

12<sup>th</sup>

# Daiwa House REIT

Distributions per unit

<b>12th</b> Period (ended February 28, 2014)	¥ <b>15,992</b>
[Reference] <b>13th</b> Period (ending August 31, 2014)	¥ <b>7,800</b>
<b>14th</b> Period (ending February 28, 2015)	¥ <b>8,200</b>

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## Topics

### ■ Investment Unit Split

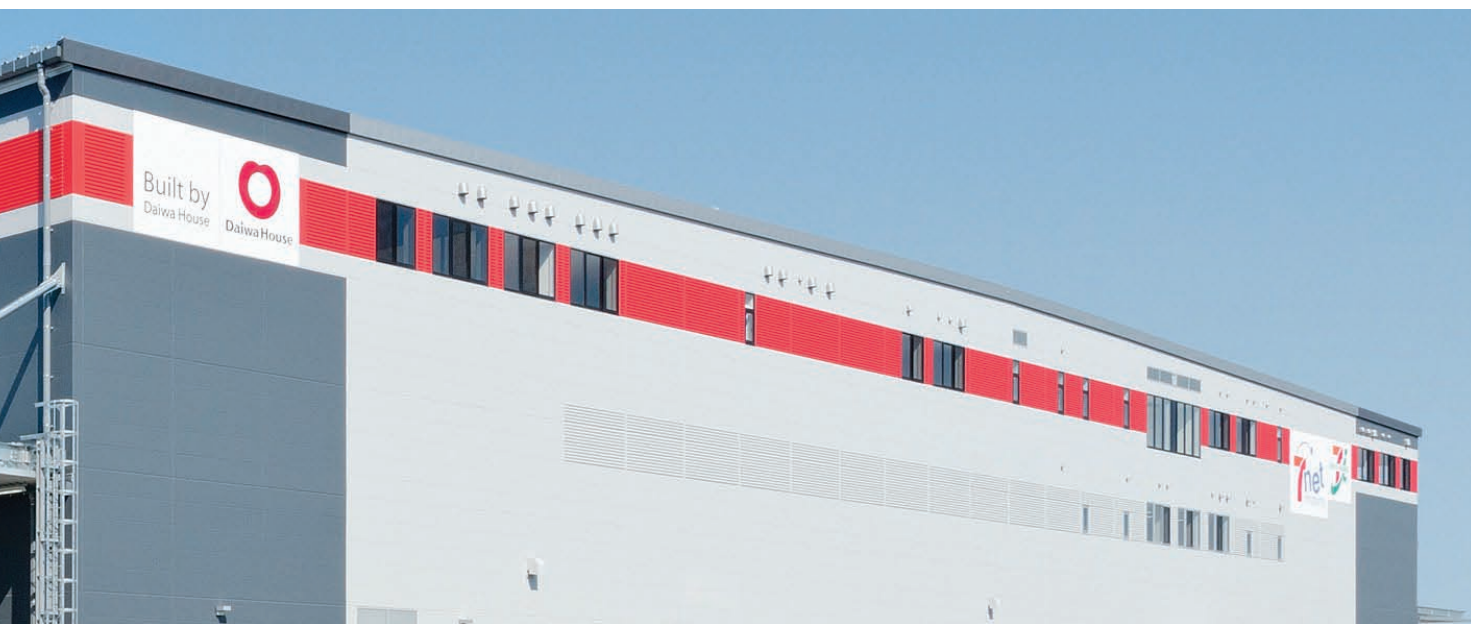
On March 1, 2014, DHR executed a 2-for-1 investment unit split. The purpose of this investment unit split was to lower the price of individual investment units, thereby making it easier for investors to purchase investment units, resulting in a widening of our investor pool and increasing the liquidity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

### ■ Acquisition of Top Mall Inazawa (land)

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

### ■ Equity Offering (13th Period)

In March 2014, DHR resolved to issue 48,400 new investment units in the first equity offering since DHR's listing. A total of ¥18,667 million was procured through the equity offering. These funds, along with borrowings, were used to acquire six logistics properties totaling ¥25,130 million through the Daiwa House Group pipeline.



## To Our Unitholders

Daiwa House REIT Investment Corporation (DHR) is now in a position to present the financial results for the 12th period (September 1, 2013 to February 28, 2014). 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 12th period and report on the content of the financial results.

During the period under review, based on collaboration with the Daiwa House Group, we achieved external growth by acquiring Top Mall Inazawa (land), a retail property. As of the end of the 12th period, our portfolio comprised 26 properties with a total acquisition price of ¥119,033 million. We maintained a high occupancy rate of 99.95% at the end of the period.

As a result, for the 12th period operating revenues came to ¥4,153 million, operating income came to ¥2,321 million, ordinary income came to ¥1,960 million and net income came to ¥1,959 million. Consequently, distributions per investment unit came to ¥15,992.

Since the start of the 13th period (March 1, 2014 to August 31, 2014), we procured ¥18,667 million in March 2014 from our first equity offering since listing, and along with borrowings we used them to acquire six logistics properties for a total acquisition price of ¥25,130 million on April 1, 2014, through the Daiwa House Group pipeline. With these acquisitions, as of April 1, 2014, our portfolio comprises 32 properties with a total acquisition price of ¥144,163 million.

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, while seeking stable growth opportunities through collaboration with the Daiwa House Group, which retains a strong development track record in logistics and retail properties.

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



Masazumi Kakei

Executive Director  
Daiwa House REIT  
Investment Corporation



Hirotaka Najima

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





## Financial Highlights

	10th period February 28, 2013	11th period August 31, 2013	12th period February 28, 2014
■ Operating revenues (Yen in millions)	2,421	4,128	4,153
■ Operating income (Yen in millions)	1,452	2,320	2,321
■ Ordinary income (Yen in millions)	919	1,967	1,960
■ Net income (Yen in millions)	918	1,967	1,959
■ Total assets (Yen in millions)	127,779	131,372	131,509
■ Net assets (Yen in millions)	60,272	61,348	61,340
■ Equity ratio	47.2%	46.7%	46.6%
■ Net assets per unit (Yen) <small>(Note)</small>	491,863	500,640	250,288

(Note) DHR executed a 2-for-1 investment unit split effective March 1, 2014. Net assets per unit have been computed based on the assumption that this investment unit split was executed at the beginning of the 12th period.

## Portfolio Highlights

	10th period February 28, 2013	11th period August 31, 2013	12th period February 28, 2014
■ Assets under management			
Total acquisition price (Yen in millions)	114,519	117,089	119,033
Number of properties	24	25	26
■ Occupancy rate at the end of period	99.99%	99.99%	99.95%
■ NOI yield	6.5%	6.0%	6.0%



## 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.

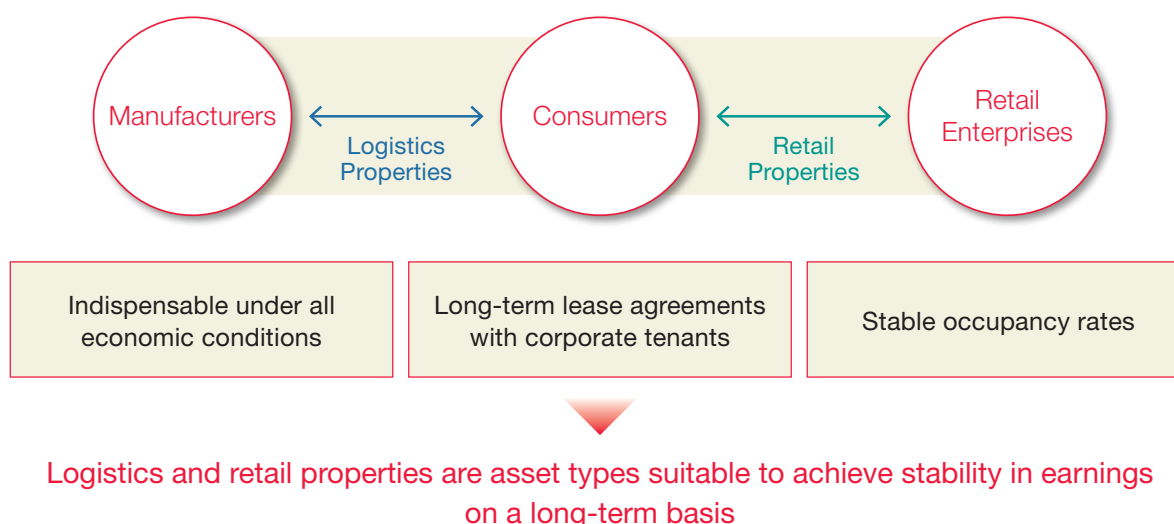
## Investment Policy

### 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.

# Investment Strategy

## High-Performance Logistics Properties

with Competitive Specifications

### Investment Criteria

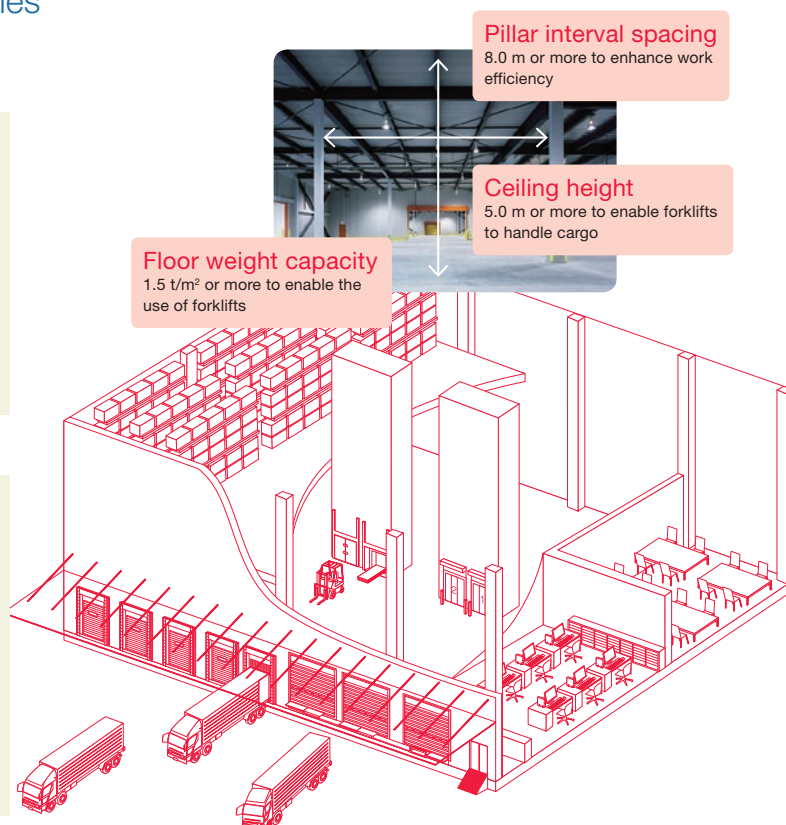
#### Location

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



#### Specifications

- Space and 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 (5.0 m or more)
  - Pillar interval spacing (8.0 m or more)
- Building, equipment and other features (car berths, etc.) in accordance with the expected size and type of parcels to be delivered and shipping frequency



## Specialty Retail Complexes

with a Focus on Competitive Specialty Stores

### Investment Criteria

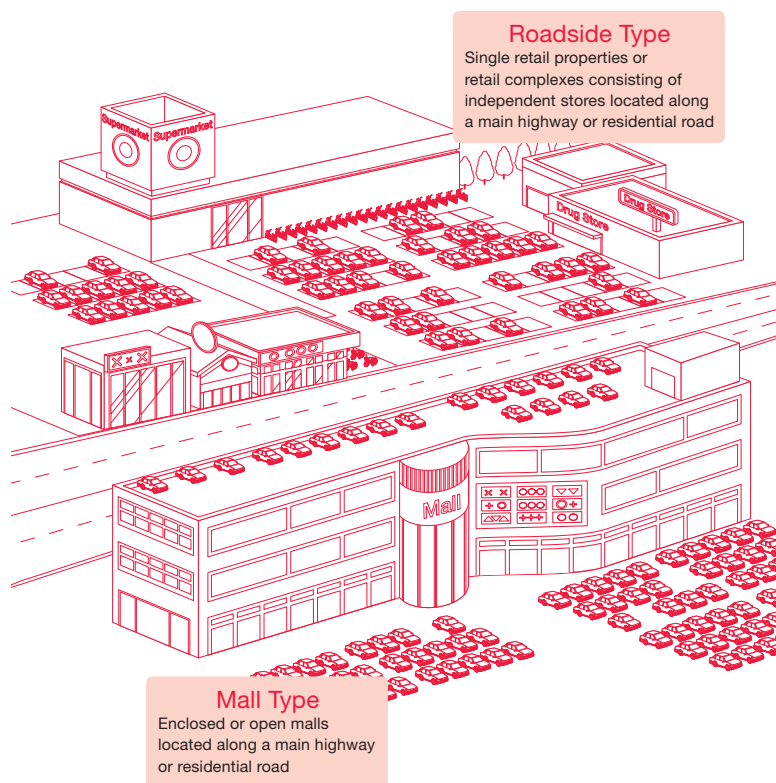
#### Location

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



#### Tenants

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



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



## New Acquisitions in the 12th Period

### R-R-3 Top Mall Inazawa (land)



#### Location and market areas

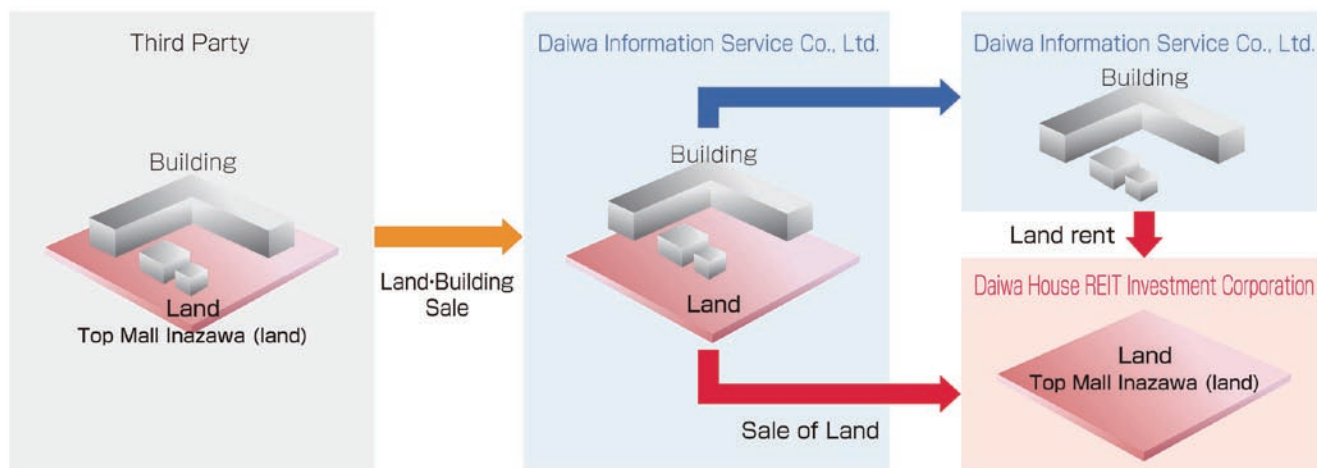
- Located in Inazawa, Aichi, commuter town of Nagoya. The area between Konomiya Station and Inazawa Station on the north side is an urban district. There are also residences on the east side and the property is surrounded by residential area.
- With food supermarket Aoki Super and home center Keiyo D2 as the core tenants, the shopping center also features Shimamura, ZIP DRUG, restaurants and other competitive tenants. Visibility from the roads is excellent.
- The population varies by trade area: 8,900 in the 1 km trade area, 78,000 in the 3 km trade area, and 183,000 in the 5 km trade area. Meanwhile, the household car ownership rate in Inazawa is extremely high, and the market has many young families within the 3 km and 5 km areas.



Location	Inazawa, Aichi	Acquisition price	¥1,944 million
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#### ■ Acquired non-sponsor property by collaboration with Daiwa House Group

After Daiwa Information Service Co., Ltd., a member of the Daiwa House Group, acquired a property from a third party, the land alone was transferred to DHR, making this an acquisition leveraging the collaboration with the Daiwa House Group.





## Equity Offering (13th Period)

In conjunction with the March 2014 equity offering, the first since DHR's listing, six logistics properties were acquired for a total of ¥25,130 million through the Daiwa House Group pipeline. Going forward, DHR will continue aiming to steadily grow the asset base and further diversify the portfolio to enable increased cash flow stability.

### Overview of New Acquisitions in the 13th Period (six Logistics Properties)

■ Assets under management	¥ <b>25,130</b> million	■ Average lease term	<b>15.1</b> years
■ NOI yield	<b>5.9</b> %	■ Average remaining lease term	<b>13.6</b> years
■ Occupancy rate	<b>100.0</b> %	■ Average property age	<b>1.5</b> years

As of April 1, 2014 (acquisition date) ▶ Please see Pages 16-18 for details.

### Overview of Equity Offering

Number of new investment units issued	48,400 units	Total issue value (amount paid in)	¥18,667 million
Number of investment units outstanding post offering	293,480 units	Issuance resolution date	March 3, 2014
Issue price (offer price)	¥398,775 per unit	Pricing date	March 12, 2014
Issue value (amount paid in)	¥385,687 per unit		

Acquisition in the 11th period



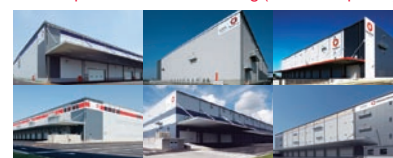
R-M-4 UNICUS Takasaki

Acquisition in the 12th period

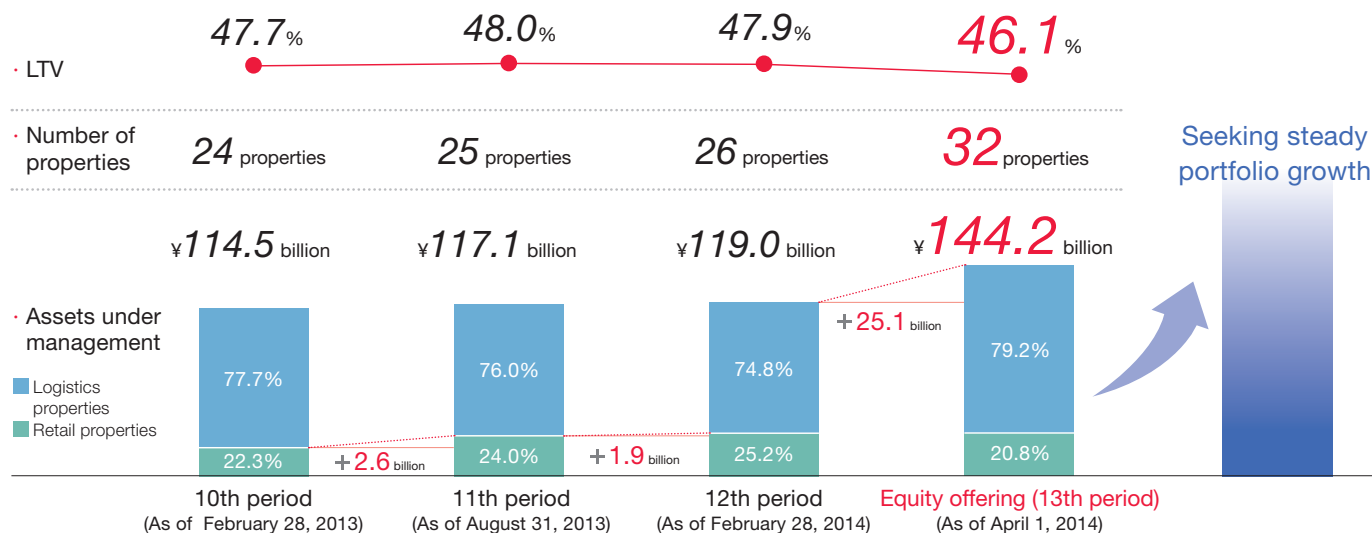


R-R-3 Top Mall Inazawa (land)

New acquisitions from the offering (in the 13th period)



six logistics properties



## 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 <sup>(Note)</sup> ratio to ensure financial soundness. (Note) LTV (Loan-To-Value) refers to the proportion of interest-bearing debt to total assets

### Overview of Borrowings

#### • Borrowings (As of April 1, 2014)

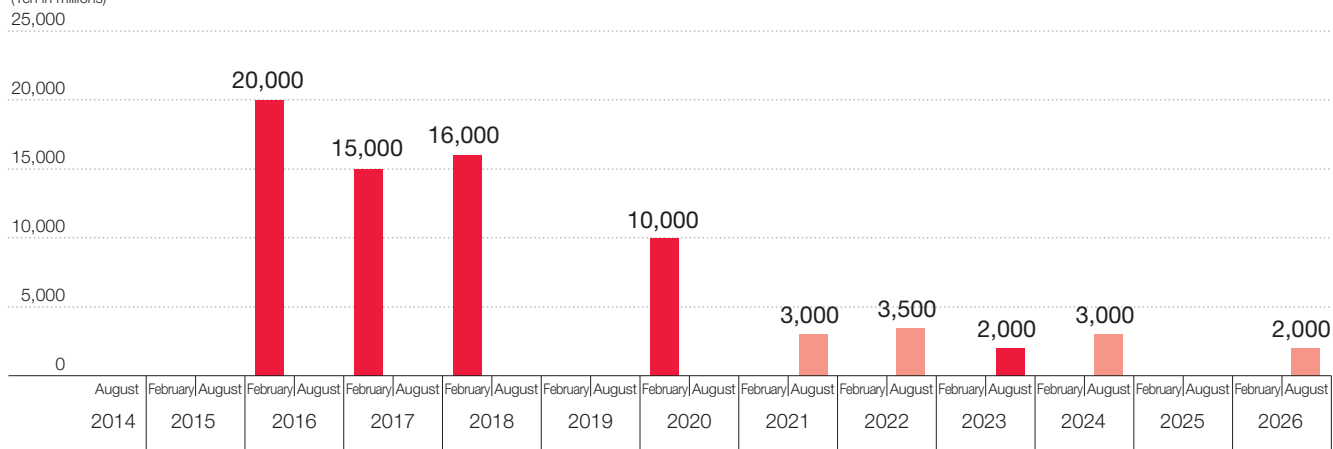
Total borrowings	¥74,500 million
Long-term borrowing ratio	100.0%
Fixed interest ratio	100.0%
Average remaining maturity	4.2 years
Commitment line	¥10,000 million

#### • Breakdown by Lender (As of April 1, 2014)



#### • Diversification of Repayment Terms (As of April 1, 2014)

(Yen in millions)



■ Existing Borrowings ■ New Borrowings

### Credit Rating

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

## Growth Strategy

### Collaboration with Daiwa House Group



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



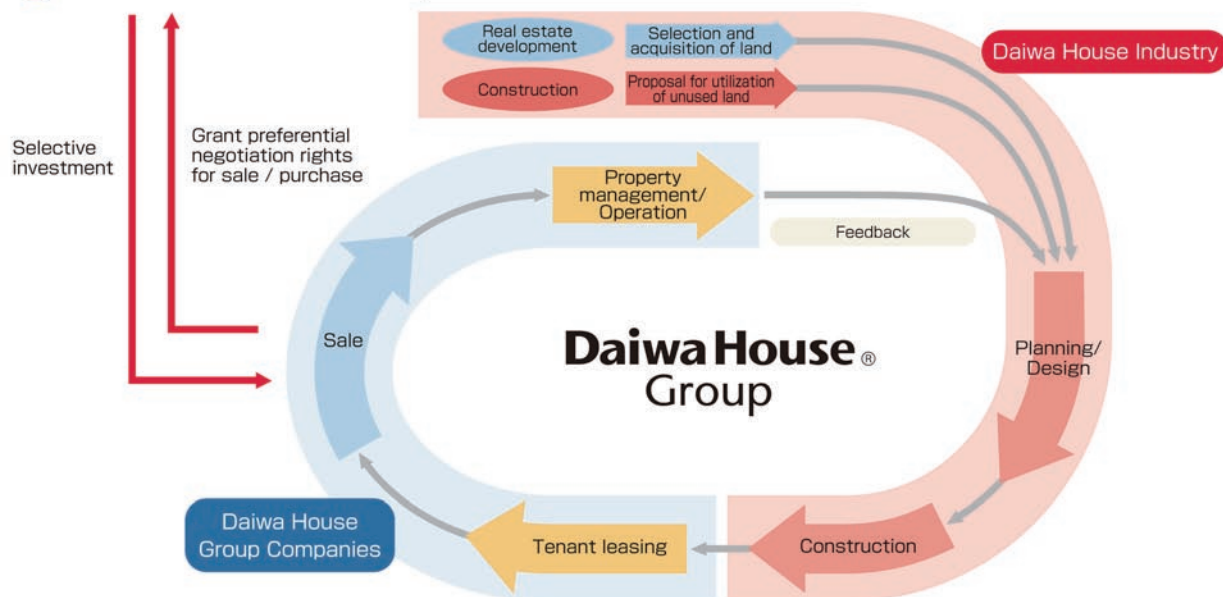
#### External Growth

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

#### Internal Growth

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

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



## External Growth Strategy

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

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

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

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

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

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

### Pipeline with Daiwa House Group (Examples of properties developed/under development by Daiwa House Group)

Property name	Category	Location	Construction date (planned)	Number of stories	Gross floor area (m <sup>2</sup> )
Logistics Properties					
D Project Kita Hachioji Annex A	BTS	Hachioji, Tokyo	March 2011	5-storied	16,523
D Project Kita Hachioji Annex B	BTS	Hachioji, Tokyo	January 2012	4-storied	18,762
D Project Kita Hachioji Annex C	BTS	Hachioji, Tokyo	May 2014	4-storied	29,636
D Project Jonanjima	BTS	Ota, Tokyo	April 2014	6-storied	49,927
D Project Kuki Shobu I Annex B	BTS	Kuki, Saitama	December 2009	1-story	3,225
D Project Kuki Shobu I Annex E	BTS	Kuki, Saitama	June 2013	4-storied	27,568
D Project Kuki Shobu II Annex A	BTS	Kuki, Saitama	June 2009	3-storied	28,035
D Project Kuki Shobu II Annex F	BTS	Kuki, Saitama	July 2012	6-storied	47,321
D Project Kuki Shobu III Annex H	BTS	Kuki, Saitama	August 2013	3-storied	31,689
D Project Kawagoe Annex A	BTS	Kawagoe, Saitama	October 2010	2-storied	27,814
D Project Yashio	BTS	Yashio, Saitama	June 2011	3-storied	23,055
D Project Matsudo Annex A	BTS	Matsudo, Chiba	October 2010	4-storied	34,122
D Project Matsudo Annex B	BTS	Matsudo, Chiba	March 2011	5-storied	21,125
D Project Nishi Yodogawa II	BTS	Osaka, Osaka	April 2011	4-storied	39,585
D Project Sendai Izumi I A	BTS	Sendai, Miyagi	April 2014	2-storied	12,774
D Project Hibiki Nada	BTS	Kitakyushu, Fukuoka	August 2008	2-storied	23,934
DPL Misato	Multi-tenant	Misato, Saitama	July 2013	5-storied	72,988
DPL Sagamihara	Multi-tenant	Sagamihara, Kanagawa	December 2013	5-storied	102,918
DPL Yokohama Daikoku	Multi-tenant	Yokohama, Kanagawa	March 2014	6-storied	149,339
DPL Fukuoka Kasuya	Multi-tenant	Kasuya, Fukuoka	April 2014	6-storied	96,766
Retail Properties					
FOLEO Shoubu	Roadside	Kuki, Saitama	April 2010	1-story	19,287
FOLEO Hakata	Mall	Fukuoka, Fukuoka	January 2008	3-storied	29,023
FOLEO Otsu Ichiriyama	Mall	Otsu, Shiga	October 2008	2-storied+1-story underground	66,038
iias Tsukuba	Mall	Tsukuba, Ibaraki	September 2008	4-storied	125,249

(Source) Daiwa House Industry Co., Ltd.

(Note) The above properties include properties that are under development as of the date of this document. In addition, as of the date of this document, DHR is not planning or committed to acquire any of the above properties.



● Pipeline with Daiwa House Group (Examples of properties developed/under development by Daiwa House Group)



D Project Kita Hachioji Annex A



D Project Kita Hachioji Annex B



D Project Kita Hachioji Annex C



D Project Jonanjima



D Project Kuki Shobu I Annex B



D Project Kuki Shobu I Annex E



D Project Kuki Shobu II Annex A



D Project Kuki Shobu II Annex F



D Project Kuki Shobu III Annex H



D Project Kawagoe Annex A



D Project Yashio



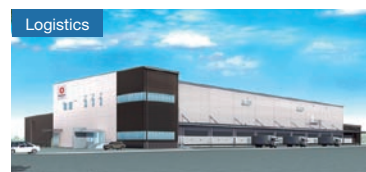
D Project Matsudo Annex A



D Project Matsudo Annex B



D Project Nishi Yodogawa II



D Project Sendai Izumi I A



D Project Hibiki Nada



DPL Misato



DPL Sagamiyara



DPL Yokohama Daikoku



DPL Fukuoka Kasuya



FOLEO Shoubu



FOLEO Hakata



FOLEO Otsu Ichiriyama



iias Tsukuba

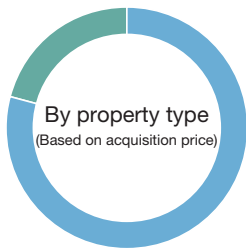
# Portfolio Overview

## • Portfolio Summary (as of April 1, 2014)

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	5.3	50,490.39
L-B-2	D Project Hachioji	Hachioji, Tokyo	November 29, 2012	12,600	8.7	62,394.17
L-B-3	D Project Aikawa-Machi	Aiko, Kanagawa	November 28, 2012	2,600	1.8	14,240.84
L-B-4	D Project Shin-Misato	Misato, Saitama	November 29, 2012	4,440	3.1	11,289.91
L-B-5	D Project Urayasu I	Urayasu, Chiba	November 28, 2012	7,700	5.3	36,515.81
L-B-6	D Project Urayasu II	Urayasu, Chiba	November 29, 2012	21,400	14.8	72,320.01
L-B-7	D Project Akanehama	Narashino, Chiba	November 28, 2012	2,550	1.8	11,663.39
L-B-8	D Project Noda	Noda, Chiba	November 28, 2012	5,100	3.5	29,232.53
L-B-9	D Project Inuyama	Inuyama, Aichi	November 28, 2012	6,650	4.6	43,723.70
L-B-10	D Project Gifu	Anpachi, Gifu	November 29, 2012	900	0.6	7,669.91
L-B-11	D Project Neyagawa	Neyagawa, Osaka	November 28, 2012	4,600	3.2	11,151.51
L-B-12	D Project Sapporo Minami	Kitahiroshima, Hokkaido	November 28, 2012	600	0.4	6,749.10
L-B-13	D Project Morioka	Takizawa, Iwate	November 29, 2012	1,000	0.7	9,558.32
L-B-14	D Project Sendai Minami	Iwanuma, Miyagi	November 28, 2012	1,250	0.9	11,052.27
L-B-15	D Project Tsuchiura	Tsuchiura, Ibaraki	November 29, 2012	2,880	2.0	17,448.86
L-B-16	D Project Gotenba	Gotenba, Shizuoka	November 28, 2012	950	0.7	6,737.53
L-B-17	D Project Nishi-Hiroshima	Hiroshima, Hiroshima	November 28, 2012	990	0.7	5,093.51
L-B-18	D Project Fukuoka Umi	Kasuya, Fukuoka	November 29, 2012	3,100	2.2	24,729.56
L-B-19	D Project Tosu	Tosu, Saga	November 29, 2012	2,100	1.5	8,826.00
L-B-20	D Project Kuki I	Kuki, Saitama	April 1, 2014	3,500	2.4	22,708.72
L-B-21	D Project Kuki II	Kuki, Saitama	April 1, 2014	7,200	5.0	50,490.00
L-B-22	D Project Kawagoe I	Kawagoe, Saitama	April 1, 2014	3,100	2.2	16,150.88
L-B-23	D Project Kawagoe II	Kawagoe, Saitama	April 1, 2014	4,250	2.9	19,872.00
L-B-24	DPL Inuyama	Inuyama, Aichi	April 1, 2014	3,380	2.3	21,628.50
L-B-25	D Project Fukuoka Hakozaki	Fukuoka, Fukuoka	April 1, 2014	3,700	2.6	34,710.80
25 logistics properties total				114,140	79.2	606,448.22
R-M-1	ACROSSMALL Shinkamagaya	Kamagaya, Chiba	December 12, 2007	7,419	5.1	41,742.84
R-M-2	FOLEO Hirakata	Hirakata, Osaka	December 11, 2008	5,040	3.5	16,380.78
R-M-3	QIZ GATE URAWA	Saitama, Saitama	December 11, 2008	5,360	3.7	9,705.31
R-M-4	UNICUS Takasaki	Takasaki, Gunma	March 27, 2013	2,570	1.8	9,277.08
R-R-1	LIFE Sagami-hara Wakamatsu	Sagami-hara, Kanagawa	December 11, 2008	1,650	1.1	2,973.44
R-R-2	FOLEO Sendai Miyanomori	Sendai, Miyagi	November 29, 2012	6,040	4.2	19,845.72
R-R-3	Top Mall Inazawa (land)	Inazawa, Aichi	February 25, 2014	1,944	1.3	31,981.70
7 retail properties total				30,023	20.8	131,906.87
Portfolio total of 32 properties				144,163	100.0	738,355.09

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

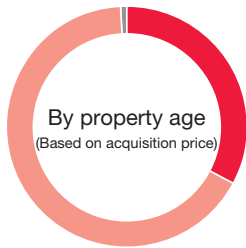
● Portfolio Data (as of April 1, 2014)



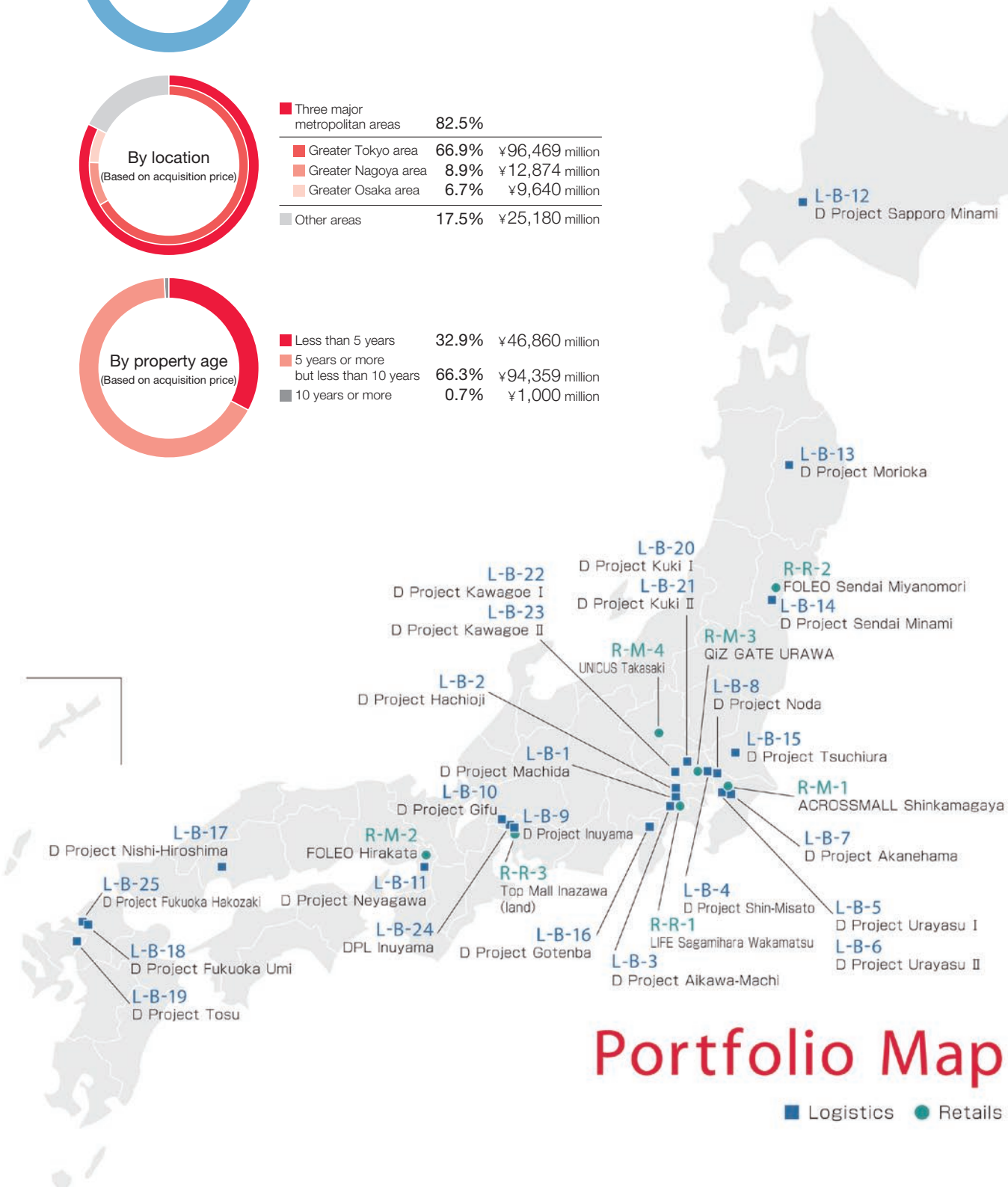
Logistics properties	79.2%	¥114,140 million
Retail properties	20.8%	¥30,023 million



Three major metropolitan areas	82.5%	
Greater Tokyo area	66.9%	¥96,469 million
Greater Nagoya area	8.9%	¥12,874 million
Greater Osaka area	6.7%	¥9,640 million
Other areas	17.5%	¥25,180 million



Less than 5 years	32.9%	¥46,860 million
5 years or more but less than 10 years	66.3%	¥94,359 million
10 years or more	0.7%	¥1,000 million





## New Acquisitions in the 13th Period (Acquired on April 1, 2014)

### L-B-20 D Project Kuki I



#### Specifications

- Three-storied with gross floor area of 6,870 tsubos, used by a logistics company
- Truck berths are located on three sides, and the north side has a cargo handling space equipped with 33 m eaves enabling efficient entering and exiting even in the rain. There are two entrances/exits.

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

### L-B-21 D Project Kuki II



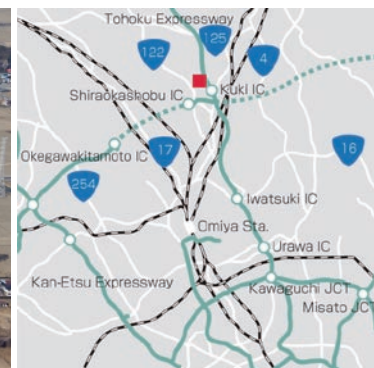
#### Specifications

- Three-storied with gross floor area of 15,270 tsubos, used by an online shopping company.
- The 1F pillars are located at 10.0 m × 9.9 m intervals, there are three cargo elevators, three vertical conveyors, and truck berths positioned on both sides, allowing for efficient operations. There are solar panels on the roof.

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

#### Location

- Located near the Kuki IC on the Tohoku Expressway, the Shiraoka-Shobu IC on the Metropolitan Inter-City Expressway and National Highway Route 122, the property's location features superior traffic access to major roads.
- Able to allow freight collection and delivery within Saitama and over the entire Tokyo metropolitan area. Able to function as a relay point from the Tohoku region where many plants operate. Future extension of the Metropolitan Inter-City Expressway is a positive factor in terms of expanding the delivery areas.





## L-B-22 D Project Kawagoe I



### Specifications

- Three-storied with a gross floor area of 4,890 tsubos, used by a foodstuff wholesale company (foods and drinks) as a base covering the western part of the Tokyo metropolitan area.
- There is a car parking lot that fits 56 cars, equipped with the eco-friendly greening on the roof.

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

## L-B-23 D Project Kawagoe II



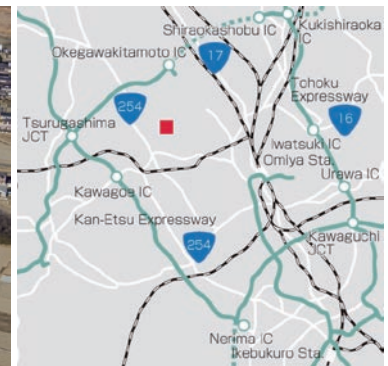
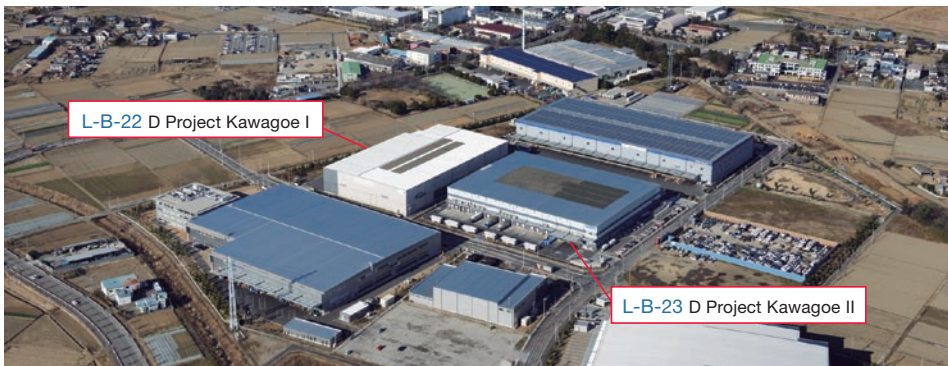
### Specifications

- Two-storied with a gross floor area of 6,010 tsubos serving as a delivery base centering on foodstuff, and is used as a mother center covering Eastern Japan.
- There is a car parking lot that fits 100 cars, equipped with eco-friendly greening on the roof.

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

### Location

- The entire Saitama as well as Tokyo including Hachioji areas are within delivery range by utilizing the National Highway Route 16, a major belt line highway in the Tokyo metropolitan area, and the National Highway Route 254 leading to central Tokyo.
- The property can cover wider Tokyo metropolitan area by utilizing the nearby Kawashima IC on the Metropolitan Inter-City Expressway and the Kawagoe IC on the Kanetsu Expressway. After the Metropolitan Inter-City Expressway is extended, this location will be able to cover a wide area, including the Tohoku region.



## New Acquisitions in the 13th Period (Acquired on April 1, 2014)

### L-B-24 DPL Inuyama



#### Specifications

- Three-storied with a gross floor area of 6,310 tsubos, with the entire building used by a major 3PL operator. 29 trucks can park in the south berth, and the truckyard and waiting space are sufficiently large. The parking area for large trucks can fit 15 trucks, while the car parking lot has space for about 47 cars.

#### Location

- Located approximately 6 km to the Komaki IC on the Tomei and Meishin Expressways and approximately 3 km to the National Highway Route 41, the property features high geographical location advantages as a key logistics base for wide-area distribution in the Chubu area.
- Located in the Inuyama Industrial Park alongside large factories, 24-hour operations are possible.



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

### L-B-25 D Project Fukuoka Hakozaki



#### Specifications

- Four-storied, with a gross floor area of 10,080 tsubos, used by a leading logistics provider. 16 large trucks can park in the east berth, and the parking area for large trucks can fit 23 trucks, while the car parking lot has space for about 72 cars.

#### Location

- Located in a logistics zone of Fukuoka City where urban infrastructure functions are tightly amassed. The location is in close proximity to Hakata Port and near the central part of the city.
- Located within 500 m to the Hakozai IC on the Fukuoka Urban Expressway Kashii Line and approximately 1 km to the Kaizuka IC on the Expressway's Kasuya Line, it can function as a distribution base covering the entire area centering on northern Kyushu by the Kyushu Expressway. Located in close proximity to the Fukuoka Freight Terminal of JR Freight, and approximately 7 km from the Fukuoka airport, offering great transportation access.



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



## Properties Held at the End of the 12th Period



L-B-1 D Project Machida



L-B-2 D Project Hachioji



L-B-3 D Project Aikawa-Machi



L-B-4 D Project Shin-Misato



L-B-5 D Project Urayasu I



L-B-6 D Project Urayasu II

## Properties Held at the End of the 12th Period



L-B-7 D Project Akanehama



L-B-8 D Project Noda



L-B-9 D Project Inuyama



L-B-10 D Project Gifu



L-B-11 D Project Neyagawa



L-B-12 D Project Sapporo Minami





L-B-13 D Project Morioka



L-B-14 D Project Sendai Minami



L-B-15 D Project Tsuchiura



L-B-16 D Project Gotenba



L-B-17 D Project Nishi-Hiroshima



L-B-18 D Project Fukuoka Umi

## Properties Held at the End of the 12th Period

Logistics



L-B-19 D Project Tosu

Retail



R-M-1 ACROSSMALL Shinkamagaya

Retail



R-M-2 FOLEO Hirakata

Retail



R-M-3 QIZ GATE URAWA

Retail



R-M-4 UNICUS Takasaki

Retail



R-R-1 LIFE Sagamihara Wakamatsu



Retail



R-R-2 FOLEO Sendai Miyanomori

Retail



R-R-3 Top Mall Inazawa (land)

## Investment Corporation (DHR) Website

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

**Daiwa House REIT Investment Corporation**

Logistics Retail

**Asset Management Focused Predominantly on "Stability"**

Daiwa House REIT Investment Corporation focuses predominantly on "stability" in the management of its assets, and also to create long term, stable earnings and maximize asset value by improving its return on equity. In its land focus a long term stable and pursuing steady growth of assets under management.

Outline of Daiwa House REIT Portfolio Financial Information Investor Relations

To Directors About Us Structure and Formative Investment Highlights Portfolio Composition Policy Financing Policy

**Topics**

Apr. 17, 2014 The most significant meeting will be held on May 28, 2014. (147,480)

Mar. 1, 2014 Daiwa House REIT Investment Corporation implemented a 3-for-1 investment unit split on March 1, 2014 as the effective date. (149,048)

**What's New**

Apr. 18, 2014 Investor Presentation for the 12th period ended February 29, 2014. (1,448)

Apr. 17, 2014 Financial Results for the Fiscal Period Ended February 29, 2014. (1,448)

Apr. 17, 2014 Notice Concerning Appointment to the Office of Representative and Appointment of Directors of the Investment Corporation. (147,480)

Apr. 17, 2014 Notice Concerning Scheduled Appointment of Director at the Asset Manager. (110,940)

Apr. 13, 2014 Notice Concerning Decision of number of investment units to be issued in issuance of new investment units through this public offering. (111,940)

Apr. 8, 2014 Notice Concerning Resignation of Director and Change of Investment Managers at the Asset Manager. (123,480)

Apr. 1, 2014 Notice Concerning Completion of Acquisition of Trust Beneficiary Interests in Domestic Real Estate. (129,480)

Mar. 26, 2014 Notice Concerning Signing of Interest Rate Swap Agreement. (140,240)

**Fund Information**

Distributions per unit

Actual: 15,992 yen (End of Feb. 2014)

Payment that Date May 12, 2014

Forecast: 7,800 yen (End of Aug. 2014)

Forecast: 8,200 yen (End of Feb. 2015)

Number of properties: 22 properties

Acquisition price: 144.2 billion yen As of Apr. 17, 2014

**Latest Financial Information**

The 12th fiscal period ended February 29, 2014

Financial Report (1,448)

Investment Materials (1,448)

Unit Price Information

Asset Manager: Daiwa House REIT Management Co., Ltd.

Outline of Daiwa House REIT

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Financial Highlights Earnings Benefits Status of Interest-bearing Liabilities Dividend Payments

Investor Relations

Press Releases IR Library Exchange Information Distribution

Website:

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

### Topics

Particularly important news about the investment corporation is noted here.

### Fund Information

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

### Latest Financial Information

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

## 1 Summary of Asset Management

## (1) Historical Operating Results

Period		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	12th period From September 1, 2013 to February 28, 2014
Operating revenues	(Yen in millions)	768	748	2,421	4,128	4,153
Of which, real estate leasing business revenues	(Yen in millions)	768	748	2,421	4,128	4,153
Operating expenses	(Yen in millions)	1,490	382	968	1,807	1,832
Of which, real estate leasing business expenses	(Yen in millions)	344	326	826	1,442	1,462
Operating income (loss)	(Yen in millions)	(Note 4) (721)	365	1,452	2,320	2,321
Ordinary income (loss)	(Yen in millions)	(806)	318	919	1,967	1,960
Net income (loss)	(Yen in millions)	(709)	198	918	1,967	1,959
Total assets	(Yen in millions)	21,156	21,330	127,779	131,372	131,509
(Period-on-period changes)	(%)	(10.1)	0.8	499.0	2.8	0.1
Net assets	(Yen in millions)	7,074	7,273	60,272	61,348	61,340
(Period-on-period changes)	(%)	(9.1)	2.8	728.7	1.8	(0.0)
Unitholders' capital	(Yen in millions)	7,300	7,300	59,381	59,381	59,381
Number of investment units issued	(Units)	14,600	14,600	122,540	122,540	122,540
Net assets per unit (Note 2)	(Yen)	484,575	498,152	491,863	500,640	250,288
Total distributions	(Yen in millions)	—	—	891	1,967	1,959
Distributions per unit	(Yen)	—	—	7,278	16,055	15,992
Of which, earnings distributions per unit	(Yen)	—	—	7,278	16,055	15,992
Of which, distributions in excess of earnings per unit	(Yen)	—	—	—	—	—
Ordinary income to total assets ratio (Note 3)	(%)	(3.6)	1.5	1.2	1.5	1.5
(Annualized)	(%)	(7.2)	3.0	2.5	3.0	3.0
Return on equity (Note 3)	(%)	(9.5)	2.8	2.7	3.2	3.2
(Annualized)	(%)	(19.1)	5.5	5.5	6.4	6.4
Equity ratio (Note 3)	(%)	33.4	34.1	47.2	46.7	46.6
(Period-on-period changes)	(%)	0.4	0.7	13.1	(0.5)	(0.1)
Payout ratio (Note 3)	(%)	—	—	(Note 5) 97.1	100.0	100.0
<Reference Information>						
Number of investment properties		4	4	24	25	26
Total leasable area	(m <sup>2</sup> )	70,802.37	70,802.37	531,535.41	540,812.49	572,794.19
Number of tenants		12	13	39	40	40
Occupancy rate at the end of period	(%)	99.8	99.9	100.0	100.0	100.0
Depreciation during the period	(Yen in millions)	164	159	605	843	844
Capital expenditures during the period	(Yen in millions)	0	5	—	57	6
Rental NOI (Net Operating Income) (Note 3)	(Yen in millions)	589	581	2,200	3,529	3,536
FFO (Funds from Operation) per unit (Note 3)	(Yen)	37,211	24,510	12,445	22,941	22,887
Interest-bearing debt (Note 3)	(Yen in millions)	12,400	12,400	61,000	63,000	63,000
Interest-bearing debt to total assets ratio (Note 3)	(%)	58.6	58.1	47.7	48.0	47.9
Number of operating days	(Days)	182	184	181	184	181

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

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

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

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

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

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

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

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

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

Interest-bearing debt = Borrowings + Investment corporation bonds

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

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

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

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

## (2) Asset Management during the Period

### A. Transition of DHR

Daiwa House REIT Investment Corporation (hereinafter referred to as “DHR”) was established on September 14, 2007, 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 (Note), 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 12th period (ended February 28, 2014), DHR acquired one retail property, Top Mall Inazawa (land) (acquisition price: ¥1,944 million). Consequently, DHR held a total of 26 properties (total acquisition price: ¥119,033 million after rounding to the nearest million yen) as of February 28, 2014.

(Note) The Daiwa House Group comprises Daiwa House Industry Co., Ltd. (hereinafter referred to as “Daiwa House”), its 105 consolidated subsidiaries, one non-consolidated subsidiary, 20 equity-method associates, and two non-equity-method associates, as of April 1, 2014). The same shall apply hereinafter.

### B. Investment Environment and Performance

In the fiscal period under review, the Japanese economy maintained its modest recovery trend, due to the Japanese government’s economic measures and monetary policies, in addition to the pickup of economies in Europe and the North America.

In the real estate market, the Land Price LOOK Report published by the Ministry of Land, Infrastructure, Transport and Tourism in February 2014 had areas showing rising land prices accounting for more than 80% of the total, as the upward trend in land prices continued. Among the factors cited as contributing to this trend was the increase in eagerness towards real estate investment on the back of monetary easing and other factors, particularly in retail districts centered on the three major metropolitan areas of Tokyo, Osaka and Nagoya.

Supported by fund inflows primarily from individual investors, investment unit prices were firm during the period under review, as the TSE (Tokyo Stock Exchange) REIT Index rose a record-high from the closing price on December 28, 2012, through the closing price on December 30, 2013. This increase in REIT unit prices spurred aggressive financing and proactive property acquisitions.

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 January 2014 by CBRE K.K., demand for logistics properties remained strong, as the vacancy rates in the greater Tokyo and greater Osaka areas were 4.0% and 0.0%, respectively (as of December 2013), and offered rent levels were stable. 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 the fact that the Internet mail order, fashion, and apparel industries are expected to grow, distribution volume will increase in conjunction with the increase in the number of convenience stores, and industry consolidation and business expansion will occur due to capital alliances and other factors.

With regard to the business environment surrounding retail properties, the retail sales total according to the commercial sales statistics (excluding automobile and fuel sales) increased 1.0% year on year in 2013. 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, and by enhancing customer services in partnership with online retailers and home delivery providers.

In such an environment, DHR increased the size of its portfolio by collaborating with Daiwa House Group to acquire Top Mall Inazawa (land) (acquisition price of ¥1,944 million). As of February 28, 2014, DHR owned 26 properties (with a total book value of ¥116,644 million at the end of the period) with a total leasable area of 572,794.19 m<sup>2</sup> and an occupancy rate of 99.95% (the figure is rounded down to the nearest 100th).



### C. Overview of Financing

In the 12th period (ended February 28, 2014), there was no financing activity or repayment of debt. As of February 28, 2014, 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 February 28, 2014 is as follows:

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

### D. Overview of Financial Results and Distributions

As a result of the above-mentioned operations, operating revenues came to ¥4,153 million, operating income came to ¥2,321 million, ordinary income came to ¥1,960 million, and net income came to ¥1,959 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 ¥15,992.

### (3) Summary of Capital Increase

During the 12th period, there were no changes in the total number of investment units issued and unitholders' capital.

DHR's total number of investment units issued and changes in unitholders' capital by the 12th period since its incorporation are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (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	8th period	9th period	10th period	11th period	12th period
Fiscal period end	February 2012	August 2012	February 2013	August 2013	February 2014
Highest (Yen)	—	—	¥670,000	¥814,000	¥876,000 ¥423,500 (Note 2)
Lowest (Yen)	—	—	¥501,000	¥634,000	¥642,000 ¥416,500 (Note 2)

(Notes) 1. Since DHR was listed on the J-REIT section of the Tokyo Stock Exchange as of November 28, 2012, there is no market price in and before the 9th period.

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

#### (4) Distributions

It was decided that the full amount of unappropriated retained earnings would be distributed, except fractions of less than ¥1 of distributions per investment unit, with the aim of earnings distributions to be included in tax deductible expenses based on application of special provisions for taxation (Article 67-15 of the Act on Special Measures Concerning Taxation). Consequently, distributions per investment unit came to ¥15,992.

Period	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	12th period From September 1, 2013 to February 28, 2014
Net income (loss) (Yen in thousands)	(709,412)	198,215	918,923	1,967,283	1,959,680
Unappropriated retained earnings (accumulated deficit) (Yen in thousands)	(225,195)	(26,979)	891,943	1,967,380	1,959,680
Retained earnings (Yen in thousands)	(225,195)	(26,979)	97	0	21
Total distributions (Yen in thousands)	—	—	891,846	1,967,379	1,959,659
(Distributions per unit) (Yen)	—	—	7,278	16,055	15,992
Of the above, total earnings distributions (Yen in thousands)	—	—	891,846	1,967,379	1,959,659
(Earnings distributions per unit) (Yen)	—	—	7,278	16,055	15,992
Of the above, total capital refunds (Yen in thousands)	—	—	—	—	—
(Capital refunds per unit) (Yen)	—	—	—	—	—

#### (5) Future Operating Policies and Issues to Be Addressed

Despite concerns about a rebound drop in consumption following the increase in the consumption tax rate from April 2014 and the associated surge in demand prior to its taking effect, as well as concerns about downside economic risk in some emerging countries, the Japanese economy is expected to continue its recovery trend, underpinned by the effects of economic measures that have been put in place.

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

In such an environment, DHR will focus predominantly on “stability” in the management of its assets and, adhering to its basic policy of targeting 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

### A. Split of Investment Units

With February 28, 2014 as the record date and March 1, 2014 as the effective date, DHR implemented a 2-for-1 split of its investment units.

(a) Purpose of investment unit split

DHR split its investment units aiming to create an environment favorable to investors for investment, by lowering the amount of each investment unit, thereby expand the investor base and improve the liquidity of its investment units, following the introduction of the Japanese version of the Individual Savings Account ("NISA") on January 1, 2014.

(b) Method of investment unit split

With February 28, 2014 as the record date, DHR implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on that date's final unitholders registry.

(c) Number of investment units increased through investment unit split

Number of investment units issued and outstanding before investment unit split:	122,540 units
Number of investment units increased through investment unit split:	122,540 units
Number of investment units issued and outstanding after investment unit split:	245,080 units
Total number of investment units authorized after investment unit split:	2,000,000 units

(Note) There is no change in the total number of investment units authorized before and after the investment unit split.

### B. Issuance of New Investment Units

At the board of directors meetings held on March 3, 2014 and March 12, 2014, a resolution on the issuance of new investment units was passed as follows. The payment for the new investment units issued through public offering was completed on March 19, 2014, while the payment for the new investment units issued through third-party allotment was completed on April 14, 2014.

Consequently, the total amount of unitholders' equity came to ¥78,048 million and the number of investment units issued and outstanding amounted to 293,480 units.

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

Number of new investment units issued:	44,000 units
Issue price:	¥398,775 per unit
Total issue price:	¥17,546,100,000
Amount paid in (issue value):	¥385,687 per unit
Total amount paid in (issue value):	¥16,970,228,000
Payment date:	March 19, 2014

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

Number of new investment units issued:	4,400 units
Amount paid in (issue value):	¥385,687 per unit
Total amount paid in (issue value):	¥1,697,022,800
Payment date:	April 14, 2014
Allottee:	Nomura Securities Co., Ltd.



### C. Debt Financing

DHR conducted debt financing as described below as of April 1, 2014.

Lender	Borrowing amount (Millions of yen)	Interest rate (%)	Date of execution	Repayment due date	Method of repayment	Collateral
Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Mitsubishi UFJ Trust and Banking Corporation	3,000	1.0475 (Note)	April 1, 2014	April 1, 2021	Bullet repayment	Unsecured and non- guaranteed
Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited	3,500	1.2050 (Note)		April 1, 2022		
Sumitomo Mitsui Banking Corporation; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Development Bank of Japan, Inc.	3,000	1.5180 (Note)		April 1, 2024		
Sumitomo Mitsui Banking Corporation; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Development Bank of Japan, Inc.	2,000	2.0330 (Note)		April 1, 2026		
Total	11,500					

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

### D. Acquisition of Assets

DHR acquired six properties for ¥25,130 million in total on April 1, 2014, as presented below.

Property name	D Project Kuki I
Acquisition price (Note 1)	¥3,500,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6004-2 Aza Taikoda, Shobu-cho Shobu, Kuki-shi, Saitama
Agreement date	March 3, 2014
Acquisition date	April 1, 2014

Property name	D Project Kuki II
Acquisition price (Note 1)	¥7,200,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6201-1 Aza Kazarimen, Shobu-cho Sanga, Kuki-shi, Saitama
Agreement date	March 3, 2014
Acquisition date	April 1, 2014

Property name	D Project Kawagoe I
Acquisition price (Note 1)	¥3,100,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	3-2-3 Yoshinodai, Kawagoe-shi, Saitama
Agreement date	March 3, 2014
Acquisition date	April 1, 2014

Property name	D Project Kawagoe II
Acquisition price (Note 1)	¥4,250,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	3-2-4 Yoshinodai, Kawagoe-shi, Saitama
Agreement date	March 3, 2014
Acquisition date	April 1, 2014

Property name	DPL Inuyama
Acquisition price (Note 1)	¥3,380,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	1-8 Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama-shi, Aichi, etc.
Agreement date	March 3, 2014
Acquisition date	April 1, 2014

Property name	D Project Fukuoka Hakozaki
Acquisition price (Note 1)	¥3,700,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	5-2-1 Hakozakifuto, Higashi-ku, Fukuoka-shi, Fukuoka
Agreement date	March 3, 2014
Acquisition date	April 1, 2014

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

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

#### E. Changes to Contracted General Administrator for Accounting Administration

On March 1, 2014, DHR changed the Contracted General Administrator for accounting administration from Heiseikaikeshi Tax Corporation to Sumitomo Mitsui Trust Bank, Limited. The following is an overview of the administrative work to be handled by Sumitomo Mitsui Trust Bank, Limited.

- (a) Administrative issues related to DHR's accounting
- (b) Administrative issues related to the preparation of DHR's accounting books
- (c) Administrative issues related to DHR's tax payments
- (d) Administrative issues incidental or related to (a) through (c) above.

## 2 Overview of the Investment Corporation

### (1) Status of Investment Units

Period		8th period February 29, 2012	9th period August 31, 2012	10th period February 28, 2013	11th period August 31, 2013	12th period February 28, 2014
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	122,540	122,540	122,540
Number of unitholders		1	1	7,846	5,809	4,127

### (2) Matters concerning Investment Units

The top ten unitholders in terms of the percentage of investment units held as of February 28, 2014 are as follows:

Name	Number of investment units held (Units)	Percentage of units held to the total number of units issued (%)
Japan Trustee Services Bank, Ltd. (Trust account)	35,753	29.18
Daiwa House Industry Co., Ltd.	16,600	13.55
The Master Trust Bank of Japan, Ltd. (Trust account)	10,119	8.26
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	6,399	5.22
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	5,404	4.41
Nomura Bank (Luxembourg) S.A.	3,497	2.85
The Fuji Fire and Marine Insurance Co., Ltd.	2,797	2.28
State Street Bank and Trust Company 505225	1,832	1.50
The Hachijuni Bank, Ltd.	1,815	1.48
Trust & Custody Services Bank, Ltd. (Money trust tax account)	1,243	1.01
Total	85,459	69.74

### (3) Officers

The following table provides information about the Executive Director, Supervisory Directors and Accounting Auditor during the 12th period.

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

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



## 3 Portfolio of the Investment Corporation

## (1) Composition of Assets

Type of assets	Property type	Area		11th period August 31, 2013		12th period February 28, 2014	
				Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%)
Real estate in trust	Logistics properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	63,740	48.5	63,329	48.2
			Greater Nagoya area	7,496	5.7	7,430	5.7
			Greater Osaka area	4,582	3.5	4,552	3.5
		Other		12,784	9.7	12,658	9.6
		Subtotal		88,604	67.4	87,970	66.9
	Retail properties	Three major metropolitan areas of Japan (Note 1)	Greater Tokyo area	13,490	10.3	13,362	10.2
			Greater Nagoya area	—	—	1,968	1.5
			Greater Osaka area	4,716	3.6	4,679	3.6
		Other		8,704	6.6	8,663	6.6
		Subtotal		26,911	20.5	28,674	21.8
	Total			115,515	87.9	116,644	88.7
	Deposits and other assets (Note 3)			15,856	12.1	14,864	11.3
	Total assets (Note 4)			131,372 (115,515)	100.0 (87.9)	131,509 (116,644)	100.0 (88.7)

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

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

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

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

## (2) Principal Assets Held

The overview of principal assets held by DHR as of February 28, 2014 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions)	Leasable area (m <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	21,241	72,320.01	72,320.01	100.0	— (Note 3)	Logistics property
D Project Hachioji	12,406	62,394.17	62,394.17	100.0	— (Note 3)	Logistics property
D Project Urayasu I	7,634	36,515.81	36,515.81	100.0	— (Note 3)	Logistics property
D Project Machida	7,520	50,490.39	50,490.39	100.0	— (Note 3)	Logistics property
ACROSSMALL Shinkamagaya	6,779	41,742.84	41,742.84	100.0	6.6	Retail property
D Project Inuyama	6,546	43,723.70	43,723.70	100.0	— (Note 3)	Logistics property
FOLEO Sendai Miyanomori	6,028	19,845.72	19,845.72	100.0	5.7	Retail property
D Project Noda	5,018	29,232.53	29,232.53	100.0	— (Note 3)	Logistics property
QIZ GATE URAWA	4,941	9,705.31	9,558.31	98.5	5.8	Retail property
FOLEO Hirakata	4,679	16,380.78	16,271.38	99.3	4.6	Retail property
Total	82,795	382,351.26	382,094.86	99.9	70.5	

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

2. Leased areas as indicated in each lease agreement in relation to each property in trust as of February 28, 2014, are added up and shown. However, the leased areas as indicated in each sublease agreement for properties in trust as of February 28, 2014 that are subject to a pass-through type master lease agreement, under which rent is in principle the same amount as the rent received by the master lessee from end-tenants, are added up and shown. In some properties, leased area is larger than gross floor area due to differences in measurement of floor area in real property registration and lease agreements. Gross floor area is based on the real property registration, while leased area is based on each lease agreement. In particular at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area.

3. 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 February 28, 2014 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	7,520	8,320
	D Project Hachioji	21-1, Minami-Osawa 3-chome, Hachioji-shi, Tokyo	Trust beneficiary interests in real estate	62,394.17	12,406	14,000
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko-gun, Kanagawa	Trust beneficiary interests in real estate	14,240.84	2,578	3,030
	D Project Shin-Misato	Lala City, Shin-Misato, Misato-shi, Saitama (Note 3)	Trust beneficiary interests in real estate	11,289.91	4,400	5,630
	D Project Urayasu I	12-1, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	36,515.81	7,634	8,350
	D Project Urayasu II	11-5, Chidori, Urayasu-shi, Chiba	Trust beneficiary interests in real estate	72,320.01	21,241	23,400
	D Project Akanehama	2-8, Akanehama 3-chome, Narashino-shi, Chiba	Trust beneficiary interests in real estate	11,663.39	2,528	2,690
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda-shi, Chiba	Trust beneficiary interests in real estate	29,232.53	5,018	5,740
	D Project Inuyama	5-5, Takanebora, Inuyama-shi, Aichi	Trust beneficiary interests in real estate	43,723.70	6,546	7,960
	D Project Gifu	449-9, Nanba Azamura-higashi, Wanouchi-cho, Anpachi-gun, Gifu	Trust beneficiary interests in real estate	7,669.91	884	1,070
	D Project Neyagawa	24-12, Shime-no 2-chome, Neyagawa-shi, Osaka	Trust beneficiary interests in real estate	11,151.51	4,552	5,400
	D Project Sapporo Minami	7-1, Watsu Chuo 5-chome, Kitahiroshima-shi, Hokkaido	Trust beneficiary interests in real estate	6,749.10	590	793
	D Project Morioka	3-18, Kazabayashi, Ogama, Takizawa-shi, Iwate (Note 4)	Trust beneficiary interests in real estate	9,558.32	981	1,160
	D Project Sendai Minami	2-39, Kuko-Minami 3-chome, Iwanuma-shi, Miyagi	Trust beneficiary interests in real estate	11,052.27	1,222	1,390
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura-shi, Ibaraki	Trust beneficiary interests in real estate	17,448.86	2,826	3,230
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba-shi, Shizuoka	Trust beneficiary interests in real estate	6,737.53	937	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	985	1,150
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya-gun, Fukuoka	Trust beneficiary interests in real estate	24,729.56	3,052	3,650
	D Project Tosu	1623-2, Aza Hasuhara, Himekata-machi, Tosu-shi, Saga	Trust beneficiary interests in real estate	8,826.00	2,063	2,590
	Subtotal			440,887.32	87,970	100,663
Retail properties	ACROSSMALL Shinkamagaya	12-1, Shin-Kamagaya 2-chome, Kamagaya-shi, Chiba	Trust beneficiary interests in real estate	41,742.84	6,779	7,280
	FOLEO Hirakata	20-10, Koyamichi 1-chome, Hirakata-shi, Osaka	Trust beneficiary interests in real estate	16,380.78	4,679	4,350
	QIZ GATE URAWA	3720, Oaza Nakao, Midori-ku, Saitama-shi, Saitama	Trust beneficiary interests in real estate	9,705.31	4,941	4,740
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizukamachi, Takasaki-shi, Gunma	Trust beneficiary interests in real estate	9,277.08	2,635	2,700
	LIFE Sagamihara Wakamatsu	19-5, Wakamatsu 5-chome, Minami-ku, Sagamihara-shi, Kanagawa	Trust beneficiary interests in real estate	2,973.44	1,642	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	6,028	6,140
	Top Mall Inazawa (land)	1-1, Otsuka Minami 5-chome, Inazawa-shi, Aichi	Trust beneficiary interests in real estate	31,981.70	1,968	2,320
	Subtotal			131,906.87	28,674	29,030
Total				572,794.19	116,644	129,693

(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. For land properties, the address of the land in the registry is shown as location.

2. Assessed value at the end of the period represents the appraisal value or survey value provided by the Tanizawa Sōgō Appraisal Co., Ltd. and Japan Real Estate Institute, with the date of appraisal value as of February 28, 2014, in accordance with the method and criteria of asset valuation set forth in the Articles of Incorporation of DHR and the rules stipulated by the Investment Trusts Association, Japan.

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

4. Takizawa City has been reorganized as a city effective on January 1, 2014.

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

Property name		11th period (From March 1, 2013 to August 31, 2013)				12th period (From September 1, 2013 to February 28, 2014)			
		Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)	Total number of tenants (as of the end of period) (Note 1)	Occupancy rate (as of the end of period) (%)	Real estate leasing business revenues (during the period) (Yen in millions)	Rate to total real estate leasing business revenues (%)
Logistics properties	D Project Machida	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Hachioji	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Aikawa-Machi	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Shin-Misato	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu I	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Urayasu II	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Akanehama	1 [1]	100.0	— (Note 2)	— (Note 2)	1 [1]	100.0	— (Note 2)	— (Note 2)
	D Project Noda	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Inuyama	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gifu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Neyagawa	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sapporo Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Morioka	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Sendai Minami	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Tsuchiura	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Gotenba	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	D Project Nishi-Hiroshima	2	100.0	— (Note 2)	— (Note 2)	2	100.0	— (Note 2)	— (Note 2)
	D Project Fukuoka Umi	4	100.0	121	3.0	4	100.0	121	2.9
	D Project Tosu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	Subtotal	24	100.0	3,023	73.3	24	100.0	3,024	72.8
Retail properties	ACROSSMALL Shinkamagaya	1	100.0	273	6.6	1	100.0	275	6.6
	FOLEO Hirakata	1 [23]	99.9	189	4.6	1 [22]	99.3	191	4.6
	QiZ GATE URAWA	11	100.0	241	5.8	10	98.5	242	5.8
	UNICUS Takasaki	1	100.0	111	2.7	1	100.0	129	3.1
	LIFE Sagamihara Wakamatsu	1	100.0	— (Note 2)	— (Note 2)	1	100.0	— (Note 2)	— (Note 2)
	FOLEO Sendai Miyanomori	1	100.0	238	5.8	1	100.0	238	5.7
	Top Mall Inazawa (land)	—	—	—	—	1	100.0	1	0.0
	Subtotal	16	100.0	1,104	26.7	16	99.8	1,129	27.2
Total		40	100.0	4,128	100.0	40	100.0	4,153	100.0

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

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



#### (4) Status of Other Assets

Trust beneficiary interests in real estate held by DHR are all listed in "(3) Description of Portfolio." The following are other specified assets as of February 28, 2014.

Securities other than shares and investment securities

(Yen in thousands)

Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remarks
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	6,214	—	—	6,703	488	Deposited as business security deposit
Total		10,000	6,214	—	—	6,703	488	

#### (5) Holding of Assets by Country and Region

Not applicable.

## 4 Capital Expenditures for Properties Held

#### (1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditure for planned renovation work, etc. for real estate in trust held as of February 28, 2014. The estimated construction cost includes the portion classified as accounting cost.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Yen in millions)		
			Total amount	Payment for the period	Total amount paid
QIZ GATE URAWA (Saitama City, Saitama)	Installment of LED lights in common area	From April 2014 to April 2014	18	—	—

#### (2) Capital Expenditures during the Period

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

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

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

(Yen in millions)

Operating period	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	12th period From September 1, 2013 to February 28, 2014
Balance of reserve at the beginning of period	81	90	101	127	180
Amount of reserves during the period	12	12	25	53	58
Amount of reversal of reserves during the period	3 (Note)	1	—	—	—
Reserves carried forward	90	101	127	180	239

(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	11th period From March 1, 2013 to August 31, 2013	12th period From September 1, 2013 to February 28, 2014
(a) Asset management fee (Note)	275,240	277,117
(b) Asset custody fee	11,458	11,456
(c) Administrative service fee	16,628	12,947
(d) Directors' compensation	6,000	6,000
(e) Accounting Auditor's compensation	12,200	12,200
(f) Other expenses	43,530	50,565
Total	365,057	370,286

(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. (11th period: ¥12,850 thousand, 12th period: ¥4,860 thousand).

## (2) Debt Financing

The status of borrowings per financial institution as of February 28, 2014 is as follows:

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

	Classification	Borrowing date	Balance at the beginning of period (Yen in millions)	Balance at the end of period (Yen in millions)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term borrowings	Sumitomo Mitsui Banking Corporation	November 29, 2012	2,000	2,000	1.29 Fixed-rate	November 29, 2019	Bullet repayment	(Note 3)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,000	2,000					
	Bank of Tokyo-Mitsubishi UFJ, Ltd.		2,000	2,000					
	Mizuho Bank, Ltd.		2,000	2,000					
	Development Bank of Japan Inc.		2,000	2,000					
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000	2,000	1.50 Fixed-rate (Note 2)	March 27, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Total			63,000	63,000					

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

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

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

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

### (3) Status of Investment Corporation Bonds

There is no investment corporation bond outstanding as of February 28, 2014.

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

There is no short-term investment corporation bond outstanding as of February 28, 2014.

## 6 Status of Purchases and Sales during the Period

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

Property name	Acquisition		Transfer			
	Date of acquisition	Acquisition price (Yen in millions) (Note)	Date of transfer	Transfer price (Yen in millions)	Book value (Yen in millions)	Gain or loss on disposal (Yen in millions)
Top Mall Inazawa (land)	February 25, 2014	1,944	—	—	—	—
Total		1,944		—	—	—

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

### (2) Transaction of Other Assets

Type of assets	Acquisition		Disposal		Balance at the end of current period	
	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value	Amount (Yen in thousands) (Note 1)
Bonds	—	—	—	—	¥10,000 thousand	6,214
Total	—	—	—	—	¥10,000 thousand	6,214

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

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

## (3) Review on Value of Specified Assets

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	Top Mall Inazawa (land)	February 25, 2014	Trust beneficiary interests in real estate	1,944	2,320	Japan Real Estate Institute	December 31, 2013

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

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

## (4) Transactions with Interested Parties and Major Shareholders

## A. Status of Transactions

Classification	Transaction amount, etc. (Note 2)	
	Purchase	Sale
Total amount	¥1,944 million	—
	Of which, purchase from interested parties and major shareholders:	Of which, sale to interested parties and major shareholders:
	¥1,944 million (100%)	—
Breakdown of transactions with interested parties and major shareholders		
Daiwa Information Service Co., Ltd.	¥1,944 million (100%)	—
Total	¥1,944 million (100%)	—

## B. Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties and major shareholders		Rate to total amount paid (B/A)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Outsourcing expenses (Note 3)	150,395	Daiwa Information Service Co., Ltd.	49,528	32.9%
		Daiwa Royal Co., Ltd.	9,089	6.0%
		Daiwa Service Co., Ltd.	5,296	3.5%
		Daiwa House Industry Co., Ltd.	66,231	44.0%
Repairs and maintenance construction (Note 4)	71,331	Daiwa Information Service Co., Ltd.	27,047	37.9%
		Daiwa Royal Co., Ltd.	23,072	32.3%
		Daiwa Service Co., Ltd.	1,042	1.5%
		Daiwa House Industry Co., Ltd.	2,386	3.3%

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

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

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

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

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



## 7 | Accounting

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

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

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

Not applicable.

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

Not applicable.

## 8 | Other

### (1) Notice

#### Board of Directors

The overview of conclusions and changes, etc., of major contracts approved at DHR's board of directors is as follows:

Approval date	Subject	Description
November 27, 2013	Conclusion of accounting administration agreement	As of March 1, 2014, concluded the accounting administration agreement with Sumitomo Mitsui Trust Bank, Limited.
February 21, 2014	Signing of memorandum on termination of accounting administration agreement	As of February 28, 2014, signed a memorandum on termination of the accounting administration agreement with Heiseikaikeisha Tax Corporation.

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

Approval date	Subject	Description
March 3, 2014	Conclusion of underwriting agreement for new investment units, etc.	Concerning issuance of new investment units, resolved the conclusion of the underwriting agreement for new investment units, and entrusted Nomura Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Daiwa Securities Co., Ltd., UBS Limited, SMBC Nikko Securities Inc., and Mizuho Securities Co., Ltd. as joint lead managers for Japanese offering with relevant work for soliciting subscribers of new investment units

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

Not applicable.

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

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

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

As of August 31, 2013 and February 28, 2014

	As of	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
<b>Assets</b>		
Current Assets:		
Cash and bank deposits (Notes 3 and 4) . . . . .	¥ 15,220,543	¥ 14,365,181
Tenant receivables . . . . .	11,648	8,914
Prepaid expenses . . . . .	133,247	138,170
Other current assets . . . . .	100,116	418
Total current assets . . . . .	15,465,556	14,512,684
Investment Properties:		
Land (Notes 5 and 6) . . . . .	62,751,887	64,720,029
Buildings and improvements (Notes 5 and 6) . . . . .	53,380,855	53,383,270
Structures (Notes 5 and 6) . . . . .	2,156,788	2,160,386
Construction in progress . . . . .	—	25,190
Less: accumulated depreciation (Notes 5 and 6) . . . . .	(2,774,244)	(3,618,851)
Total investment properties, net . . . . .	115,515,287	116,670,025
Other Assets:		
Other intangible assets . . . . .	2,890	2,550
Investment securities (Note 4) . . . . .	6,134	6,214
Long-term prepaid expenses . . . . .	382,315	317,532
Total other assets . . . . .	391,339	326,297
<b>Total Assets</b> . . . . .	<b>¥ 131,372,184</b>	<b>¥ 131,509,007</b>

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

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

As of August 31, 2013 and February 28, 2014

	As of	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable . . . . .	¥ 88,101	¥ 125,411
Accrued expenses . . . . .	301,698	307,171
Income taxes payable . . . . .	605	605
Accrued consumption taxes . . . . .	119,485	94,287
Advances received . . . . .	408,916	419,638
Other current liabilities . . . . .	23,895	23,890
Total current liabilities . . . . .	942,702	971,005
Long-term borrowings (Notes 4 and 9) . . . . .	63,000,000	63,000,000
Tenant security deposits (Note 4) . . . . .	6,081,051	6,197,271
<b>Total Liabilities</b> . . . . .	70,023,753	70,168,276
<b>Net Assets</b> (Note 8)		
Unitholders' Equity: Unitholders' capital . . . . .	59,381,050	59,381,050
Units authorized: 2,000,000 units as of August 31, 2013 and February 28, 2014		
Units issued and outstanding: 122,540 units as of August 31, 2013 and February 28, 2014		
Retained earnings . . . . .	1,967,380	1,959,680
Total unitholders' equity . . . . .	61,348,430	61,340,730
<b>Total Net Assets</b> . . . . .	61,348,430	61,340,730
<b>Total Liabilities and Net Assets</b> . . . . .	¥ 131,372,184	¥ 131,509,007

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

**DAIWA HOUSE REIT INVESTMENT CORPORATION**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the six months ended August 31, 2013 and February 28, 2014

	For the six months ended	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
<b>Operating Revenues and Expenses</b>		
<b>Operating Revenues:</b>		
Rental revenues (Note 7) . . . . .	¥ 4,036,575	¥ 4,056,517
Other revenues related to property leasing (Note 7) . . . . .	91,571	97,293
Total operating revenues . . . . .	4,128,146	4,153,811
<b>Operating Expenses:</b>		
Rental expenses (Note 7) . . . . .	1,442,583	1,462,241
Asset management fees . . . . .	275,240	277,117
Other operating expenses . . . . .	89,816	93,169
Total operating expenses . . . . .	1,807,640	1,832,527
<b>Operating Income</b> . . . . .	2,320,505	2,321,283
<b>Non-Operating Revenues and Expenses</b>		
<b>Non-Operating Revenues:</b>		
Interest income . . . . .	1,281	1,527
Interest on refund of consumption taxes . . . . .	7,576	—
Insurance income . . . . .	645	657
Other non-operating revenues . . . . .	80	80
<b>Non-Operating Expenses:</b>		
Interest expense . . . . .	285,344	288,678
Borrowing related expenses . . . . .	76,847	74,584
Other non-operating expenses . . . . .	8	—
<b>Ordinary Income</b> . . . . .	1,967,888	1,960,285
<b>Income before Income Taxes</b> . . . . .	1,967,888	1,960,285
Income taxes-current (Note 11) . . . . .	605	605
<b>Net Income</b> . . . . .	1,967,283	1,959,680
<b>Retained Earnings Brought Forward</b> . . . . .	97	0
<b>Unappropriated Retained Earnings</b> . . . . .	¥ 1,967,380	¥ 1,959,680

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 August 31, 2013 and February 28, 2014

	Number of Units	Unitholders' Equity			Total Net Assets
		Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	
	(Units)		(Yen in thousands)		
<b>Balance as of February 28, 2013. . . . .</b>	122,540	¥59,381,050	¥891,943	¥60,272,993	¥60,272,993
<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>	—	—	1,075,436	1,075,436	1,075,436
<b>Balance as of August 31, 2013 . . . . .</b>	122,540	59,381,050	1,967,380	61,348,430	61,348,430
<b>Changes during the period:</b>					
Cash distributions declared . . . . .	—	—	(1,967,379)	(1,967,379)	(1,967,379)
Net income . . . . .	—	—	1,959,680	1,959,680	1,959,680
<b>Total changes during the period.. . . .</b>	—	—	(7,699)	(7,699)	(7,699)
<b>Balance as of February 28, 2014. . . . .</b>	122,540	¥59,381,050	¥1,959,680	¥61,340,730	¥61,340,730

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

**DAIWA HOUSE REIT INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the six months ended August 31, 2013 and February 28, 2014

	<b>For the six months ended</b>	
	<b>August 31, 2013</b>	<b>February 28, 2014</b>
	(Yen in thousands)	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥1,967,888	¥1,960,285
Depreciation	843,975	844,946
Interest income	(1,281)	(1,527)
Interest expense	285,344	288,678
Decrease (increase) in prepaid expenses	1,408	(4,922)
Decrease in long-term prepaid expenses	1,043	64,782
Decrease in tenant receivables	2,083	2,733
Decrease in consumption taxes receivable	2,172,672	—
Increase (decrease) in accrued consumption taxes	119,485	(23,910)
Increase in accounts payable	33,280	6,926
Increase in accrued expenses	216,535	1,334
Increase in advances received	23,231	10,722
Decrease in deposits received	(29,733)	(4)
Interest income received	1,281	1,527
Interest expense paid	(279,132)	(289,642)
Income taxes paid	(605)	(605)
Others, net	(7,099)	88,155
<b>Net Cash Provided by Operating Activities</b>	<b>5,350,377</b>	<b>2,949,480</b>
<b>Cash Flows from Investing Activities:</b>		
Payments for purchases of investment properties	(2,720,463)	(1,966,229)
<b>Net Cash Used in Investing Activities</b>	<b>(2,720,463)</b>	<b>(1,966,229)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term borrowings	2,000,000	—
Distributions paid	(888,706)	(1,966,663)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>1,111,293</b>	<b>(1,966,663)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>3,741,207</b>	<b>(983,413)</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<b>5,624,614</b>	<b>9,365,821</b>
<b>Cash and Cash Equivalents at the End of Period (Note 3)</b>	<b>¥9,365,821</b>	<b>¥8,382,408</b>

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

DAIWA HOUSE REIT INVESTMENT CORPORATION

**Notes To Financial Statements**

As of and for the six months ended August 31, 2013 and February 28, 2014

**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 February 28, 2014, DHR acquired one property, Top Mall Inazawa (land). Consequently, DHR held a total of 26 properties as of February 28, 2014.

***Basis of Presentation***

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

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

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

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

	Years
Buildings and improvements . . . . .	3~46
Structures . . . . .	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 ¥15,274 thousand and ¥12,160 thousand for the periods ended August 31, 2013 and February 28, 2014, respectively.



#### ***(h) Consumption Taxes***

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

#### ***(i) Hedge Accounting***

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

#### ***(j) Revenue Recognition***

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

**Note 3 – Cash and Cash Equivalents**

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

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

	As of August 31, 2013	As of February 28, 2014
	(Yen in thousands)	
Cash and bank deposits . . . . .	¥ 15,220,543	¥ 14,365,181
Less: restricted bank deposits held in trust . . . . .	(5,854,721)	(5,982,772)
Cash and cash equivalents . . . . .	¥ 9,365,821	¥ 8,382,408

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

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

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

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

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

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

Proceeds from borrowings are used to acquire real estate properties and to repay outstanding debts. These borrowings are exposed to liquidity risk. Such risk is managed in the following ways such as trying to maintain and strengthen the ability of procurement from the capital market by issuance of investment units, establishing committed credit lines with financial institutions, monitoring forecasted cash flows on a monthly basis and keeping sufficient liquidity on hand.

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

under the special accounting treatment.

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

### *Supplemental Explanation regarding Fair Values of Financial Instruments*

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

### ***Estimated Fair Value of Financial Instruments***

Book value, fair value and difference between the two as of August 31, 2013 and February 28, 2014 are as follows:

	<b>As of August 31, 2013</b>			<b>As of February 28, 2014</b>		
	(Yen in thousands)					
<b>Assets</b>	<b>Book value</b>	<b>Fair value</b>	<b>Difference</b>	<b>Book value</b>	<b>Fair value</b>	<b>Difference</b>
(1) Cash and bank deposits . . . .	¥ 15,220,543	¥ 15,220,543	¥ —	¥ 14,365,181	¥ 14,365,181	¥ —
(2) Investment securities:						
Held-to-maturity debt securities	6,134	6,445	310	6,214	6,703	488
<b>Total . . . . .</b>	<b>¥ 15,226,678</b>	<b>¥ 15,226,988</b>	<b>¥ 310</b>	<b>¥ 14,371,395</b>	<b>¥ 14,371,884</b>	<b>¥ 488</b>
<b>Liabilities</b>						
(3) Long-term borrowings . . . .	¥ 63,000,000	¥ 62,775,041	¥ (224,958)	¥ 63,000,000	¥ 63,155,619	¥ 155,619
(4) Tenant security deposits . . . .	226,329	211,145	(15,183)	214,498	203,750	(10,748)
<b>Total . . . . .</b>	<b>¥ 63,226,329</b>	<b>¥ 62,986,187</b>	<b>¥ (240,141)</b>	<b>¥ 63,214,498</b>	<b>¥ 63,359,370</b>	<b>¥ 144,871</b>
<b>Derivative transactions . . . . .</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</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 are as follows:

	As of August 31, 2013			As of February 28, 2014		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with fair value exceeding book value:						
Japanese Government bonds						
(*) .....	¥ 6,134	¥ 6,445	¥ 310	¥ 6,214	¥ 6,703	¥ 488
<b>Total</b> .....	<b>¥ 6,134</b>	<b>¥ 6,445</b>	<b>¥ 310</b>	<b>¥ 6,214</b>	<b>¥ 6,703</b>	<b>¥ 488</b>

(\*) 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.

Each borrowing at floating rate as of August 31, 2013 and February 28, 2014 is subject to the special treatment for interest-rate swaps (See “Derivative transactions” below), and the fair value of such borrowing is calculated based on the present value of principal and interest cash flows which are processed as a single unit with the interest-rate swap discounted at the current interest rate which is reasonably 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 the remaining term into consideration.



Derivative transactions:

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

Hedge accounting method	Type of derivative transaction	Hedged item	As of August 31, 2013			As of February 28, 2014		
			Contracted amount		Fair value	Contracted amount		Fair value
			Total	Due after one year		Total	Due after one year	
			(Yen in thousands)			(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)	¥2,000,000	¥2,000,000	(Note)

Note:

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

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

	As of	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
Tenant security deposits (*) . . . . .	¥ 5,854,721	¥ 5,982,772

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

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

<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 . .	¥ 15,220,543	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities:						
Held-to-maturity debt securities . . . . .	—	—	—	—	—	10,000
<b>Total . . . . .</b>	<b>¥ 15,220,543</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10,000</b>

<b>As of February 28, 2014</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 . .	¥ 14,365,181	¥ —	¥ —	¥ —	¥ —	¥ —
Investment securities:						
Held-to-maturity debt securities . . . . .	—	—	—	—	—	10,000
<b>Total . . . . .</b>	<b>¥ 14,365,181</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10,000</b>

## 4. Repayment Schedule for Borrowings

<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>

<b>As of February 28, 2014</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>¥ 20,000,000</b>	<b>¥ 15,000,000</b>	<b>¥ 16,000,000</b>	<b>¥ —</b>	<b>¥ 12,000,000</b>

## Note 5 – Investment Properties

Investment properties as of August 31, 2013 and February 28, 2014 consist of the following:

	As of August 31, 2013			As of February 28, 2014		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land . . . . .	¥ 62,751,887	¥ —	¥ 62,751,887	¥ 64,720,029	¥ —	¥ 64,720,029
Buildings and improvements . . .	53,380,855	(2,645,266)	50,735,588	53,383,270	(3,447,770)	49,935,499
Structures . . . . .	2,156,788	(128,977)	2,027,810	2,160,386	(171,080)	1,989,306
Construction in progress. . . . .	—	—	—	25,190	—	25,190
<b>Total . . . . .</b>	<b>¥ 118,289,531</b>	<b>¥ (2,774,244)</b>	<b>¥ 115,515,287</b>	<b>¥ 120,288,876</b>	<b>¥ (3,618,851)</b>	<b>¥ 116,670,025</b>

## Note 6 – Fair Value of Investment and Rental Properties

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

	As of / For the six months ended	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
<b>Book value:</b>		
Balance at the beginning of the period . . . .	¥ 113,638,459	¥ 115,515,287
Net increase during the period	1,876,827	1,129,547
Balance at the end of the period . . . . .	¥ 115,515,287	¥ 116,644,835
<b>Fair value . . . . .</b>	<b>¥ 125,791,000</b>	<b>¥ 129,693,000</b>

Notes:

1. Book value is stated at acquisition cost less accumulated depreciation.
2. The increase in the fiscal period ended August 31, 2013 was mainly due to the acquisition of UNICUS Takasaki (¥2,662,587 thousand) and the decrease was mainly due to recognition of depreciation expense of ¥843,635 thousand.  
The increase in the fiscal period ended February 28, 2014 was mainly due to the acquisition of Top Mall Inazawa (land), (¥1,968,141 thousand) and the decrease was mainly due to recognition of depreciation expense of ¥844,606 thousand.
3. Fair value is determined mainly by appraisal value provided from real estate appraisers.

**Note 7 – Rental Revenues and Expenses**

Rental revenues and expenses for the periods ended August 31, 2013 and February 28, 2014 are as follows:

	For the six months ended	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
<b>Revenues from Property Leasing:</b>		
Rental revenues. . . . .	¥ 4,036,575	¥ 4,056,517
Common area charges. . . . .	54,536	54,398
Others. . . . .	37,035	42,894
Total revenues from property leasing. . . . .	4,128,146	4,153,811
<b>Rental Expenses:</b>		
Real estate taxes. . . . .	355,735	341,911
Property management fees. . . . .	147,057	150,395
Insurance. . . . .	6,667	6,658
Repairs and maintenance. . . . .	38,859	63,587
Depreciation. . . . .	843,635	844,606
Other rental expenses. . . . .	50,629	55,082
Total rental expenses. . . . .	1,442,583	1,462,241
<b>Operating Income from Property Leasing Activities</b> . . . . .	¥ 2,685,562	¥ 2,691,570

**Note 8 – Net Assets**

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

## Note 9 – Long-Term Borrowings

Long-term borrowings are both fixed-rate and floating-rate loans as of August 31, 2013 and February 28, 2014. The long-term borrowings consist of the following:

	As of	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
Unguaranteed, unsecured fixed-rate borrowings due 2015 from banks with average interest rate of 0.73% . . . . .	¥ 20,000,000	¥ 20,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2016 from banks with average interest rate of 0.83% . . . . .	15,000,000	15,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2017 from banks with average interest rate of 0.96% . . . . .	16,000,000	16,000,000
Unguaranteed, unsecured fixed-rate borrowings due 2019 from banks with average interest rate of 1.29% . . . . .	10,000,000	10,000,000
Unguaranteed, unsecured floating-rate borrowings due 2023 from banks with average interest rate of 1.50% (*1) . . . . .	2,000,000	2,000,000
<b>Total long-term borrowings due after one year . . . . .</b>	<b>¥ 63,000,000</b>	<b>¥ 63,000,000</b>

(\*1) DHR entered into an interest rate swap contract to avoid interest rate fluctuation risk. The average interest rate is calculated after taking into consideration the effect of the interest-rate swap.

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

## Note 10 – Leases

The future minimum rental revenues under existing non-cancelable operating leases as of August 31, 2013 and February 28, 2014 are as follows:

	As of	
	August 31, 2013	February 28, 2014
	(Yen in thousands)	
Due within one year . . . . .	¥ 5,792,344	¥ 5,931,669
Due after one year . . . . .	44,762,224	45,001,602
<b>Total . . . . .</b>	<b>¥ 50,554,568</b>	<b>¥ 50,933,271</b>



**Note 11 – Income Taxes**

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

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

	<b>For the six months ended</b>	
	<b>August 31, 2013</b>	<b>February 28, 2014</b>
Statutory tax rate . . . . .	36.59%	36.59%
Deductible cash distributions . . . .	(36.58)	(36.58)
Changes in valuation allowance . .	(0.01)	(0.01)
Others . . . . .	0.03	0.03
Effective tax rate . . . . .	0.03%	0.03%

The significant components of deferred tax assets and liabilities as of August 31, 2013 and February 28, 2014 are as follows:

	<b>As of</b>	
	<b>August 31, 2013</b>	<b>February 28, 2014</b>
	(Yen in thousands)	
<b>Deferred tax assets:</b>		
Tax loss carried forward . . . . .	¥ 189,677	¥ 189,445
<b>Total deferred tax assets.</b> . . . .	189,677	189,445
Valuation allowance. . . . .	(189,677)	(189,445)
<b>Net deferred tax assets</b> . . . . .	¥ —	¥ —

In line with the promulgation on March 31, 2014 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014), the additional tax as Special Corporate Tax for Reconstruction will not be imposed effective from the fiscal period beginning on or after September 1, 2014. In this connection, for temporary differences expected to be reversed in the fiscal periods beginning on or after September 1, 2014, the statutory tax rate to calculate deferred tax assets and liabilities will be changed from 36.59% to 34.16%. There is no impact from this change.

## Note 12 – Per Unit Information

Information about earnings per unit for the periods ended August 31, 2013 and February 28, 2014 is as follows:

	For the six months ended	
	August 31, 2013	February 28, 2014
	(Yen)	
<b>Earnings per Unit:</b>		
Net income per unit . . . . .	¥ 16,054	¥15,992
Weighted average number of units outstanding (units). . .	122,540	122,540
	As of	
	August 31, 2013	February 28, 2014
	(Yen)	
<b>Net Assets per Unit . . . . .</b>	¥ 500,640	¥500,577

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

As stated in (1) of Note 16 “Significant Subsequent Events,” DHR completed a 2-for-1 split of investment units with an effective date of March 1, 2014. The following shows the adjusted information about earnings per unit calculated as if the split of investment units had been completed at the beginning of the fiscal period ended August 31, 2013.

	For the six months ended	
	August 31, 2013	February 28, 2014
	(Yen)	
<b>Adjusted Earnings per Unit:</b>		
Adjusted net income per unit . . . . .	¥ 8,027	¥ 7,996
Adjusted weighted average number of units outstanding (units) . . . . .	245,080	245,080
	As of	
	August 31, 2013	February 28, 2014
	(Yen)	
<b>Adjusted Net Assets per Unit. . . . .</b>	¥ 250,320	¥ 250,288
Adjusted number of units outstanding at period end (units). .	245,080	245,080

**Note 13 – Distribution Information**

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

	<b>For the six months ended</b>	
	<b>August 31, 2013</b>	<b>February 28, 2014</b>
	(Yen)	
Unappropriated retained earnings . . . . .	¥ 1,967,380,547	¥ 1,959,680,892
Cash distributions declared . . . . .	1,967,379,700	1,959,659,680
Retained earnings carried forward . . . . .	¥ 847	¥ 21,212

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. A distribution in respect of the six months ended February 28, 2014 of ¥15,992 per investment unit, amounting to a total cash distributions declared of ¥1,959,659,680 was proposed and approved at the board of directors meeting on April 17, 2014.

## Note 14 – Related-Party Transactions

Related-party transactions for the periods ended August 31, 2013 and February 28, 2014 are as follows:

### 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	¥ 49,552	Accounts payable	¥ 41,536
							Cost of utilities	31,922		
							Other operating expenses	2,672		
							Repairs and maintenance (Note 3)	78,499		
							Acceptance of tenant security deposits	5,400	Tenant security deposits	551,400
							Rental revenues	273,450	Advances received	48,247
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	8,319	Accounts payable	1,646
							Other operating expenses	2,899		
							Repairs and maintenance (Note 3)	3,741		
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	1,253
							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	65,608	Accounts payable	19,017
							Rental revenues	238,500	Advances received	41,737
							—	—	Tenant security deposits	238,500

## For the six months ended February 28, 2014

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

## Notes:

1. Consumption taxes are not included in transaction amounts but are included in the balance at the end of the period.



2. The terms and conditions of related-party transactions are on an arm's length basis.
3. Repairs and maintenance include capital expenditures and repair costs covered by insurance.
4. The amount of transaction for purchase of trust beneficiary interests in real estate does not include acquisition costs, taxes and dues and consumption taxes.

## Note 15 – Segment Information

### Segment Information

(1) General information about reportable segments

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

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

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

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

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

For the six months ended August 31, 2013				
(Yen in thousands)				
	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1) . . . . .	¥ 3,023,984	¥ 1,104,162	¥ —	¥ 4,128,146
Segment profit . . . . .	2,012,558	660,959	(353,012)	2,320,505
Segment assets . . . . .	94,105,907	29,276,334	7,989,941	131,372,184
Others items				
Depreciation . . . . .	633,923	209,712	340	843,975
Increase in investment properties and intangible assets . . . . .	¥ —	¥ 2,720,463	¥ —	¥ 2,720,463

Notes:

1. DHR's operating revenues are exclusively earned from external parties.
  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 ¥7,989,941 thousand includes ¥7,635,341 thousand of current assets and

¥354,600 thousand of other assets.

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

For the six months ended February 28, 2014				
(Yen in thousands)				
	Logistics property leasing business	Retail property leasing business	Adjustment (Note 2)	Amount recorded in financial statements
Operating revenues (Note 1) . . . . .	¥ 3,024,017	¥ 1,129,794	¥ —	¥ 4,153,811
Segment profit . . . . .	2,014,497	661,238	(354,453)	2,321,283
Segment assets . . . . .	93,313,715	31,222,014	6,973,277	131,509,007
Others items				
Depreciation . . . . .	633,927	210,679	340	844,946
Increase in investment properties and intangible assets . . . . .	¥ 25,743	¥ 1,973,601	¥ —	¥ 1,999,344

Notes:

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

## 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. Details are as follows:

	Revenues for the six months ended		Related segment
	August 31, 2013	February 28, 2014	
	(Yen in thousands)		
Hitachi Capital Corporation . . . . .	¥ — (*1)	¥ — (*1)	Logistics property leasing business
Mitsubishi Shokuhin Co., Ltd. . . . .	— (*1)	— (*1)	Logistics property leasing business

(\*1) Not disclosed, as consent for disclosure has not been obtained from tenants.

## Note 16 – Significant Subsequent Events

### (1) Split of investment units

With February 28, 2014 as the record date and March 1, 2014 as the effective date, DHR implemented a 2-for-1 split of its investment units.

#### (a) Purpose of investment unit split

Following the introduction of the Japanese version of the Individual Savings Account (“NISA”) on January 1, 2014, DHR split its investment units aiming to create an environment favorable to investors for investment, by lowering the price of each investment unit, thereby expand the investor base and improve the liquidity of its investment units.

#### (b) Method of investment unit split

With February 28, 2014 as the record date, DHR implemented a 2-for-1 split of the investment units held by unitholders stated or recorded on that date’s final unitholders registry.

#### (c) Number of investment units increased through investment unit split

Issued and outstanding before the split:	122,540 units
Increase through investment unit split:	122,540 units
Issued and outstanding after the split:	245,080 units
Total number of investment units authorized:	2,000,000 units

Per unit information is calculated as if the split of investment units had been completed at the beginning of the fiscal period ended August 31, 2013. Please refer to Note 12 “Per Unit Information” for details.

### (2) Issuance of new investment units

On March 3, 2014, the Board of Directors of DHR resolved that DHR would issue new investment units through public offering and third party allotment. The payments for new issuance have completed on each payment date.

Consequently, the total amount of unitholders’ capital came to ¥78,048 million and the number of investment units issued and outstanding amounted to 293,480 units.

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

Number of new investment units issued:	44,000 units
Offer price:	¥398,775 per unit
Total offer price:	¥17,546,100,000
Amount paid in (issue value):	¥385,687 per unit
Total amount paid in (issue amount):	¥16,970,228,000
Payment date:	March 19, 2014

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

Number of new investment units issued:	4,400 units
Amount paid in (issue value):	¥385,687 per unit
Total amount paid in (issue amount):	¥1,697,022,800
Payment date:	April 14, 2014
Allottee:	Nomura Securities Co., Ltd.

## (3) Borrowings

On April 1, 2014, DHR entered into the following loan agreements with financial institutions. Based on the contractual terms, each loan shall be repaid on lump-sum basis on its repayment date. None of them is secured by collateral or guarantee.

Lender	Amount (Yen in millions)	Interest rate (%)	Repayment date
Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Mitsubishi UFJ Trust and Banking Corporation	¥3,000	1.0475 (Note)	April 1, 2021
Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited	3,500	1.2050 (Note)	April 1, 2022
Sumitomo Mitsui Banking Corporation; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Development Bank of Japan, Inc.	3,000	1.5180 (Note)	April 1, 2024
Sumitomo Mitsui Banking Corporation; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Development Bank of Japan, Inc.	2,000	2.0330 (Note)	April 1, 2026
Total	¥11,500		

Note: DHR entered into the interest rate swap agreement for each borrowing to avoid interest rate fluctuation risk. Thus, the interest rate has been substantially fixed as shown.

(4) Acquisition of assets

On April 1, 2014, DHR acquired six properties in total amount of 25,130 million yen as presented below.

Property name	D Project Kuki I
Acquisition price (Note 1)	¥3,500,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6004-2 Aza Taikoda, Shobu-cho Shobu, Kuki-shi, Saitama
Acquisition date	April 1, 2014

Property name	D Project Kuki II
Acquisition price (Note 1)	¥7,200,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	6201-1 Aza Kazarimen, Shobu-cho Sanga, Kuki-shi, Saitama
Acquisition date	April 1, 2014

Property name	D Project Kawagoe I
Acquisition price (Note 1)	¥3,100,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	3-2-3 Yoshinodai, Kawagoe-shi, Saitama
Acquisition date	April 1, 2014

Property name	D Project Kawagoe II
Acquisition price (Note 1)	¥4,250,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	3-2-4 Yoshinodai, Kawagoe-shi, Saitama
Acquisition date	April 1, 2014

Property name	DPL Inuyama
Acquisition price (Note 1)	¥3,380,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	1-8 Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama-shi, Aichi, etc.
Acquisition date	April 1, 2014



Property name	D Project Fukuoka Hakozaki
Acquisition price (Note 1)	¥3,700,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Asset type	Trust beneficiary interest in real estate
Location	5-2-1 Hakozakifuto, Higashi-ku, Fukuoka-shi, Fukuoka
Acquisition date	April 1, 2014

- Notes: 1. Acquisition price does not include acquisition costs, taxes and dues and consumption taxes.
2. As the seller is a related party, etc. as defined in the Act on Investment Trusts and Investment Corporations, the Asset Manager has gone through the necessary discussion and approval procedures in accordance with its internal rules to avoid conflicts of interest.



### **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation, which comprise the balance sheets as at August 31, 2013 and February 28, 2014, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for each of the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at August 31, 2013 and February 28, 2014, and their financial performance and cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

#### **Emphasis of Matter**

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

Subsequent to the period ended February 28, 2014, as discussed in Note 16 to the financial statements, Daiwa House REIT Investment Corporation implemented a split of investment units, issued new investment units, borrowed funds and acquired assets.

**KPMG AZSA LLC**

June 23, 2014  
Tokyo, Japan

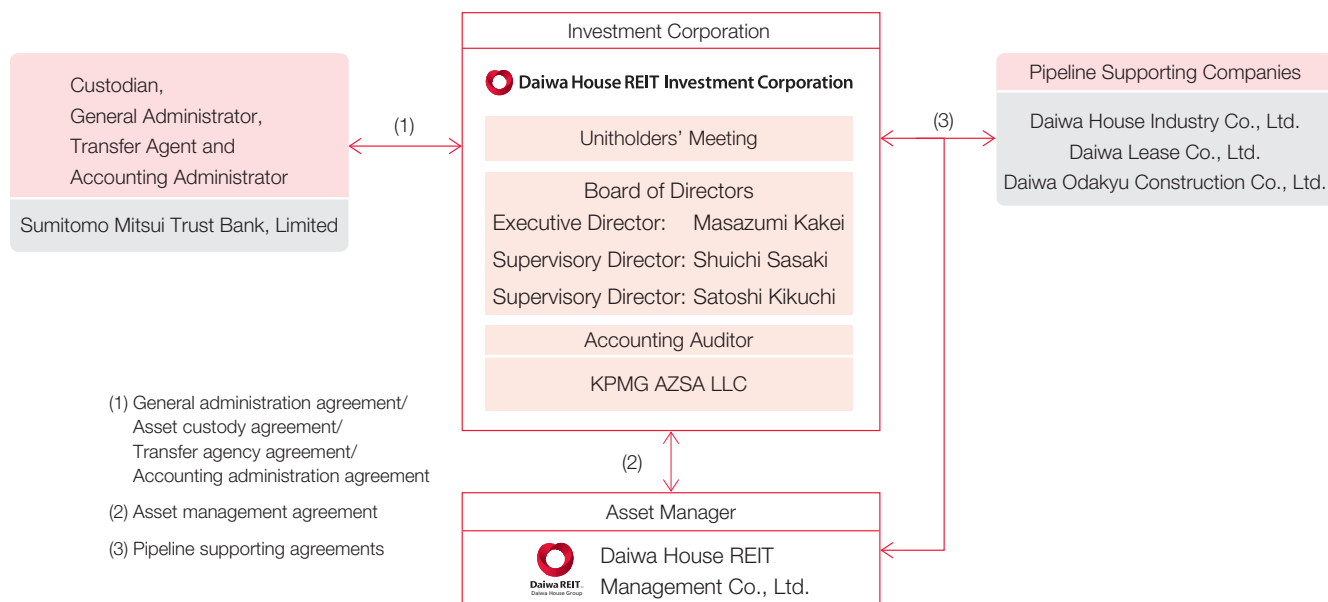
KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

## 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).
March 1, 2014	DHR implemented the investment unit split (a 2-for-1 investment unit split).

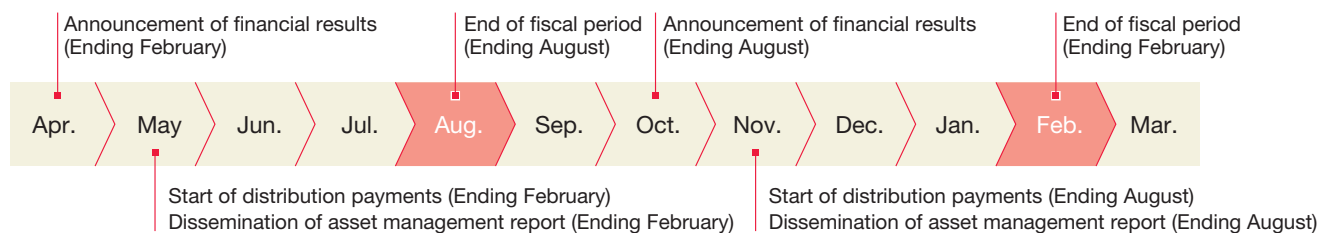
### ● Structure and Formation



## Outline of the Asset Manager

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

## Investor Relations Calendar



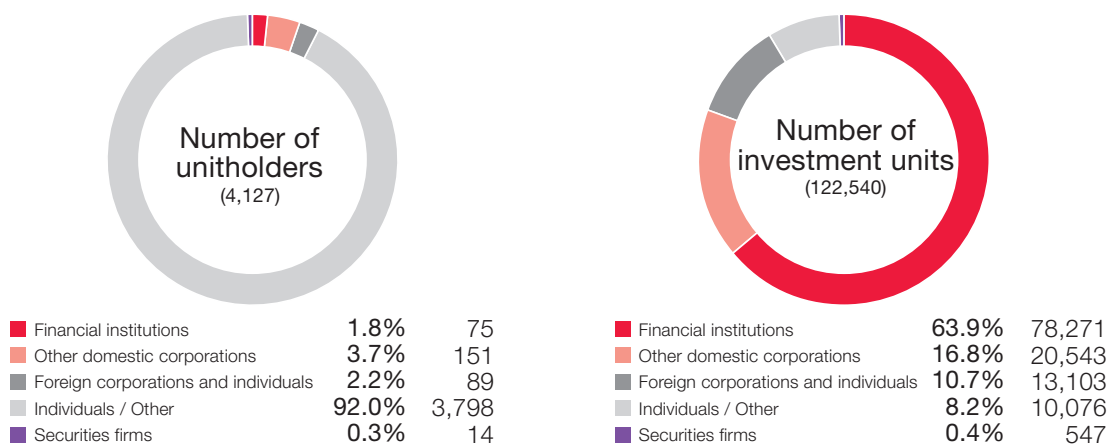
## Investment Unit Price



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

## Unitholders Data

(As of February 28, 2014)



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

## Note for Unitholders

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

### ● Receipt of Distributions

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

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

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

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

(Note) The period for receiving distributions for the 12th period is from May 12, 2014 to June 30, 2014.

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

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



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

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

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

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

### <Withholding tax rate on distributions from listed investment corporations>

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

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

Please refer to below for other issues to consider.

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

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

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

#### ■ Considerations regarding the special reconstruction income tax

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

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



**Daiwa House REIT Investment Corporation**

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