100.0 [87.9]

(Notes) 1. References to the "three major metropolitan areas of Japan" are to the combined greater Tokyo area, greater Nagoya area and greater Osaka area. References to the "greater Tokyo area" are to Tokyo, Kanagawa, Saitama and Chiba prefectures. References to the "greater Nagoya area" are to Aichi, Gifu and Mie prefectures. References to the "greater Osaka area" are to Osaka, Kyoto, Hyogo, Nara and Shiga prefectures. The same shall apply hereinafter.

2. The total amount held represents the amount recorded on the balance sheets as of the end of the respective period (for real estate in trust, book value less depreciation expenses).

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

#### (2) Principal Assets Held

The overview of principal assets held by DHR as of August 31, 2013 (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 <sup>2</sup> ) (Note 1)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%)	Rate to total real estate leasing business revenues (%)	Primary Use
D Project Urayasu II	21,351	72,320.01	72,320.01	100.0	— (Note 3)	Logistics property
D Project Hachioji	12,511	62,394.17	62,394.17	100.0	— (Note 3)	Logistics property
D Project Urayasu I	7,679	36,515.81	36,515.81	100.0	— (Note 3)	Logistics property
D Project Machida	7,570	50,490.39	50,490.39	100.0	— (Note 3)	Logistics property
ACROSSMALL Shinkamagaya	6,851	41,742.84	41,742.84	100.0	6.6	Retail property
D Project Inuyama	6,603	43,723.70	43,723.70	100.0	— (Note 3)	Logistics property
FOLEO Sendai Miyanomori	6,055	19,845.72	19,845.72	100.0	5.8	Retail property
D Project Noda	5,063	29,232.53	29,232.53	100.0	— (Note 3)	Logistics property
QIZ GATE URAWA	4,993	9,705.31	9,705.31	100.0	5.8	Retail property
FOLEO Hirakata	4,716	16,380.78	16,367.31	99.9	4.6	Retail property
Total	83,392	382,351.26	382,337.79	100.0	70.8	

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

2. Leased areas as indicated in each lease agreement in relation to each property in trust as of August 31, 2013, are added up and shown. However, the leased areas as indicated in each sublease agreement for properties in trust as of August 31, 2013 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. Rate to total real estate leasing business revenues is not disclosed as consent for disclosure has not been obtained from lessees.

## (3) Description of Portfolio

The outline of portfolio assets held by DHR as of August 31, 2013 is as follows:

Property name	Location (Note 1)	Form of ownership	Leasable area (m <sup>2</sup> )	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	7,570	8,170
	D Project Hachioji	21-1, Minami-Osawa 3-chome, Hachioji-shi, Tokyo	Trust beneficiary interests in real estate	62,394.17	12,511	13,500
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko-gun, Kanagawa	Trust beneficiary interests in real estate	14,240.84	2,595	2,980
	D Project Shin-Misato	Lala City, Shin-Misato, Misato-shi, Saitama (Note 3)	Trust beneficiary interests in real estate	11,289.91	4,427	5,630
	D Project Urayasu I	12-1, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	36,515.81	7,679	8,350
	D Project Urayasu II	11-5, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	72,320.01	21,351	22,900
	D Project Akanehama	2-8, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficiary interests in real estate	11,663.39	2,545	2,710
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda-shi, Chiba	Trust beneficiary interests in real estate	29,232.53	5,063	5,750
	D Project Inuyama	5-5, Takanebora, Inuyama-shi, Aichi	Trust beneficiary interests in real estate	43,723.70	6,603	7,750
	D Project Gifu	449-9, Nanba Azamura-higashi, Wanouchi-cho, Anpachi-gun, Gifu	Trust beneficiary interests in real estate	7,669.91	894	1,070
	D Project Neyagawa	24-12, Shime-no 2-chome, Neyagawa-shi, Osaka	Trust beneficiary interests in real estate	11,151.51	4,583	5,300
	D Project Sapporo Minami	7-1, Watsu Chuo 5-chome, Kitahiroshima-shi, Hokkaido	Trust beneficiary interests in real estate	6,749.10	597	781
	D Project Morioka	3-18, Aza Kazabayashi, Ogama, Takizawa-mura, Iwate-gun, Iwate	Trust beneficiary interests in real estate	9,558.32	992	1,150
	D Project Sendai Minami	2-39, Kuko-Minami 3-chome, Iwanuma-shi, Miyagi	Trust beneficiary interests in real estate	11,052.27	1,237	1,370
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura-shi, Ibaraki	Trust beneficiary interests in real estate	17,448.86	2,855	3,230
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba-shi, Shizuoka	Trust beneficiary interests in real estate	6,737.53	946	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	992	1,160
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya-gun, Fukuoka	Trust beneficiary interests in real estate	24,729.56	3,080	3,590
	D Project Tosu	1623-2, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga	Trust beneficiary interests in real estate	8,826.00	2,084	2,540
	Subtotal			440,887.32	88,604	99,041
Retail properties	ACROSSMALL Shinkamagaya	12-1, Shin-Kamagaya 2-chome, Kamagaya-shi, Chiba	Trust beneficiary interests in real estate	41,742.84	6,851	7,270
	FOLEO Hirakata	20-10, Koyamichi 1-chome, Hirakata-shi, Osaka	Trust beneficiary interests in real estate	16,380.78	4,716	4,350
	QIZ GATE URAWA	3720, Oaza Nakao, Midori-ku, Saitama-shi, Saitama	Trust beneficiary interests in real estate	9,705.31	4,993	4,800
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizukamachi, Takasaki-shi, Gunma	Trust beneficiary interests in real estate	9,277.08	2,650	2,700
	LIFE Sagamihara Wakamatsu	19-5, Wakamatsu 5-chome, Minami-ku, Sagamihara-shi, Kanagawa	Trust beneficiary interests in real estate	2,973.44	1,646	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	6,055	6,130
	Subtotal			99,925.17	26,911	26,750
Total			540,812.49	115,515	125,791	

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

2. Assessed value at the end of the period represents the appraisal value or survey price provided by the Tanizawa Sogō Appraisal Co., Ltd. and Japan Real Estate Institute, with the date of appraisal value as of August 31, 2013, in accordance with the method and criteria of asset valuation set forth in the Articles of Incorporation of DHR and the rules stipulated by the Investment Trusts Association, Japan.

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

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

Property name	10th period (From September 1, 2012 to February 28, 2013)				11th period (From March 1, 2013 to August 31, 2013)				
	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	
Logistics properties	D Project Machida	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Hachioji	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Aikawa-Machi	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Shin-Misato	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu I	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu II	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Akanehama	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Noda	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Inuyama	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gifu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Neyagawa	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sapporo Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Morioka	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sendai Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Tsuchiura	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gotenba	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Nishi-Hiroshima	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Fukuoka Umi	4	100.0	62	2.6	4	100.0	122	3.0
	D Project Tosu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
Subtotal	24	100.0	1,552	64.1	24	100.0	3,024	73.3	
Retail properties	ACROSSMALL Shinkamagaya	1	100.0	273	11.3	1	100.0	273	6.6
	FOLEO Hirakata	1 [23]	99.9	189	7.8	1 [23]	99.9	189	4.6
	QIZ GATE URAWA	11	100.0	235	9.7	11	100.0	241	5.8
	UNICUS Takasaki	—	—	—	—	1	100.0	112	2.7
	LIFE Sagamihara Wakamatsu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	FOLEO Sendai Miyanomori	1	100.0	122	5.0	1	100.0	239	5.8
	Subtotal	15	100.0	869	35.9	16	100.0	1,104	26.7
Total	39	100.0	2,421	100.0	40	100.0	4,128	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, 2013.

Securities other than shares and investment securities

(Yen in thousands)

Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remarks
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	6,134	—	—	6,445	311	Deposited as business security deposit
Total		10,000	6,134	—	—	6,445	311	

**(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, 2013.

### (2) Capital Expenditures during the Period

The following table shows major construction work for real estate in trust held, for which DHR incurred capital expenditures during the current fiscal period.

Property name (Location)	Purpose	Period	Cost of construction works (Yen in millions)
ACROSSMALL Shinkamagaya (Kamagaya, Chiba)	Installation of LED lights in common area	From June 2013 to July 2013	54

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

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

(Yen in millions)

Operating period	7th period From March 1, 2011 to August 31, 2011	8th period From September 1, 2011 to February 29, 2012	9th period From March 1, 2012 to August 31, 2012	10th period From September 1, 2012 to February 28, 2013	11th period From March 1, 2013 to August 31, 2013
Balance of reserve at the beginning of period	69	81	91	102	127
Amount of reserves during the period	12	13	13	25	54
Amount of reversal of reserves during the period	—	3 (Note)	2	—	—
Reserves carried forward	81	91	102	127	181

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



## 5 | Expenses and Liabilities

## (1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

Item	10th period From September 1, 2012 to February 28, 2013	11th period From March 1, 2013 to August 31, 2013
(a) Asset management fee (Note)	68,922	275,240
(b) Asset custody fee	1,834	11,458
(c) Administrative service fee	15,574	16,628
(d) Directors' compensation	6,000	6,000
(e) Accounting Auditor's compensation	13,360	12,200
(f) Other expenses	36,816	43,531
Total	142,506	365,057

(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. (10th period: ¥237,625 thousand, 11th period: ¥12,850 thousand)

## (2) Debt Financing

The status of borrowings per financial institution as of August 31, 2013 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	November 30, 2015	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		4,250	4,250					
		Bank of Tokyo-Mitsubishi UFJ, Ltd.		4,250	4,250					
		Mizuho Bank, Ltd. (Note 2)		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	November 29, 2016	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		3,000	3,000					
		Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000	3,000					
		Mizuho Bank, Ltd. (Note 2)		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	November 29, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		3,000	3,000					
		Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000	3,000					
		Mizuho Bank, Ltd. (Note 2)		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	November 29, 2019	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
		Sumitomo Mitsui Trust Bank, Limited		2,000	2,000					
	Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000		2,000						
	Mizuho Bank, Ltd. (Note 2)	2,000		2,000						
	Development Bank of Japan Inc.	2,000		2,000						
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013		—	2,000					
	Total			61,000	63,000					

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

2. Mizuho Corporate Bank, Ltd. was merged with Mizuho Bank, Ltd. and changed its trade name to Mizuho Bank, Ltd. on July 1, 2013.

3. Because of the conclusion of the interest rate swap agreement on August 15, 2013, the interest rate per annum for the borrowing has been in effect fixed at 1.49625% since August 19, 2013. The average interest rate is calculated after taking into consideration the effect of the interest rate swap.

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

5. 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, 2013.

## (4) Status of Short-Term Investment Corporation Bonds

There is no short-term investment corporation bond outstanding as of August 31, 2013.

## 6 | Status of Purchases and Sales during the Period

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

Property name	Acquisition		Transfer			
	Date of acquisition	Acquisition price (Yen in millions) (Note)	Date of transfer	Transfer price (Yen in millions)	Book value (Yen in millions)	Gain or loss on disposal (Yen in millions)
UNICUS Takasaki	March 27, 2013	2,570	—	—	—	—
Total		2,570		—	—	—

(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)	Number of units equivalent to face value	Amount (Yen in thousands)	Number of units equivalent to face value	Amount (Yen in thousands)
Bonds	—	—	—	—	¥10,000 thousand	6,134
Total	—	—	—	—	¥10,000 thousand	6,134

(Note) 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	UNICUS Takasaki	March 27, 2013	Trust beneficiary interests in real estate	2,570	2,690	Japan Real Estate Institute	February 28, 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 that 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, 2013 to August 31, 2013), one interest rate swap transaction was 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 and Major Shareholders

##### A. Status of Transactions

Not applicable.

##### B. Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties, etc., and major shareholders (Note 1)		Rate to total amount paid (B/A)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Outsourcing expenses (Note 2)	147,057	Daiwa Information Service Co., Ltd.	49,553	33.7%
		Daiwa Royal Co., Ltd.	8,320	5.7%
		Daiwa Service Co., Ltd.	6,096	4.1%
		Daiwa House Industry Co., Ltd.	65,609	44.6%
Repairs and maintenance construction (Note 3)	98,871	Daiwa Information Service Co., Ltd.	78,500	79.4%
		Daiwa Royal Co., Ltd.	3,742	3.8%
		Daiwa Service Co., Ltd.	352	0.4%

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

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

3. 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, building lots and buildings transaction business or real estate specified joint enterprise.



7 | Accounting

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

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

**(2) Changes in Method to Calculate Depreciation Expenses**

Not applicable.

**(3) Changes in Method to Evaluate Properties**

Not applicable.

**(1) Notice**

**Board of Directors**

There are no conclusions or changes, etc., to major contracts approved at DHR's board of directors.

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

Not applicable.

**(3) Treatment of Fractions in Amounts and Rates**

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

**DAIWA HOUSE REIT INVESTMENT CORPORATION**  
**BALANCE SHEETS**

As of February 28, 2013 and August 31, 2013

	As of	
	February 28, 2013	August 31, 2013
	(Yen in thousands)	
<b>Assets</b>		
Current Assets:		
Cash and bank deposits (Notes 3, 4) . . . . .	¥11,322,422	¥15,220,544
Tenant receivables . . . . .	13,732	11,649
Prepaid expenses . . . . .	134,656	133,247
Consumption taxes receivable . . . . .	2,172,672	—
Other current assets . . . . .	104,928	100,116
Total current assets . . . . .	13,748,410	15,465,556
Investment Properties:		
Land (Notes 5, 14) . . . . .	61,060,144	62,751,888
Buildings and improvements (Notes 5, 14) . . . . .	52,402,113	53,380,855
Structures (Notes 5, 14) . . . . .	2,106,811	2,156,789
Less: accumulated depreciation (Notes 5, 14) . . . . .	(1,930,608)	(2,774,244)
Total investment properties, net . . . . .	113,638,460	115,515,288
Other Assets:		
Other intangible assets . . . . .	3,230	2,890
Investment securities (Note 4) . . . . .	6,054	6,134
Long-term prepaid expenses . . . . .	383,359	382,316
Total other assets . . . . .	392,643	391,340
<b>Total Assets</b> . . . . .	<b>¥127,779,513</b>	<b>¥131,372,184</b>

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

**DAIWA HOUSE REIT INVESTMENT CORPORATION**  
**BALANCE SHEETS, CONTINUED**

As of February 28, 2013 and August 31, 2013

	As of	
	February 28, 2013	August 31, 2013
	(Yen in thousands)	
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable . . . . .	¥51,681	¥88,102
Accrued expenses . . . . .	78,952	301,699
Income taxes payable . . . . .	605	605
Accrued consumption taxes . . . . .	—	119,485
Advances received . . . . .	385,685	408,916
Other current liabilities . . . . .	53,629	23,895
Total current liabilities . . . . .	570,552	942,702
Long-term borrowings (Notes 4, 7) . . . . .	61,000,000	63,000,000
Tenant security deposits (Note 4) . . . . .	5,935,967	6,081,051
<b>Total Liabilities</b> . . . . .	<b>67,506,519</b>	<b>70,023,753</b>
<b>Net Assets</b> (Note 6)		
Unitholders' Equity: Unitholders' capital . . . . .	59,381,050	59,381,050
Units authorized: 2,000,000 units as of February 28, 2013 and August 31, 2013, respectively		
Units issued and outstanding: 122,540 units as of February 28, 2013 and August 31, 2013, respectively		
Retained earnings . . . . .	891,944	1,967,381
Total unitholders' equity . . . . .	60,272,994	61,348,431
<b>Total Net Assets</b> . . . . .	<b>60,272,994</b>	<b>61,348,431</b>
<b>Total Liabilities and Net Assets</b> . . . . .	<b>¥127,779,513</b>	<b>¥131,372,184</b>

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



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

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

	For the six months ended	
	February 28, 2013	August 31, 2013
	(Yen in thousands)	
<b>Operating Revenues and Expenses</b>		
<b>Operating Revenues:</b>		
Rental revenues (Note 8) . . . . .	¥2,346,449	¥4,036,575
Other revenues related to property leasing (Note 8) . . . . .	74,727	91,572
Total operating revenues . . . . .	2,421,176	4,128,147
<b>Operating Expenses:</b>		
Rental expenses (Note 8) . . . . .	826,422	1,442,584
Asset management fees . . . . .	68,923	275,240
Other operating expenses . . . . .	73,584	89,817
Total operating expenses . . . . .	968,929	1,807,641
Operating Income . . . . .	1,452,247	2,320,506
<b>Non-Operating Revenues and Expenses</b>		
<b>Non-Operating Revenues:</b>		
Interest income . . . . .	612	1,282
Interest on refund of consumption taxes . . . . .	41	7,576
Insurance income . . . . .	751	645
Other non-operating revenues . . . . .	81	80
<b>Non-Operating Expenses:</b>		
Interest expense . . . . .	153,539	285,344
New investment units issuance costs . . . . .	292,786	—
Borrowing related expenses . . . . .	87,860	76,848
Other non-operating expenses . . . . .	19	9
<b>Ordinary Income</b> . . . . .	919,528	1,967,888
<b>Income before Income Taxes</b> . . . . .	919,528	1,967,888
Current income taxes (Note 10) . . . . .	605	605
<b>Net Income</b> . . . . .	918,923	1,967,283
<b>Retained Earnings (Accumulated Deficit) Brought Forward</b> . . . . .	(26,979)	98
<b>Unappropriated Retained Earnings</b> . . . . .	¥891,944	¥1,967,381

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, 2013 and August 31, 2013

	Number of Units	Unitholders' Equity			Total Net Assets
		Unitholders' Capital	Retained Earnings (Accumulated Deficit)	Total Unitholders' Equity	
	(Units)	(Yen in thousands)			
<b>Balance as of August 31, 2012 . . . . .</b>	14,600	¥7,300,000	¥(26,979)	¥7,273,021	¥7,273,021
<b>Changes during the period:</b>					
Issuance of new investment units . . . . .	107,940	52,081,050	—	52,081,050	52,081,050
Net income . . . . .	—	—	918,923	918,923	918,923
<b>Total changes during the period . . . . .</b>	107,940	52,081,050	918,923	52,999,973	52,999,973
<b>Balance as of February 28, 2013 . . . . .</b>	122,540	59,381,050	891,944	60,272,994	60,272,994
<b>Changes during the period:</b>					
Cash distributions declared . . . . .	—	—	(891,846)	(891,846)	(891,846)
Net income . . . . .	—	—	1,967,283	1,967,283	1,967,283
<b>Total changes during the period . . . . .</b>	—	—	1,075,437	1,075,437	1,075,437
<b>Balance as of August 31, 2013 . . . . .</b>	122,540	¥59,381,050	¥1,967,381	¥61,348,431	¥61,348,431

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, 2013 and August 31, 2013

	<b>For the six months ended</b>	
	<b>February 28, 2013</b>	<b>August 31, 2013</b>
	(Yen in thousands)	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes . . . . .	¥919,528	¥1,967,888
Depreciation . . . . .	606,145	843,976
Interest income . . . . .	(612)	(1,282)
Interest expense . . . . .	153,539	285,344
New investment units issuance costs . . . . .	292,786	—
(Increase) decrease in prepaid expenses . . . . .	(127,469)	1,409
(Increase) decrease in long-term prepaid expenses . . . . .	(383,359)	1,043
(Increase) decrease in tenant receivables . . . . .	(5,856)	2,083
(Increase) decrease in consumption taxes receivable . . . . .	(2,172,673)	2,172,673
Increase (decrease) in accrued consumption taxes . . . . .	(1,030)	119,486
Increase in accounts payable . . . . .	15,600	33,280
Increase in accrued expenses . . . . .	28,095	216,535
Increase in advances received . . . . .	293,020	23,231
Increase (decrease) in deposits received . . . . .	29,822	(29,734)
Interest income received . . . . .	612	1,282
Interest expense paid . . . . .	(154,961)	(279,133)
Income taxes paid . . . . .	(605)	(605)
Others, net . . . . .	(116,705)	(7,099)
<b>Net Cash Provided by (Used in) Operating Activities</b> . . . . .	<b>(624,123)</b>	<b>5,350,377</b>
<b>Cash Flows from Investing Activities:</b>		
Payments for purchases of investment properties . . . . .	(95,754,196)	(2,720,464)
Others, net . . . . .	(3,400)	—
<b>Net Cash Used in Investing Activities</b> . . . . .	<b>(95,757,596)</b>	<b>(2,720,464)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term borrowings . . . . .	61,000,000	2,000,000
Repayment of long-term borrowings . . . . .	(12,400,000)	—
Proceeds from issuance of new investment units . . . . .	51,788,264	—
Distributions paid . . . . .	—	(888,706)
<b>Net Cash Provided by Financing Activities</b> . . . . .	<b>100,388,264</b>	<b>1,111,294</b>
<b>Net Change in Cash and Cash Equivalents</b> . . . . .	<b>4,006,545</b>	<b>3,741,207</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b> . . . . .	<b>1,618,070</b>	<b>5,624,615</b>
<b>Cash and Cash Equivalents at the End of Period (Note 3)</b> . . . . .	<b>¥5,624,615</b>	<b>¥9,365,822</b>

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

## Notes To Financial Statements

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

### Note 1 – Organization and Basis of Presentation

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#### *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, 2013, DHR acquired one retail property, UNICUS Takasaki. Consequently, DHR held a total of 25 properties as of August 31, 2013.

#### *Basis of Presentation*

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

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

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

### Note 2 – Summary of Significant Accounting Policies

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#### *(a) Cash and Cash Equivalents*

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

**(b) Investment Properties**

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

	<u>As of February 28, 2013</u>	<u>As of August 31, 2013</u>
	(years)	
Buildings and improvements . . . . .	3~46	3~46
Structures . . . . .	10~30	10~30

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

**(c) Investment Securities**

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

**(d) New Investment Units Issuance Costs**

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

**(e) Long-term Prepaid Expenses**

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

**(f) Income Taxes**

Deferred tax assets and liabilities are computed based on the 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 ¥48,696 thousand and ¥15,274 thousand for the period ended February 28, 2013 and for the period ended August 31, 2013, 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 consist of rental revenues including fixed rental revenues and variable rental revenues, common area charges, and other operating revenues including utility charge reimbursements, parking space rental revenues and other miscellaneous revenues. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts can be reasonably estimated. Reimbursements from tenants including utility charge reimbursements are recorded on a gross basis and such amounts are recorded both as revenues and expenses during the fiscal period, respectively.

***(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.

***(l) Rounding of Amounts Presented***

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

**Note 3 – Cash and Cash Equivalents**

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

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

	<b>As of February 28, 2013</b>	<b>As of August 31, 2013</b>
	(Yen in thousands)	
Cash and bank deposits	¥ 11,322,422	¥ 15,220,544
Less: restricted bank deposits held in trust	(5,697,807)	(5,854,722)
Cash and cash equivalents	<u>¥ 5,624,615</u>	<u>¥ 9,365,822</u>

**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 as the interest-rate swap meets the matching criteria, as permitted under Japanese GAAP.

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, 2013 and August 31, 2013 are as follows:

	<u>As of February 28, 2013</u>			<u>As of August 31, 2013</u>		
	<u>Book value</u>	<u>Fair value</u>	<u>Difference</u>	<u>Book value</u>	<u>Fair value</u>	<u>Difference</u>
	(Yen in thousands)					
<b>Assets</b>						
Cash and bank deposits . . . . .	¥ 11,322,422	¥ 11,322,422	¥ —	¥ 15,220,544	¥ 15,220,544	¥ —
Investment securities:						
Held-to-maturity debt securities	6,054	6,300	246	6,134	6,445	311
<b>Total</b> . . . . .	<u>¥ 11,328,476</u>	<u>¥ 11,328,722</u>	<u>¥ 246</u>	<u>¥ 15,226,678</u>	<u>¥ 15,226,989</u>	<u>¥ 311</u>
<b>Liabilities</b>						
Long-term borrowings . . . . .	¥ 61,000,000	¥ 60,981,215	¥ (18,785)	¥ 63,000,000	¥ 62,775,042	¥ (224,958)
Tenant security deposits . . . . .	238,160	¥ 221,262	(16,898)	226,329	211,146	(15,183)
<b>Total</b> . . . . .	<u>¥ 61,238,160</u>	<u>¥ 61,202,477</u>	<u>¥ (35,683)</u>	<u>¥ 63,226,329</u>	<u>¥ 62,986,188</u>	<u>¥ (240,141)</u>
<b>Derivative transactions</b> . . . . .	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

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

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

Assets:

(1) Cash and bank deposits

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

(2) Held-to-maturity debt securities

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

	As of February 28, 2013			As of August 31, 2013		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value:						
Japanese Government bonds						
(*) .....	¥ 6,054	¥ 6,300	¥ 246	¥ 6,134	¥ 6,445	¥ 311
<b>Total</b> .....	<u>¥ 6,054</u>	<u>¥ 6,300</u>	<u>¥ 246</u>	<u>¥ 6,134</u>	<u>¥ 6,445</u>	<u>¥ 311</u>

(\*) 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 estimated to be applied if similar new borrowings were entered into.

As borrowings with floating interest rate are qualified for the special treatment of interest-rate swaps (See “Derivative transactions” below), fair values of borrowings are 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 estimated 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 into consideration the remaining term.

Derivative transactions:

(1) Derivative transactions not applying hedge accounting ... None.

(2) Derivative transactions applying hedge accounting ... Contracted amount and fair value are as follows:

Hedge accounting method	Type of derivative transaction	Hedged item	As of August 31, 2013		
			Contracted amount		Fair value
			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 1 below)

Notes:

1. 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 (3) Long-term borrowings” above).
2. As of February 28, 2013, DHR was not engaged in any derivative transactions.

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

	As of	
	February 28, 2013	August 31, 2013
(Yen in thousands)		
Tenant security deposits (*) . . . . .	¥ 5,697,807	¥ 5,854,722

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



## 3. Redemption Schedule for Monetary Claims and Securities with Maturity

<b>As of February 28, 2013</b>	<b>Due within one year</b>	<b>Due after one to two years</b>	<b>Due after two to three years</b>	<b>Due after three to four years</b>	<b>Due after four to five years</b>	<b>Due after five years</b>
(Yen in thousands)						
Cash and bank deposits . . .	¥ 11,322,422	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities: Held-to-maturity debt securities . . . . .	—	—	—	—	—	10,000
<b>Total . . . . .</b>	<b>¥ 11,322,422</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10,000</b>

<b>As of August 31, 2013</b>	<b>Due within one year</b>	<b>Due after one to two years</b>	<b>Due after two to three years</b>	<b>Due after three to four years</b>	<b>Due after four to five years</b>	<b>Due after five years</b>
(Yen in thousands)						
Cash and bank deposits . . .	¥ 15,220,544	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities: Held-to-maturity debt securities . . . . .	—	—	—	—	—	10,000
<b>Total . . . . .</b>	<b>¥ 15,220,544</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10,000</b>

## 4. Repayment Schedule for Borrowings

<b>As of February 28, 2013</b>	<b>Due within one year</b>	<b>Due after one to two years</b>	<b>Due after two to three years</b>	<b>Due after three to four years</b>	<b>Due after four to five years</b>	<b>Due after five years</b>
(Yen in thousands)						
Long-term borrowings . . .	¥ —	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ 10,000,000
<b>Total . . . . .</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 20,000,000</b>	<b>¥ 15,000,000</b>	<b>¥ 16,000,000</b>	<b>¥ 10,000,000</b>

<b>As of August 31, 2013</b>	<b>Due within one year</b>	<b>Due after one to two years</b>	<b>Due after two to three years</b>	<b>Due after three to four years</b>	<b>Due after four to five years</b>	<b>Due after five years</b>
(Yen in thousands)						
Long-term borrowings . . .	¥ —	¥ —	¥ 20,000,000	¥ 15,000,000	¥ 16,000,000	¥ 12,000,000
<b>Total . . . . .</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 20,000,000</b>	<b>¥ 15,000,000</b>	<b>¥ 16,000,000</b>	<b>¥ 12,000,000</b>

## Note 5 – Schedule of Tangible Assets of Investment Properties

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

	As of February 28, 2013			As of August 31, 2013		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(Yen in thousands)					
Land . . . . .	¥ 61,060,144	¥ —	¥ 61,060,144	¥ 62,751,888	¥ —	¥ 62,751,888
Buildings and improvements	52,402,113	(1,843,680)	50,558,433	53,380,855	(2,645,266)	50,735,589
Structures . . . . .	2,106,811	(86,928)	2,019,883	2,156,789	(128,978)	2,027,811
<b>Total . . . . .</b>	<b>¥ 115,569,068</b>	<b>¥ (1,930,608)</b>	<b>¥ 113,638,460</b>	<b>¥ 118,289,532</b>	<b>¥ (2,774,244)</b>	<b>¥ 115,515,288</b>

## Note 6 – Net Assets

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

## Note 7 – Long-Term Borrowings

Long-term borrowings are fixed-rate loans as of February 28, 2013, and both fixed-rate and floating-rate loans as of August 31, 2013. The long-term borrowings consist of the following:

	As of	
	February 28, 2013	August 31, 2013
	(Yen in thousands)	
Unguaranteed, unsecured fixed-rate borrowings due 2015 from banks with average interest rate 0.73% . . . . .	¥ 20,000,000	¥ 20,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2016 from banks with average interest rate 0.83% . . . . .	15,000,000	15,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2017 from banks with average interest rate 0.96% . . . . .	16,000,000	16,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2019 from banks with average interest rate 1.29% . . . . .	10,000,000	10,000,000
Unguaranteed, unsecured floating-rate borrowings due 2023 from banks with average interest rate 0.80% (*1) . . . . .	—	2,000,000
<b>Total long-term borrowings due after one year . . . . .</b>	<b>¥ 61,000,000</b>	<b>¥ 63,000,000</b>

(\*1) Due to the interest-rate swap contract dated August 15, 2013, the interest rate has been effectively fixed at 1.49625% per annum since August 19, 2013. The average interest rate is calculated after taking into consideration the effect of the interest-rate swap.

During the period ended February 28, 2013, DHR established a committed credit line of ¥10,000,000 thousand

with financial institutions. Of the committed credit line, ¥10,000,000 thousand are available as of February 28, 2013 and August 31, 2013, respectively.

### Note 8 – Rental Revenues and Expenses

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

	For the six months ended	
	February 28, 2013	August 31, 2013
(Yen in thousands)		
<b>Revenues from Property Leasing:</b>		
Rental revenues. . . . .	¥ 2,346,449	¥ 4,036,575
Common area charges. . . . .	42,544	54,537
Others. . . . .	32,183	37,035
Total revenues from property leasing. . . . .	2,421,176	4,128,147
<b>Rental Expenses:</b>		
Real estate taxes. . . . .	68,710	355,735
Property management fees. . . . .	90,302	147,058
Insurance. . . . .	4,414	6,667
Repairs and maintenance. . . . .	15,321	38,859
Depreciation. . . . .	605,975	843,636
Other rental expenses. . . . .	41,700	50,629
Total rental expenses. . . . .	826,422	1,442,584
<b>Operating Income from Property Leasing</b>		
Activities . . . . .	¥ 1,594,754	¥ 2,685,563

### Note 9 – Leases

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

	As of	
	February 28, 2013	August 31, 2013
(Yen in thousands)		
Due within one year . . . . .	¥ 5,532,604	¥ 5,792,345
Due after one year . . . . .	45,948,781	44,762,224
<b>Total</b> . . . . .	¥ 51,481,385	¥ 50,554,569

## Note 10 – Income Taxes

DHR is subject to Japanese corporate income taxes on all of its taxable income. However, DHR may deduct from its taxable income the amounts distributed to its unitholders, provided certain requirements are met under the Special Taxation Measure Act of Japan. Under this act, DHR must meet a number of tax requirements, including a requirement to distribute in excess of 90% of distributable profit for the fiscal period in order to be able to deduct such amounts. If DHR does not satisfy all of the requirements, the entire taxable income of DHR will be subject to regular corporate income taxes in Japan.

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

	For the six months ended	
	February 28, 2013	August 31, 2013
Statutory tax rate . . . . .	36.59%	36.59%
Deductible cash distributions . . . . .	(35.49)	(36.58)
Changes in valuation allowance . . . . .	(1.13)	(0.01)
Others . . . . .	0.10	0.03
Effective tax rate . . . . .	0.07%	0.03%

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

	As of	
	February 28, 2013	August 31, 2013
	(Yen in thousands)	
<b>Deferred tax assets:</b>		
Tax loss carried forward . . . . .	¥ 189,866	¥ 189,678
<b>Total deferred tax assets.</b> . . . . .	189,866	189,678
Valuation allowance. . . . .	(189,866)	(189,678)
<b>Net deferred tax assets</b> . . . . .	¥ —	¥ —

**Note 11 – Per Unit Information**

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

	<b>For the six months ended</b>	
	<b>February 28, 2013</b>	<b>August 31, 2013</b>
<b>Earnings per Unit:</b>	(Yen)	
Net income per unit . . . . .	¥ 13,159	¥ 16,054
Weighted average number of units outstanding (units) . . . . .	69,834	122,540
	<b>As of</b>	
	<b>February 28, 2013</b>	<b>August 31, 2013</b>
	(Yen)	
<b>Net Assets per Unit . . . . .</b>	¥ 491,864	¥ 500,640

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

**Note 12 – Distribution Information**

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

	<b>For the six months ended</b>	
	<b>February 28, 2013</b>	<b>August 31, 2013</b>
	(Yen)	
Unappropriated retained earnings . . . . .	¥ 891,943,611	¥ 1,967,380,547
Cash distributions declared . . . . .	891,846,120	1,967,379,700
Retained earnings carried forward . . . . .	¥ 97,491	¥ 847

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 August 31, 2013 of ¥16,055 per investment unit, amounting to a total cash distributions declared of ¥1,967,379,700 was proposed and approved at the board of directors meeting on October 18, 2013. The declaration of this distribution has not been reflected in the financial statements as of August 31, 2013.

Cash distributions declared per investment unit were ¥7,278 and ¥16,055 for the six months ended February 28, 2013 and August 31, 2013, respectively.



## Note 13 – Related-Party Transactions

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

### For the six months ended February 28, 2013

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction	Account	Balance at the end of period
			Yen in millions		%			Yen in thousands		Yen in thousands
Company 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	¥ 46,105	Accounts payable	¥ 18,539
							Cost of utilities	27,617		
							Other operating expenses	1,907		
							Repairs and maintenance (Note 3)	11,139		
							—	—	Tenant security deposits	
Rental revenues	273,000	Advances received	47,775							
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	7,694	Accounts payable	1,815
							Other operating expenses	3,150		
							Repairs and maintenance (Note 3)	3,970		
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	3,048	Accounts payable	1,116
							Repairs and maintenance (Note 3)	111		
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	306,548	Accrued expenses	72,369
Major corporate unitholder	Daiwa House Industry Co., Ltd.	Kita-ku, Osaka	110,120	Construction business	13.5	Master lessee and entrustment of property management	Borrowing related expenses (Note 4)	5,979	—	—
							Property management fees	33,374	Accounts payable	18,816
							Miscellaneous expenses	250	—	—
							Rental revenues	122,200	Advances received	41,738
							Purchase of real estate trust beneficiary interest (Note 5)	6,500,000	—	—
							Acceptance of tenant security deposits	238,500	Tenant security deposits	238,500

## For the six months ended August 31, 2013

Classification	Name	Location	Capital stock	Principal business or occupation	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction	Account	Balance at the end of period	
			Yen in millions		%			Yen in thousands		Yen in thousands	
Company 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	¥ 49,553	Accounts payable	¥ 41,536	
							Cost of utilities	31,922			
							Other operating expenses	2,673			
							Repairs and maintenance (Note 3)	78,500			
							Acceptance of tenant security deposits	5,400	Tenant security deposits		551,400
							Rental revenues	273,450	Advances received		48,248
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	8,320	Accounts payable	1,646	
							Other operating expenses	2,900			
							Repairs and maintenance (Note 3)	3,742			
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	1,254	
							Repairs and maintenance (Note 3)	352			
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	288,090	Accrued expenses	289,002	
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	65,609	Accounts payable	19,017	
							Rental revenues	238,500	Advances received	41,738	
							—	—	Tenant security deposits	238,500	

## Notes:

1. Consumption taxes are not included in transaction amounts and 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. As well as repairs, repairs conducted by insurance and capital expenditures are included in repairs and maintenance.
4. Guarantee arrangement contracts expired during the period ended February 28, 2013.
5. The amount of transaction shown was based on the purchase prices stated in the Sale and Purchase Agreements excluding expenses related to acquisition, such as brokerage fees and taxes.

## Note 14 – Investment and Rental Property

DHR owns logistics and retail properties for rent in the Greater Tokyo Area and other areas. The carrying amounts, net increase 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, 2013	August 31, 2013
	(Yen in thousands)	
<b>Carrying amounts:</b>		
Balance at the beginning of the period . . .	¥ 18,484,398	¥ 113,638,460
Net increase during the period	95,154,062	1,876,828
Balance at the end of the period . . . . .	113,638,460	115,515,288
<b>Fair value</b> . . . . .	¥ 119,583,000	¥ 125,791,000

Notes:

1. Carrying amounts are stated at acquisition cost less accumulated depreciation.
2. The increase in the fiscal period ended August 31, 2013 was mainly due to the acquisitions of UNICUS Takasaki (¥2,662,588 thousand) and the decrease was mainly due to recognition of depreciation costs of ¥843,636 thousand.  
The increase in the fiscal period ended February 28, 2013 was mainly due to the acquisitions of 20 properties (D Project Urayasu II etc, ¥95,759,778 thousand) and the decrease was mainly due to recognition of depreciation costs of ¥605,975 thousand.
3. Fair value is determined mainly by appraisal value provided from real estate appraisers.

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

## Note 15 – Segment Information

### *Segment Information*

- (1) General information about reportable segments

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

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

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2 (Summary

of Significant Accounting Policies). Segment profit is based on operating income.

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

**For the six months ended February 28, 2013**

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

Notes:

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

**For the six months ended August 31, 2013**

	(Yen in thousands)			
	<b>Logistics property leasing business</b>	<b>Retail property leasing business</b>	<b>Adjustment (Note 2)</b>	<b>Amount recorded in financial statements</b>
Operating revenues (Note 1) . . . . .	¥ 3,023,985	¥ 1,104,162	¥ —	¥ 4,128,147
Segment profit . . . . .	2,012,558	660,960	(353,012)	2,320,506
Segment assets . . . . .	94,105,907	29,276,335	7,989,942	131,372,184
Others items				
Depreciation . . . . .	633,923	209,713	340	843,976
Increase in investment properties and intangible assets . . . . .	¥ —	¥ 2,720,464	¥ —	¥ 2,720,464

Notes:

- DHR's operating revenues are fully from external customers.

2. Adjustment to segment profit of ¥(353,012) 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 ¥7,989,942 thousand consists of ¥7,635,342 thousand in current assets and ¥354,600 thousand in 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 total investment properties.

### *Information on Major Tenants*

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

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

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

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





## 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, 2013 and August 31, 2013, and the statements of income and retained earnings (accumulated deficit), statements of changes in net assets and statements of cash flows for each of the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at February 28, 2013 and August 31, 2013, and their financial performance and cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

*KPMG AZSA LLC*

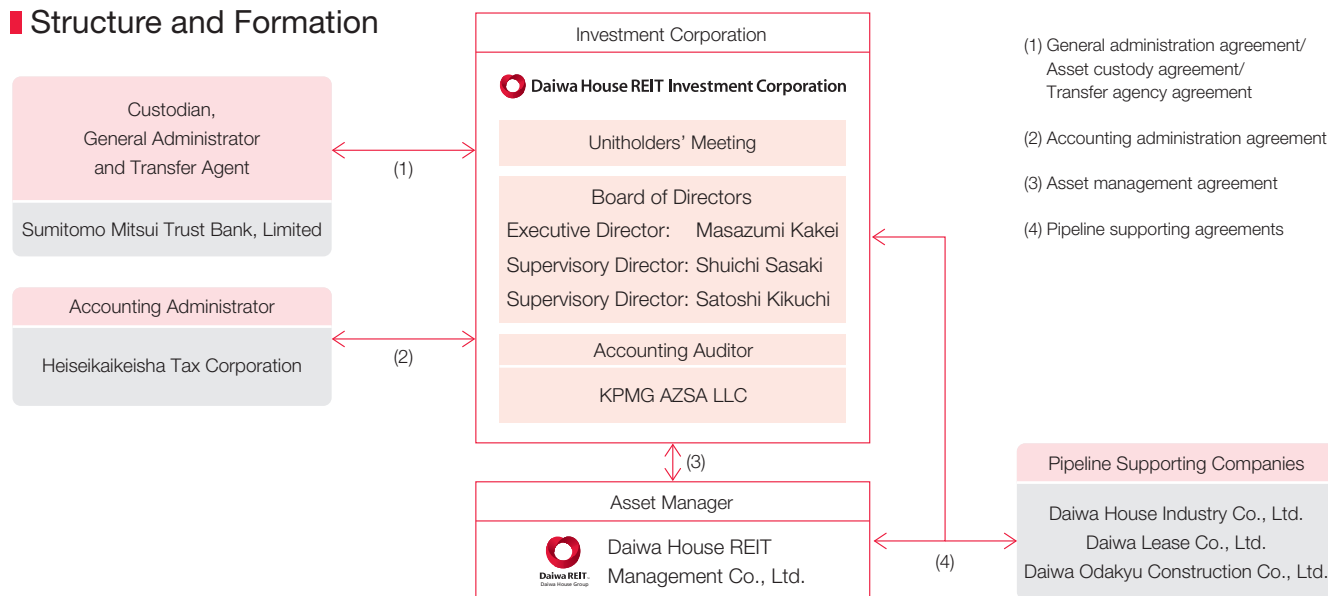
December 17, 2013  
Tokyo, Japan

## Outline of the Investment Corporation

### Corporate History

September 12, 2007	Organizer Daiwa House REIT Management Co., Ltd. submitted filings under Article 69, paragraph 1 of the 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)

### 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

## Focusing on Unitholders' Interests

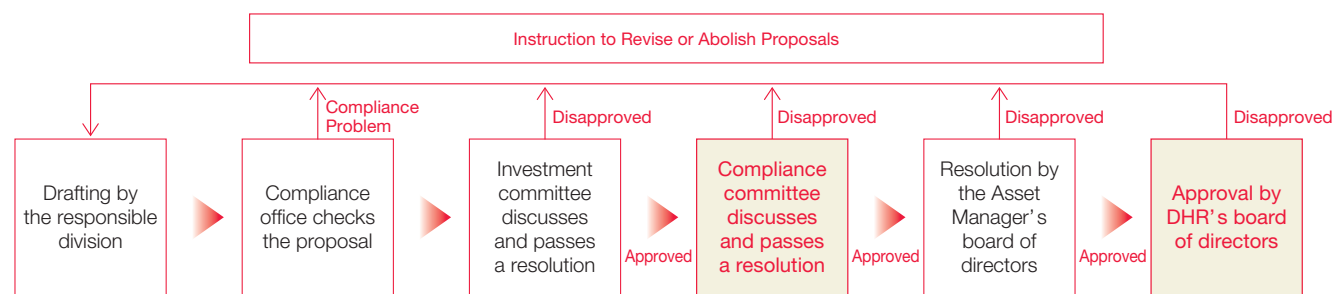
### Ownership of Investment Units by Daiwa House (“Same Boat Investments”)

Daiwa House confirmed its intentions under a pipeline supporting agreement in terms of sharing common interests between DHR's unitholders and itself as DHR's sponsor.

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

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

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



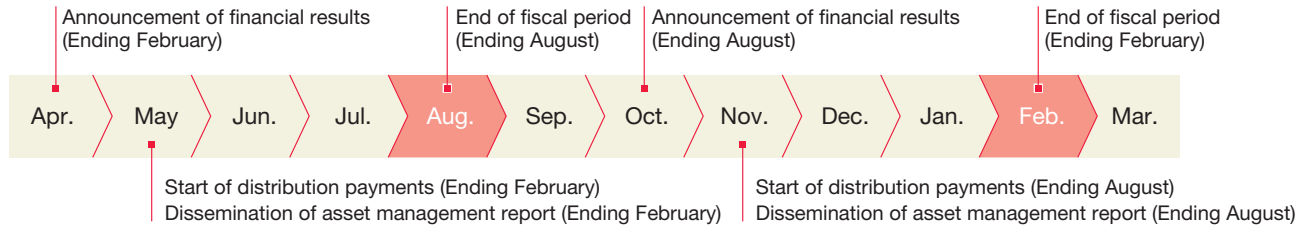
### Adoption of Internal Rules to Avoid Transactions with Conflicts of Interest

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

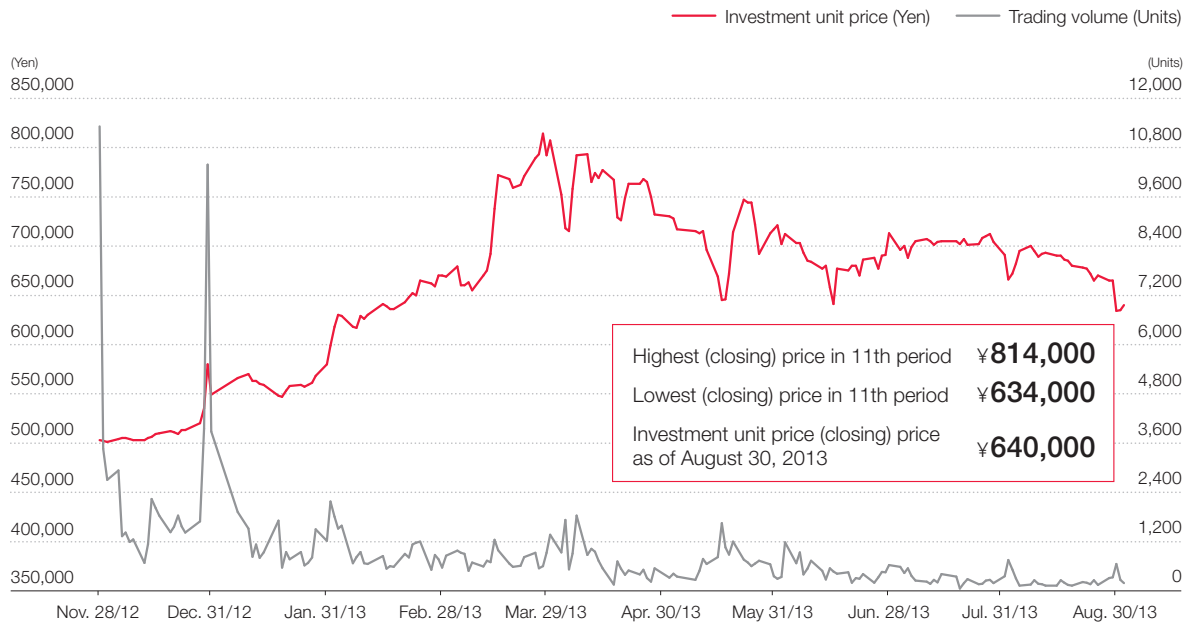
Transaction type involving an interested party	Summary of transaction rules
Acquisition of properties	No acquisition if the price exceeds appraisal value <sup>(Note)</sup> .
Disposal of properties	No disposing if under appraisal value.
Lease of properties	Leases to be based on adequate lease terms taking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

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

## Investor Relations Calendar

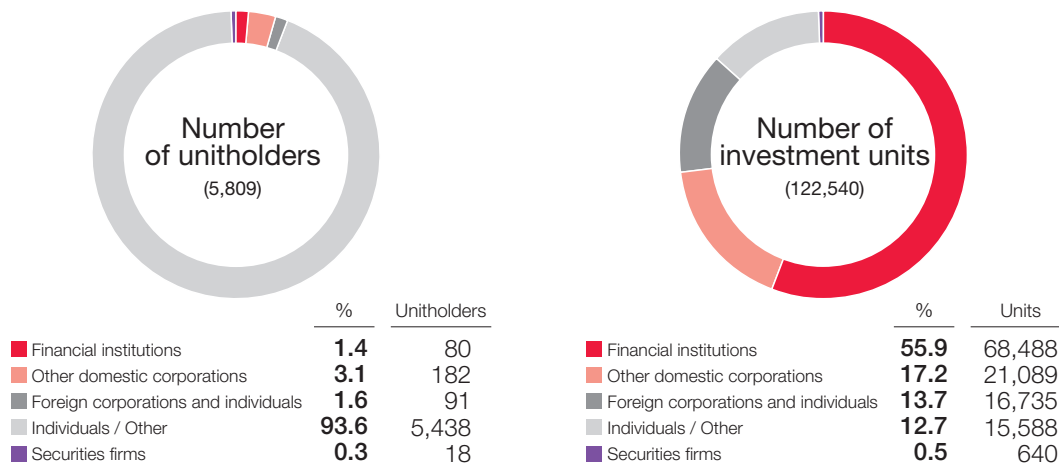


## Investment Unit Price



## Unitholders Data

(As of August 31, 2013)



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

## Note for Unitholders

Account closing date	Last day of February and August of each year
Date for determining distribution payments	Last day of February and August of each year (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.

From the 11th period (ended August 31, 2013), 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 11th period is from November 11, 2013 to December 30, 2013.

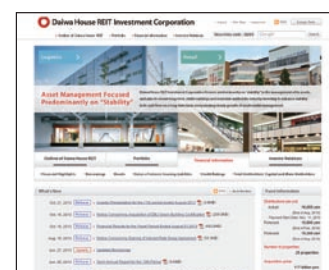
### • Procedures for Changes of Address, etc.

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

## Investment Corporation (DHR) Website

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

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





**Daiwa House REIT Investment Corporation**

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