

## Logistics



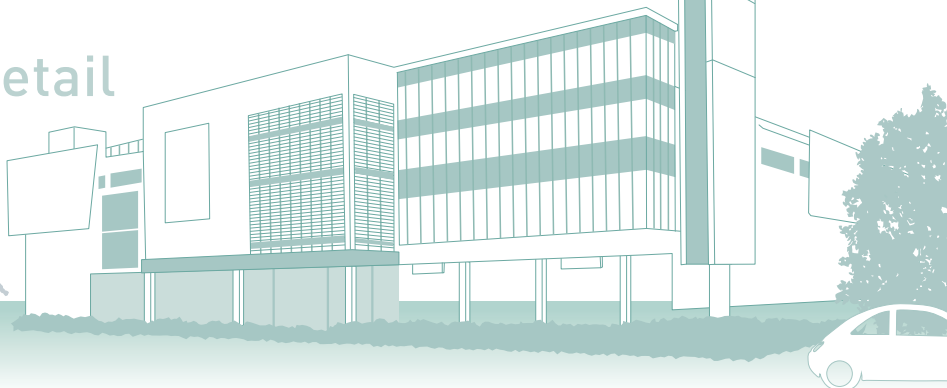
## Semi-Annual Report for the **21**st Fiscal Period

From March 1, 2016 to August 31, 2016

## Residential



## Retail



On September 1, 2016,  
Daiwa House Residential Investment Corporation  
merged with  
Daiwa House REIT Investment Corporation  
and made a new start as

 **Daiwa House REIT Investment Corporation**



Leveraging Comprehensive Strengths  
of Daiwa House Group and Aiming  
to Continuously Increase Unitholder Value

# Daiwa House REIT Investment Corporation

Aims to continuously increase Unitholder Value  
by ensuring stable revenue and steady growth of assets

## A diversified REIT that invests in four core assets

- The core assets are logistics properties, residential properties, retail properties, and hotels
- Invests mainly in the three metropolitan areas: the Greater Tokyo area, the Greater Nagoya area, and the Greater Osaka area
- Builds a diversified portfolio, consisting of assets with various risk-return profiles, that achieves excellent revenue stability

## Collaboration with Daiwa House Group

- Leverages the value chain built on Daiwa House Group's comprehensive strengths
- Receives Daiwa House Group's pipeline support such as preferential negotiation rights
- Expands asset size mainly through the acquisition of properties developed by Daiwa House Group
- Cuts administration and operation costs through cooperation with Daiwa House Group

## Stable financial operation

- Lengthens and diversifies debt maturities and fixes interest rates
- Controls LTV (based on total assets including goodwill) within a range from 40% to 50% to maintain stable financial operation
- Builds solid lender formation
- Stabilizes distributions by utilizing retained earnings

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## Overview of the 21st Fiscal Period

(formerly, Daiwa House Residential Investment Corporation)

(From March 1, 2016 to August 31, 2016)

### To Our Unitholders

On September 1, 2016, Daiwa House REIT Investment Corporation (formerly, Daiwa House Residential Investment Corporation; hereinafter referred to as “DHR”) merged with the former Daiwa House REIT Investment Corporation, which set logistics properties and retail properties as investment targets, and the corporate name was changed from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation.

In addition, as a result of the post-merger changes to the Articles of Incorporation, DHR has shifted from a REIT specializing in residential properties to a diversified REIT, and will target properties with the main uses of logistics, residential, retail and hotel. Going forward, we will work to acquire properties concentrated on these uses to expand the scale of our assets.

We would like to give an overview of DHR’s operations in its 21st fiscal period (from March 1, 2016 to August 31, 2016), the latest fiscal period before the above-mentioned merger, and report on the content of the financial results.

Management of properties held by DHR was favorable with an average occupancy rate during the period of 96.0%, and an occupancy rate as of the end of the period of 96.1%, in addition to a net increase in revised rent upon tenant replacement. As a result, we recorded operating revenues of ¥9,691 million (an increase of ¥29 million compared to the previous fiscal period), exceeding the forecast announced in the financial results report for the previous fiscal period by ¥45 million.

With regard to expenses, although we brought forward some of the repair and restoration works etc. that had been scheduled for the next fiscal period onward in order to relieve future burden, as a result of efforts to reduce other expenses related to rent business, general and administrative expenses, etc., operating income was ¥3,959 million (an increase of ¥12 million compared to the previous fiscal period) and net income was ¥3,213 million (an increase of ¥36 million).

With regard to distributions, while ¥202 million, which is the amount equivalent to 10% of depreciation, was reversed from retained earnings, we retained ¥23 million reserves as allowance for restoration expenses, in accordance with DHR’s distribution policy. Thus, the total distribution for the current fiscal period amounted to ¥3,392 million (an increase of ¥27 million compared to the previous fiscal period) or ¥4,537 per unit (an increase of ¥36), which exceeded the forecast amount by ¥27.

Furthermore, as of the end of the current fiscal period, DHR’s asset holdings came to 142 properties with a total value (acquisition price basis) of ¥256,349 million, consisting of 11,426 leasable units and leasable area of 505,935.16m<sup>2</sup>.

DHR will continue to work diligently to provide maximum value to unitholders by ensuring sustainable revenue and promoting steady growth of its portfolio through fully utilizing its sponsor Daiwa House Group’s comprehensive strengths and know-how regarding real-estate development. Additionally, to strive for sound growth going forward, DHR is putting effort into management that is highly transparent to earn its unitholders’ trust. This includes making one of its highest priorities ensuring compliance in business operations and establishing effective compliance preparedness.

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



**Jiro Kawanishi**

Executive Director

Daiwa House REIT Investment Corporation



**Koichi Tsuchida**

President and CEO

Daiwa House Asset Management Co., Ltd.

## Distributions Per Unit

21st Fiscal Period (From March 1, 2016 to August 31, 2016)

Distribution payments start date is November 14, 2016.

¥4,537

(Forecast distributions per unit: ¥4,510)

Forecasts for the 21st fiscal period announced on April 15, 2016)

### Forecast distributions per unit (Note)

22nd Fiscal period (From September 1, 2016 to February 28, 2017)

¥4,700

23rd Fiscal period (From March 1, 2017 to August 31, 2017)

¥4,720

(Note) Forecast distributions refer to the forecast as of October 19, 2016, and actual distributions per unit may vary from this figure. These forecasts also do not guarantee the amount of distributions.

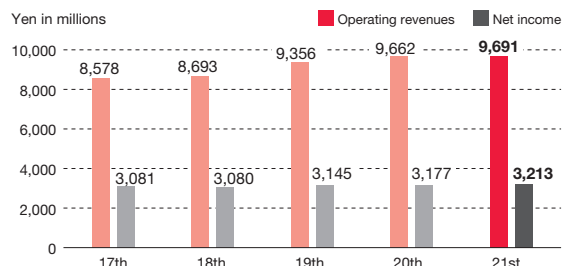
## Financial Highlights

### Operating Results

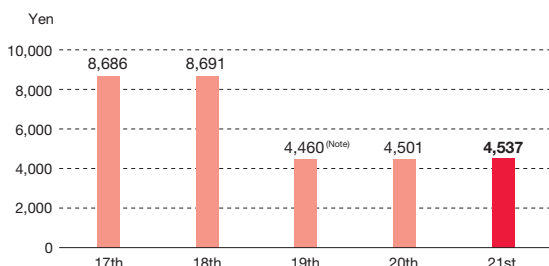
		17th period (Aug. 2014)	18th period (Feb. 2015)	19th period (Aug. 2015)	20th period (Feb. 2016)	21st period (Aug. 2016)
Operating revenues	(Yen in millions)	¥8,578	¥8,693	¥9,356	¥9,662	¥9,691
Operating income	(Yen in millions)	¥3,906	¥3,881	¥3,925	¥3,947	¥3,959
Ordinary income	(Yen in millions)	¥3,082	¥3,081	¥3,146	¥3,177	¥3,214
Net income	(Yen in millions)	¥3,081	¥3,080	¥3,145	¥3,177	¥3,213
Distributions per unit	(Yen)	¥8,686	¥8,691	¥4,460	¥4,501	¥4,537
Total distributions	(Yen in millions)	¥3,247	¥3,249	¥3,334	¥3,365	¥3,392
Number of operating days	(Days)	184	181	184	182	184

(Note) The funds from which distributions are paid out are the amount including the reversal of retained earnings and differ from net income.

### Operating revenues / Net income



### Distributions per unit



(Note) A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.

### Financial Conditions

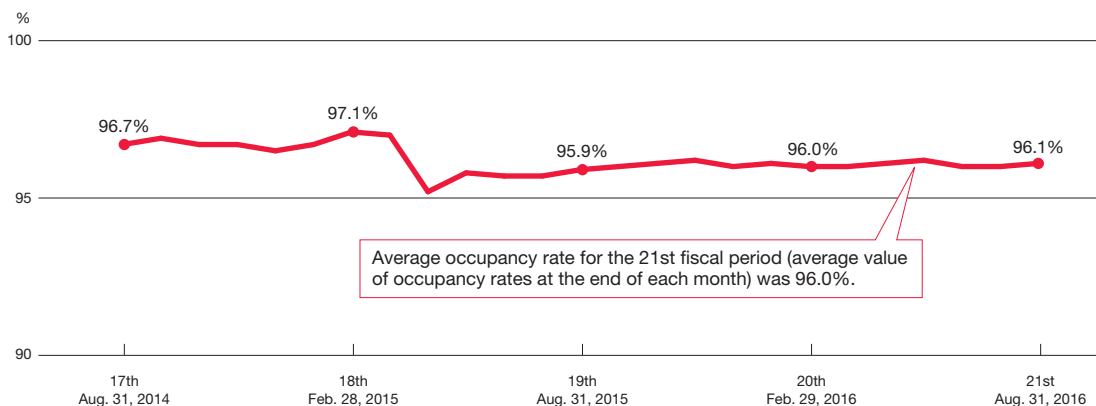
		17th period (Aug. 2014)	18th period (Feb. 2015)	19th period (Aug. 2015)	20th period (Feb. 2016)	21st period (Aug. 2016)
Total assets	(Yen in millions)	¥238,092	¥238,730	¥258,400	¥258,590	¥258,266
Net assets	(Yen in millions)	¥111,622	¥111,455	¥111,352	¥111,194	¥111,042
Equity ratio	(%)	46.9	46.7	43.1	43.0	43.0
Net assets per unit	(Yen)	¥149,280 (Note)	¥149,056 (Note)	¥148,918	¥148,707	¥148,504
Total interest-bearing debt	(Yen in millions)	¥121,666	¥122,463	¥141,663	¥141,663	¥141,663
Interest-bearing debt to total assets ratio	(%)	51.1	51.3	54.8	54.8	54.9

(Note) A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015. Net assets per unit are calculated on the assumption that the split of investment units was implemented at the beginning of the 17th fiscal period.

## Internal Growth

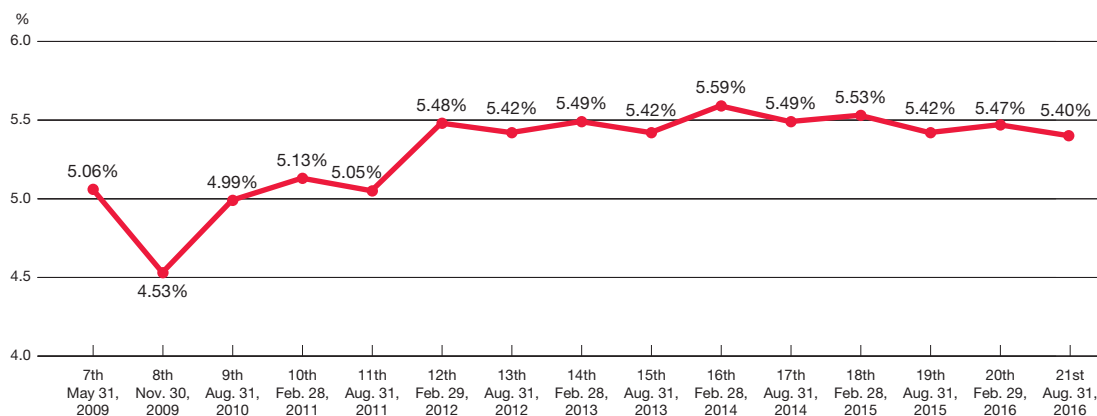
### Portfolio Occupancy Rate

The average occupancy rate for the current fiscal period ended August 31, 2016 was 96.0%, topping the average occupancy rate of 95.0% that was the basis for the forecast of results.



### Portfolio NOI Yield

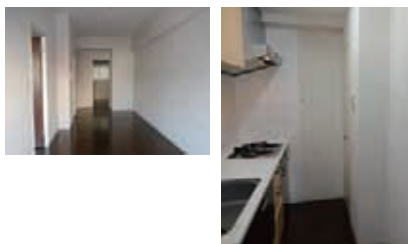
Portfolio NOI yield was stable due to high occupancy rates etc.



### Examples of Value Enhancement Projects

Installation of movable partition walls allowing tenants more flexibility.

(Before renovation)



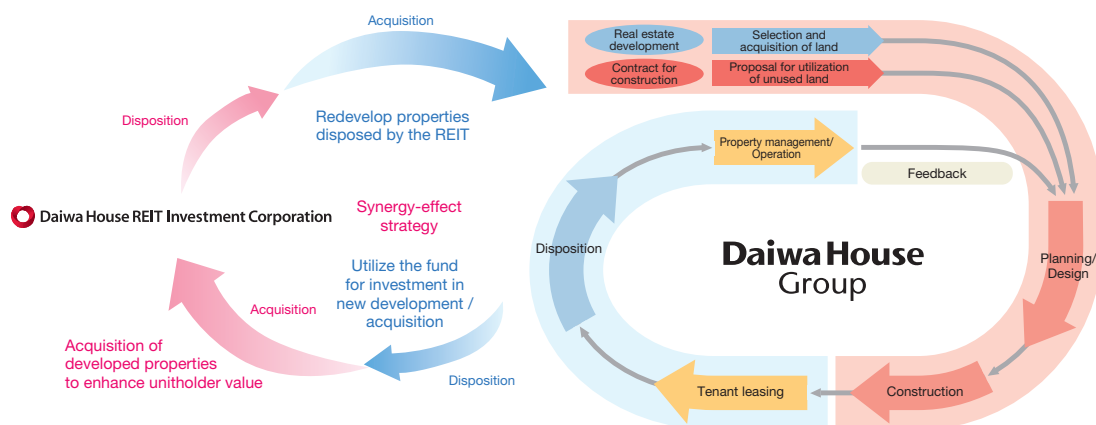
(After renovation)



## Growth Strategy

### Leverages the Value Chain Built on Daiwa House Group's Comprehensive Strengths

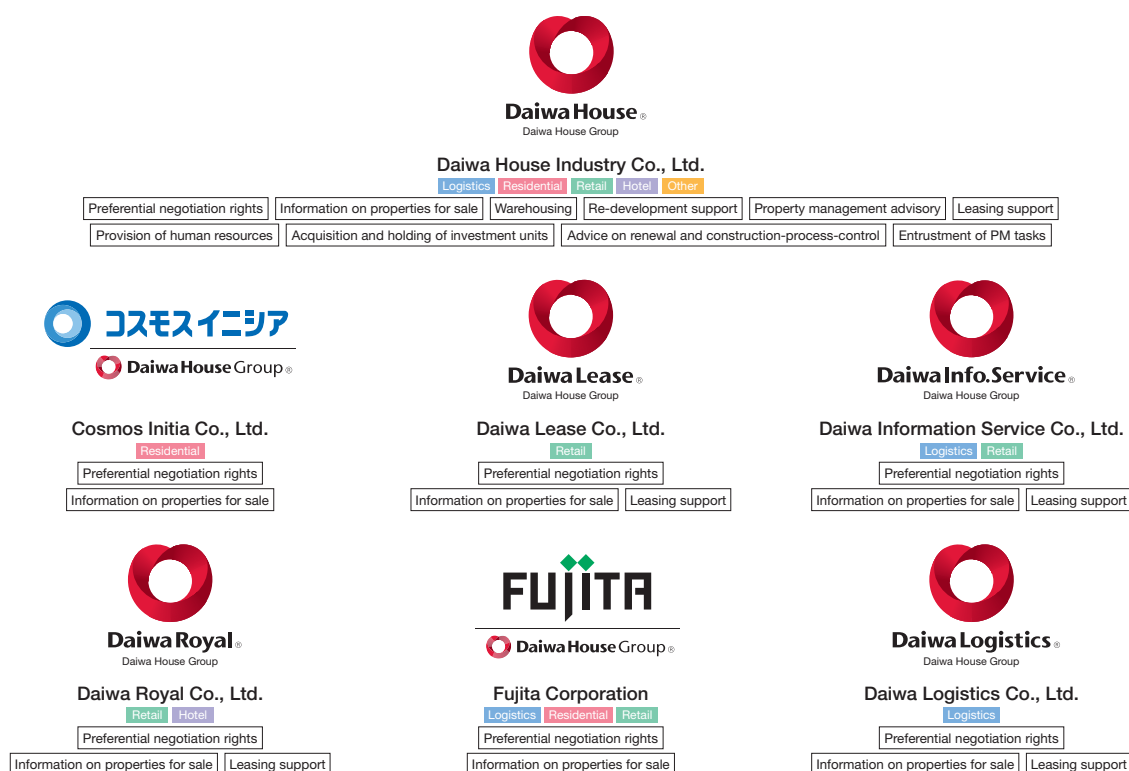
DHR bolsters growth by collaborating with Daiwa House Group, which runs an extensive business enterprise that covers planning, development, construction, leasing, administration and operation.



### Daiwa House Group's Strong Pipeline Support

DHR holds pipeline support agreements, which aim to provide preferential negotiation rights and preferential property information, with Daiwa House and Daiwa House Group pipeline support companies.

DHR ensures steady growth of its asset size by fully utilizing the strong pipeline support from Daiwa House Group and acquiring assets with high competitiveness.



(Note) Listed are the main assets eligible for preferential negotiation rights.



## Properties Held

### Area 1

**46**  
properties



1001 Qiz Ebisu



1002 Castalia Azabujuban  
Shichimenzaka



1003 Castalia Shibakoen



1004 Castalia Ginza



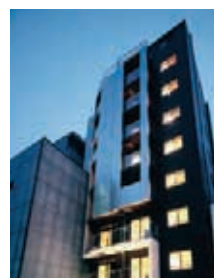
1005 Castalia Hiroo



1006 Castalia Nihonbashi



1007 Castalia Hacchobori



1008 Castalia Azabujuban



1009 Castalia Azabujuban II



1010 Castalia Shinjuku  
Natsumezaka



1011 Castalia Ginza II



1012 Castalia Shibuya  
Sakuragaoka



1015 Castalia Nishi Azabu  
Kasumicho



1016 Castalia Ochanomizu



1017 Castalia Sangubashi



1018 Castalia Suitengu



1019 Castalia Suitengu II



1020 Castalia Shintomicho



1021 Castalia Shintomicho II



1022 Castalia Harajuku



1023 Castalia Yoyogi Uehara



1024 Castalia Sendagaya



1025 Castalia Shinjuku  
7 chome





1027 Castalia Ningyocho



1028 Castalia Ningyocho II



1029 Castalia Shin-Ochanomizu



1030 Castalia Higashi Nihonbashi II



1031 Castalia Jinbocho



1032 Castalia Shintomicho III



1033 Castalia Shinjuku Gyoen



1034 Castalia Takanawadai



1035 Castalia Higashi Nihonbashi III



1036 Castalia Shinjuku Gyoen II



1037 Castalia Shintomicho IV



1038 Castalia Takanawadai II



1039 Castalia Minami Azabu



1040 Castalia Ginza III



1041 Castalia Kayabacho



1042 Castalia Takanawa



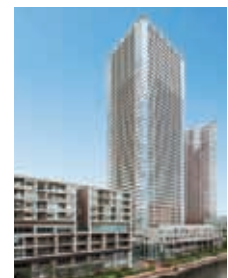
1043 Castalia Higashi Nihonbashi



1045 Castalia Shinjuku



1046 Castalia Ichigaya



1047 Shibaura Island Bloom Tower



1048 Castalia Hatsudai



1049 Castalia Hatsudai II



1050 Castalia Ebisu

## Area 2

# 49

properties



2001 Castalia Meguro  
Kamurozaka



2002 Castalia Toritsudaigaku



2004 Castalia Yukigaya



2005 Castalia Yutenji



2006 Castalia Otsuka



2007 Castalia Kikukawa



2008 Castalia Meguro



2009 Castalia Otsuka II



2010 Castalia Jiyugaoka



2011 Castalia Mejiro



2012 Castalia Ikebukuro



2013 Castalia Kaname-cho



2014 Castalia Tower  
Shinagawa Seaside



2015 Castalia Yakumo



2016 Castalia Togoshiekimae



2018 Castalia Honjo  
Azumabashi



2019 Castalia Kitazawa



2020 Castalia  
Monzennakacho



2023 Castalia Kamiikedai



2024 Castalia Morishita



2025 Castalia Wakabayashi  
koen



2026 Castalia Asakusabashi



2027 Castalia Iriya



2028 Castalia Kita Ueno





2029 Castalia Morishita II



2030 Castalia Minowa



2031 Castalia Oyamadai



2032 Castalia Nakano



2033 Castalia Yoga



2034 Castalia Sumiyoshi


2035 Castalia  
Monzennakacho II


2036 Castalia Oshiage



2037 Castalia Kuramae



2038 Castalia Nakanobu



2039 Royal Parks Toyosu



2040 Castalia Togoshi



2041 Castalia Ooimachi



2042 Castalia Omori



2043 Castalia Mishuku



2044 Castalia Arakawa



2045 Castalia Omori II



2046 Castalia Nakameguro


2047 Castalia Meguro  
Chojyamaru

2048 Castalia Meguro  
Takaban


2049 Castalia Omori III



2050 Morino Tonari


2051 Castalia Meguro  
Tairamachi


2052 Royal Parks SEASIR



2053 Castalia Honkomagome

## Area 3

19  
properties



3001 Cosmo Heim  
Musashikosugi



3002 Castalia Tsurumi



3003 Castalia Funabashi



3006 Castalia Nishi  
Funabashi



3007 Castalia Maihama



3008 Castalia  
Ichikawamyoden



3010 Castalia Urayasu



3011 Castalia Minamigyotoku



3012 Castalia  
Minamigyotoku II



3013 Castalia Nogyama



3017 Castalia Ichikawa



3018 Royal Parks  
Hanakoganei



3019 Castalia Musashikosugi



3020 Royal Parks Wakabada



3021 Pacific Royal Court  
Minatomirai Urban Tower



3022 L-Place Shinkoyasu



3023 Royal Parks  
Musasikosugi



6001 Urban Living Inage



6002 Aburatsubo Marina  
HILLS

## Area 4

28  
properties



4001 Castalia Shinsakae



4008 Aprile Tarumi



4009 Crest Kusatsu



4010 Castalia Sakaisuji  
Honmachi





4011 Castalia Shin-Umeda



4012 Castalia Abeno



4014 Castalia Sakae


4015 Castalia Nipponbashi  
Kouzu

4016 Castalia Maruyama  
Urasando

4017 Castalia Maruyama  
Omotesando


4018 Castalia Higashi Hie


4019 Castalia Tower  
Nagahoribashi


4020 Castalia Sannomiya



4021 Castalia Kotodaikoen



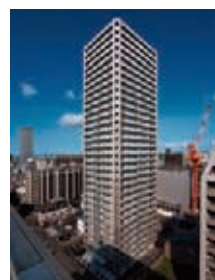
4022 Castalia Ichibancho



4023 Castalia Omachi



4024 Castalia Uemachidai


4025 Castalia Tower  
Higobashi


4026 Big Tower Minami Sanjo



4027 Castalia Fushimi



4028 Castalia Meieki Minami



4029 Castalia Yakuin



4030 Castalia Mibu



4031 Castalia Tsutsujigaoka


4032 Castalia Ohori Bay  
Tower


4033 Royal Parks Namba



4034 Castalia Shigahondori



4035 Castalia Kyoto Nishioji

# 1 Summary of Asset Management

## (1) Historical Operating Results

		17th period August 2014	18th period February 2015	19th period August 2015	20th period February 2016	21st period August 2016
Operating revenues (Note 1)	Yen in millions	8,578	8,693	9,356	9,662	9,691
Of which, real estate leasing business revenues	Yen in millions	8,578	8,693	9,356	9,662	9,691
Operating expenses	Yen in millions	4,671	4,811	5,430	5,715	5,731
Of which, real estate leasing business expenses	Yen in millions	3,769	3,875	4,438	4,688	4,746
Operating income	Yen in millions	3,906	3,881	3,925	3,947	3,959
Ordinary income	Yen in millions	3,082	3,081	3,146	3,177	3,214
Net income	Yen in millions	3,081	3,080	3,145	3,177	3,213
Total assets	Yen in millions	238,092	238,730	258,400	258,590	258,266
Period-on-period changes	%	0.1	0.3	8.2	0.1	(0.1)
Net assets	Yen in millions	111,622	111,455	111,352	111,194	111,042
Period-on-period changes	%	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Unitholders' capital	Yen in millions	61,703	61,703	61,703	61,703	61,703
Total number of investment units issued	Units	373,870	373,870	747,740	747,740	747,740
Net assets per unit (Note 2)	Yen	149,280	149,056	148,918	148,707	148,504
Total distributions	Yen in millions	3,247	3,249	3,334	3,365	3,392
Distributions per unit	Yen	8,686	8,691	4,460	4,501	4,537
Of which, earnings distributions per unit	Yen	8,686	8,691	4,460	4,501	4,537
Of which, distributions in excess of earnings per unit	Yen	—	—	—	—	—
Ordinary income to total assets ratio (Note 3)	%	1.3	1.3	1.3	1.2	1.2
Annualized	%	2.6	2.6	2.5	2.5	2.5
Return on equity (Note 4)	%	2.8	2.8	2.8	2.9	2.9
Annualized	%	5.5	5.6	5.6	5.7	5.7
Equity ratio	%	46.9	46.7	43.1	43.0	43.0
Period-on-period changes	%	(0.1)	(0.2)	(3.6)	(0.1)	(0.0)
Payout ratio	%	105.4	105.5	106.0	106.0	105.6
<Other Reference Information>						
Rental NOI (Note 5)	Yen in millions	6,472	6,507	6,814	6,986	6,977
FFO per unit (Note 6)	Yen	12,700	12,770	6,752	6,948	7,024
FFO multiple (Notes 7 and 8)	Times	19.1	20.9	16.9	16.9	20.9
Debt service coverage ratio (Note 9)	Times	8.2	8.4	9.3	9.6	10.2
Interest-bearing debt	Yen in millions	121,666	122,463	141,663	141,663	141,663
Interest-bearing debt to total assets ratio (Note 10)	%	51.1	51.3	54.8	54.8	54.9

- (Notes) 1. Operating revenues, etc., do not include consumption taxes.  
2. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015. Net assets per unit are calculated on the assumption that the split of investment units was implemented at the beginning of the 17th fiscal period.  
3. Ordinary income to total assets ratio = Ordinary income / ((Total assets at the beginning of period + Total assets at the end of period) / 2) × 100  
4. Return on equity = Net income / ((Net assets at the beginning of period + Net assets at the end of period) / 2) × 100  
5. Rental NOI = Real estate leasing business revenues – Real estate leasing business expenses + Depreciation during the period  
6. FFO per unit = (Net income + Depreciation + Other real estate-related amortization +/- Gains (losses) from sales of property, etc. +/- Extraordinary income (loss)) / Total number of investment units issued  
7. FFO multiple = Investment unit price at the end of period / Annualized FFO per unit  
8. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015. The FFO multiple for the 18th fiscal period was calculated by translating the investment unit price at the end of period following the ex-rights into the investment unit price before the unit split.  
9. Debt service coverage ratio = Net income before interest, depreciation and amortization / Interest expenses  
10. Interest-bearing debt to total assets ratio = Interest-bearing debt / Total assets at the end of period × 100

## (2) Asset Management during the Period

### i) Transition of DHR

DHR is a real estate investment trust (J-REIT) whose sponsor is Daiwa House Industry Co., Ltd. (hereinafter referred to as “Daiwa House”) and whose asset manager is Daiwa House Asset Management Co., Ltd. (hereinafter referred to as the “Asset Manager”), a wholly owned subsidiary of Daiwa House.

DHR was listed on the Tokyo Stock Exchange Real Estate Investment Trust (REIT) Market on March 22, 2006, and after a merger with New City Residence Investment Corporation (hereinafter referred to as “NCR”) on April 1, 2010 (hereinafter referred to as “the merger with NCR”), the scale of its assets expanded steadily. As of the end of the current fiscal period (August 31, 2016; the same shall apply hereinafter), the scale of its assets exceeded ¥250 billion, with more than 11,400 leasable units.

DHR seeks to strengthen its growth potential by working in concert with the Daiwa House Group (Note 1), which is developing its comprehensive range of operations, stretching from the planning, development and construction of rental housing to tenant leasing, sales, management and investment. In addition, DHR has continued to pursue its external growth through acquiring properties primarily consisting of residential properties developed by Daiwa House, while also investing in housing for the elderly (Note 2).

(Notes) 1. The Daiwa House Group comprises Daiwa House, 146 consolidated subsidiaries including Daiwa Living Co., Ltd. that primarily engages in rental housing management, 1 non-consolidated subsidiary, 26 equity-method affiliates and 2 non-equity-method affiliates as of September 30, 2016. The Asset Manager is a member of the group. The same shall apply hereinafter.

2. “Housing for the elderly” means senior housing with nursing care services, private nursing homes, or other rental housing or nursing care facilities that are targeted exclusively at elderly single persons or married couples. The same shall apply hereinafter.

### ii) Performance for the Current Fiscal Period

The average occupancy rate for owned properties in the current fiscal period was 96.0%, topping the average occupancy rate of 95.0% by 1.0 point, that was the basis for the forecast of results disclosed in the financial results report for the fiscal period ended February 29, 2016 (referred as the “forecast of results” in “ii) Performance for the Current Fiscal Period”). Rents for new tenants also trended positively compared with the previous rents, and lease business revenues stayed at a high level. As a result, operating revenues amounted to ¥9,691 million, ¥45 million higher than the forecast of results.

Regarding expenses related to rent business, on the other hand, DHR brought forward part of the repairs and maintenance expenses and restoration costs, etc. that had been scheduled for the next fiscal period onward in view of reducing the future cost burden. Nevertheless, DHR’s efforts to reduce general and administrative expenses and other costs led to operating income of ¥3,959 million, up ¥29 million from the forecast of results, and net income of ¥3,213 million.

As a consequence of these results, the DHR’s asset holdings came to 142 properties with a total value of ¥256,349 million (acquisition price (Note) basis), consisting of 11,426 leasable units and leasable area of 505,935.16 m<sup>2</sup>. As of the end of the current fiscal period, the occupancy rate of the owned properties was 96.1%.

(Note) “Acquisition price” is the purchase price as stipulated in the purchase agreement (not including acquisition expenses which were incurred in connection with the acquisition, settlement money such as taxes and duties, consumption taxes, and leasehold guarantee deposits, etc.) of properties owned by DHR. However, the acquisition price of properties previously owned by NCR is the appraisal value as of February 28, 2010, the date of the merger with NCR. The same shall apply hereinafter.

### iii) Overview of Financing

DHR refinanced the loan of ¥7,600 million that became due on March 31, 2016 with a new three-year loan. Furthermore, DHR concluded a contract to change the repayment date of ¥10,000 million of short-term loans payable that was due for repayment on April 28, 2016 to April 28, 2017.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥141,663 million, the same amount as in the previous fiscal period, and its LTV (Note) was 54.9%.

(Note) LTV (Loan-To-Value) refers to the proportion of interest-bearing debt to total assets. The same shall apply hereinafter.

The credit ratings of DHR as of the end of the current fiscal period are as follows:

Rating agency	Type	Rating/Outlook
Rating and Investment Information, Inc. (R&I)	Issuer rating	A+ Stable
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	AA- Stable (Note)

(Note) On September 1, 2016, the rating was changed from "AA- Stable" to "AA- Positive."

#### iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥279,847 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value, increased by ¥3,085 million from the end of the previous fiscal period to ¥35,048 million, mainly reflecting a decline in the capitalization rate used in determining the appraisal value.

(Note) "Unrealized gain" is the positive valuation difference when the appraisal value exceeds the book value of real estate properties. (Negative valuation difference is referred as unrealized loss.) The same shall apply hereinafter. Please note that unrealized gain is not guaranteed to be realized as a result of the sales of real estate.

#### v) Toyo Tire & Rubber Seismic Isolation Materials Falsification

After receiving the Ministry of Land, Infrastructure, Transport and Tourism's announcement of March 13, 2015 "Concerning substandard, etc., to the Minister's certification of seismic isolation materials manufactured by Toyo Tire & Rubber Co., Ltd." it became clear on March 17, 2015 that one property (hereinafter referred to as "the concerned property") owned by DHR had used seismic isolation materials (seismic isolation rubber for buildings, hereinafter referred to as "substandard seismic isolation materials") that did not meet the performance standard of the Minister's certification.

For this reason, on October 30, 2015, DHR concluded an "Agreement on Compensation for Damages" with Toyo Tire & Rubber Co., Ltd. (hereinafter referred to as "Toyo Tire") and Toyo Chemical Industrial Products Co., Ltd., that requires Toyo Tire to compensate lost earnings related to the management of the concerned property until the replacement of the substandard seismic isolation materials is complete and the occupancy rate of the concerned property has returned to the normal level.

DHR expects that a substantial period of time will be required for the completion of the replacement of the substandard seismic isolation materials and believes that during that time the likelihood of new tenants moving into unoccupied units in the concerned property is low. Accordingly, DHR is currently reconsidering the timing for restoration work.

DHR plans to begin restoration work all at once after the completion of the replacement of the substandard seismic isolation materials, but it is expected that the expenses for this construction work on the concerned property will be incurred in a short period of time at the point of completion of the work.

For that reason, from the 20th fiscal period ended February 29, 2016 onward, DHR worked to set aside the costs to be incurred for the construction work at the concerned property. During the 20th fiscal period ended February 29, 2016 and the current fiscal period, DHR retained ¥12,454 thousand and ¥23,874 thousand, respectively, in total ¥36,328 thousand of earnings to level out the impact on income and losses.

#### vi) Overview of Financial Results

As a result of the abovementioned investment management activities, in the current fiscal period, DHR posted operating revenues of ¥9,691 million, operating income of ¥3,959 million, ordinary income of ¥3,214 million, and net income of ¥3,213 million (net income per unit of ¥4,297).

According to the policy of distributing the amount equivalent to 10% of depreciation for the fiscal period from retained earnings (reserve for distribution), ¥202 million (¥271 per unit) was distributed from retained earnings (reserve for distribution) in addition to the net income while ¥23 million (¥31 per unit) for restoration work was retained for distribution. Accordingly, the total distribution amounted to ¥3,392 million (¥4,537 per unit).



### (3) Summary of Capital Increase

DHR's total number of investment units issued and changes in unitholders' capital for the most recent five years until August 31, 2016 are as follows:

On September 1, 2016, DHR (formerly, Daiwa House Residential Investment Corporation) implemented an absorption-type merger (hereinafter referred to as the "Merger") with DHR as the surviving corporation and the former Daiwa House REIT Investment Corporation (the corporation prior to dissolution is hereinafter referred to as the "former DHR") as the absorbed corporation. In conjunction with the Merger, the corporate name was changed to Daiwa House REIT Investment Corporation, from Daiwa House Residential Investment Corporation, previously. Due to the Merger becoming effective, the total number of investment units issued increased by 771,540 units as of September 1, 2016.

For further details, please refer to "1 Summary of Asset Management, (6) Significant Events after Balance Sheet Date, i) The Merger" below.

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remarks
		Change	Balance	Change	Balance	
October 4, 2011	Capital increase through public offering	38,000	156,735	15,999	40,002	(Note 1)
November 2, 2011	Capital increase through third-party allotment	3,800	160,535	1,599	41,602	(Note 2)
March 1, 2013	Split of investment units	160,535	321,070	—	41,602	(Note 3)
March 18, 2013	Capital increase through public offering	28,000	349,070	10,455	52,058	(Note 4)
April 17, 2013	Capital increase through third-party allotment	2,800	351,870	1,045	53,104	(Note 5)
October 28, 2013	Capital increase through public offering	20,000	371,870	7,817	60,921	(Note 6)
November 19, 2013	Capital increase through third-party allotment	2,000	373,870	781	61,703	(Note 7)
March 1, 2015	Split of investment units	373,870	747,740	—	61,703	(Note 8)

(Notes) 1. Investment units were issued at ¥435,337 per unit (paid in amount per unit at ¥421,049) by public offering to obtain funds for acquiring new properties.  
 2. Investment units were issued at paid in amount of ¥421,049 per unit by third-party allotment to obtain property acquisition funds.  
 3. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2013.  
 4. Investment units were issued at ¥386,100 per unit (paid in amount per unit at ¥373,428) by public offering to obtain funds for acquiring new properties.  
 5. Investment units were issued at paid in amount of ¥373,428 per unit by third-party allotment to obtain property acquisition funds.  
 6. Investment units were issued at ¥404,137 per unit (paid in amount per unit at ¥390,873) by public offering to obtain funds for repayment of short-term loans for acquiring new properties.  
 7. Investment units were issued at paid in amount of ¥390,873 per unit by third-party allotment to obtain funds for repayment of short term loans for acquiring new properties.  
 8. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.

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

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

	17th period	18th period	19th period	20th period	21st period
Fiscal period end	August 2014	February 2015	August 2015	February 2016	August 2016
Highest	¥495,000	¥299,000 (Note)	¥285,300	¥255,300	¥308,000
Lowest	¥399,500	¥223,750 (Note)	¥221,400	¥212,700	¥232,100
Beginning of period	¥418,000	¥236,000 (Note)	¥269,900	¥224,100	¥236,300
End of period	¥480,000	¥269,500 (Note)	¥226,200	¥235,000	¥291,800

(Note) A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015. Consequently, figures for the 18th period have been calculated on the assumption that the split of investment units was executed at the beginning of the period.

## (4) Distributions

As indicated in “(5) Future Operating Policies and Issues to Be Addressed, ii) Future Operating Policies and Issues to Be Addressed, (b) Distribution Policy” below, DHR established the policy on how to use the retained earnings and implemented its distribution policy by utilizing the reserve for distribution. Distribution for the fiscal period is the sum of unappropriated retained earnings of ¥3,213 million and additional funds by reversing the reserve for distribution and others in the amount of ¥3,392 million. Consequently, distributions per unit amounted to ¥4,537.

	17th period From March 1, 2014 to August 31, 2014	18th period From September 1, 2014 to February 28, 2015	19th period From March 1, 2015 to August 31, 2015	20th period From September 1, 2015 to February 29, 2016	21st period From March 1, 2016 to August 31, 2016
Unappropriated retained earnings	¥3,081,411,214	¥3,080,483,901	¥3,145,903,429	¥3,177,139,345	¥3,213,554,837
Retained earnings (after reversal of reserve)	¥18,430,566,607	¥18,261,746,338	¥18,072,729,367	¥17,884,290,972	¥17,705,349,429
Total distributions	¥3,247,434,820	¥3,249,304,170	¥3,334,920,400	¥3,365,577,740	¥3,392,496,380
Distributions per unit	¥8,686	¥8,691	¥4,460	¥4,501	¥4,537
Of the above, total earnings distributions	¥3,247,434,820	¥3,249,304,170	¥3,334,920,400	¥3,365,577,740	¥3,392,496,380
Earnings distributions per unit	¥8,686	¥8,691	¥4,460	¥4,501	¥4,537
Of the above, total capital refunds	—	—	—	—	—
Capital refunds per unit	—	—	—	—	—
Of total capital refunds, total distributions from the allowance for temporary difference adjustment	—	—	—	—	—
Of capital refunds per unit, temporary-difference-adjustment-allowance distributions per unit	—	—	—	—	—
Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes	—	—	—	—	—
Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit	—	—	—	—	—

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

### i) Investment Environment

In the Japanese economy, we are observing improved corporate earnings and a gradual increase in capital expenditure on the back of economic stimulus policy of the Japanese Government and monetary policy of the Bank of Japan. With such indicators as real GDP for April to June 2016 (the 2nd preliminary) up by an annual rate of 0.7% period on period, we are observing a continuing trend of recovery and current expectations are for an overall strengthening of the economic base. Looking to the future, however, there are calls of concern regarding future effects on the Japanese economy; specifically, internal demand is generally lacking strength and there are downside risks regarding external demand such as slowdown in the Chinese economy, interest rate hikes in the United States and the UK's departure from the EU.

In Japan's real estate market, according to the Land Value LOOK Report for the second quarter of 2016 (April 1, 2016 to July 1, 2016) released by the Ministry of Land, Infrastructure, Transport and Tourism in August 2016, among the 100 intensively used districts of major cities, land value rose in 88 districts (compared with 89 districts in the first quarter of 2016), stayed flat in 12 districts (compared with 10 districts in the first quarter of 2016), and dropped in 0 districts (compared with 0 districts in the first quarter of 2016). Therefore, the districts maintaining rising prices was roughly 90%. The main reason that the percentage of districts with rising prices maintained such a high level was a continuing strong real estate investment sentiment among corporate investors etc. reflecting a favorable financing environment owing to monetary easing, etc. on the back of various factors including a continuing recovery in the

office market due to improvements in vacancy rates, etc. particularly in the major metropolitan areas ongoing, large-scale redevelopment projects, and continuing high-level demand of visitors to Japan for purchasing goods and for accommodation.

In the J-REIT market, the Tokyo Stock Exchange REIT Index has been weak since its last peak in January 2015. However, partly due to the impact of low interest rates on Japanese Government bonds based on the Bank of Japan's monetary policy of introducing negative interest rates in January 2016, the Tokyo Stock Exchange REIT Index has rebounded and is currently trending upwards.

Under the aforementioned environment, the investment environment for DHR is expected to continue to be a tough market for property acquisitions due to lowering capitalization rates used in real estate appraisals, rising land prices, soaring construction costs, and other factors. Nevertheless, DHR will continue to actively acquire high quality properties.

## ii) Future Operating Policies and Issues to Be Addressed

### (a) Growth Strategy

Following the Merger, the assets held by DHR have expanded. In addition to the originally held residential properties, the portfolio now includes logistics properties, retail properties and other properties. In all asset classes held by DHR as of the date of this report, DHR is maintaining and securing high levels of occupancy rates. Accordingly, DHR believes that the current portfolio can be expected to return stable rent income in the future as well.

Furthermore, as a result of the Merger, DHR has changed its corporate name to "Daiwa House REIT Investment Corporation" and made changes to its Articles of Incorporation. Specifically, it has established a new investment policy and investment targets, and shifted from a REIT specializing in residential properties to a diversified REIT. As a result, DHR will operate as a diversified REIT concentrating on the three major metropolitan areas (Greater Tokyo area (Tokyo, Kanagawa, Saitama and Chiba), Greater Nagoya area (Aichi, Gifu and Mie) and Greater Osaka area (Osaka, Kyoto, Hyogo, Nara and Shiga)), and it will mainly target properties located in Japan with the uses of logistics, residential, retail and hotel. DHR will follow a policy of expanding the scale of its assets through the acquisition of new properties, including not only residential properties but other properties as well. In addition, DHR has entered into a new basic agreement on pipeline support, etc. with Daiwa House, and entered into basic agreements on pipeline support, etc. with Cosmos Initia Co., Ltd., Daiwa Lease Co., Ltd., Daiwa Information Service Co., Ltd., Daiwa Royal Co., Ltd., Fujita Corporation, and Daiwa Logistics Co., Ltd., with its sights set on achieving the objectives set forth in its growth strategy pursued in collaboration with the Daiwa House Group. Through these basic agreements, DHR intends to receive pipeline support, etc. and aim for stable external growth. To achieve the objectives of its external growth strategy, DHR will fully leverage the development capabilities of its sponsor Daiwa House in supplying community-based properties that draw on the strengths of respective regional economies through the Daiwa House Group's nationwide land information network.

### (b) Distribution Policy

As of the end of the current fiscal period, DHR had a total of ¥44,524 million in tax loss carryforwards and a total of ¥17,884 million of retained earnings (reserve for distribution) (before reversal for the current fiscal period; the total amount after reversal is ¥17,705 million).

In situations where there have been gains on sales of real estate, and so forth, and where net income for the period has been higher than initially expected, DHR has accumulated all or part of that net income as retained earnings by utilizing tax loss carryforwards.

In order to make earnings distributions deductible for tax purposes, J-REITs must distribute more than 90% of distributable earnings, but J-REITs that have tax loss carryforwards can reduce their taxable income to the extent of tax loss carryforwards. By utilizing tax loss carryforwards inherited from the merger with NCR, DHR is able to accumulate all or part of net income as retained earnings in cases where net income exceeds the initial forecast due to gains on sales of real estate without having taxes imposed until August 2018 to the extent that the tax loss carryforwards are available.

Following the Merger, beginning from the 22nd fiscal period from September 1, 2016 to February 28, 2017, DHR will amend part of its distribution policy, ceasing distributions from retained earnings in the amount equivalent to 10% of the depreciation. Under the new policy, the amount equivalent to amortization of goodwill will be reversed from retained earnings (reserve for distribution) to top up net income.

Stabilization of distributions (Note) will be aimed for by reversing retained earnings (reserve for distribution) in case net income falls below the initially expected amount due to extraordinary losses such as loss from disposition of properties, in case of the dilution of distribution due to capital increase, in case sufficient revenues could not be secured due to short operation periods of properties acquired during a fiscal period along with a capital increase, or in the case of extraordinary expenses such as issuance expenses arising.

DHR's reversals of retained earnings (reserve for distribution) are utilization of reserve for distribution and do not fall under distributions in excess of earnings (return of unitholders' capital).

(Note) Under the above distribution policy, DHR has the policy to stabilize distributions. However, it is not intended as a guarantee or promise of the forecast distribution amounts.

### iii) Financial Strategy

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

DHR is also working to improve the stability of its financial base by maintaining and expanding its solid lender formation, while also taking steps geared toward diversifying methods of raising capital through issuance of investment corporation bonds, extending repayment periods on interest-bearing debt, fixing interest rates, and staggering repayment dates.

## (6) Significant Events after Balance Sheet Date

### i) The Merger

As of September 1, 2016, DHR conducted an absorption-type merger whereby DHR was the surviving corporation and the former DHR was the absorbed corporation, and changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation.

#### (a) Purpose of the Merger

DHR and the former DHR (hereinafter collectively referred to as the "Investment Corporations") expect the following to result from the Merger: (i) enhanced external growth potential and further internal growth opportunities through the shift to a diversified REIT, (ii) improvement of the position in the J-REIT market and asset-management flexibility through scale enhancement, and (iii) acceleration of growth leveraging the value chain of the Daiwa House Group's integrated capabilities, among other positive effects.

The Daiwa House Group, the sponsor, has set its management vision of "Endless Heart" and "co-create value for individuals, communities and peoples' lifestyles," and has committed itself to "contributing to society" through business development in diversified categories to meet social needs and through aggressive innovation and the development of new categories. The Daiwa House Group has realized the "creation of shareholders' value" that generates greater economic value than the capital cost, steadily over the medium- to long-term. The Investment Corporations will follow this Daiwa House Group's philosophy.

DHR shifts to a diversified REIT that invests in new types of properties, such as hotels, office buildings, and so on, in addition to those that the Investment Corporations have dealt in to date. Its policy will be to leverage the Daiwa House Group's integrated capabilities to enhance its growth potential, improve the profitability and quality of its portfolio, and achieve sustainable external growth and stable distributions.

#### (b) Method of the Merger

The Merger is an absorption-type merger wherein DHR is the surviving corporation and the former DHR has been dissolved.

#### (c) Merger Ratio

For the Merger, 2.2 units of DHR per unit of the former DHR were allotted to the unitholders of the former DHR. As of the date of this report, the total number of investment units issued stood at 1,519,280 units, an increase of 771,540 units since August 31, 2016.

Since this allotment generated fractions less than one unit for the number of investment units to be delivered, those fractional units less than one unit will be sold through market transactions in accordance with statutory provisions, and in November 2016 the proceeds from the sale are planned to be paid to the unitholders who hold fractions in proportion to the size of their holdings.



**(d) Cash Payment upon the Merger**

In lieu of cash distributions to the unitholders of the former DHR for the former DHR's fiscal period ended on the day immediately preceding the effective date of the Merger, on November 14, 2016, DHR plans to make a payment of ¥3,281,149,200 upon the Merger that will be equivalent to the cash distributions of the former DHR for that fiscal period (a merger payment equal to the distributable earnings amount of the former DHR as of the day immediately preceding the effective date of the Merger divided by the number of investment units after deducting the number of investment units held by unitholders other than the Allotted Unitholders (defined below) of the former DHR from the number of investment units issued of the former DHR as of the day immediately preceding the effective date of the Merger), to the unitholders entered in or recorded on the final unitholders register of the former DHR as of the day immediately preceding the effective date of the Merger (excluding unitholders of the former DHR who have requested the purchase of their investment units in accordance with Article 149-3 of the Investment Trusts Act) (the "Allotted Unitholders").

**(e) Unitholders' Capital, etc.**

Unitholders' capital and capital surplus of DHR that increased in the Merger are as follows:

Unitholders' capital	¥0
Capital surplus	¥219,425,976,000

**(f) Performance of the Former DHR in the Latest Fiscal Period Ended August 31, 2016 (from March 1, 2016 to August 31, 2016)**

Business purpose	Management of assets in accordance with the Investment Trusts Act by investing mainly in specified assets
Operating revenues	¥7,142 million
Net income	¥3,280 million
Total assets	¥222,208 million
Total liabilities	¥113,467 million
Total net assets	¥108,740 million

**ii) Merger of the Asset Manager**

The Asset Manager implemented an absorption-type merger effective as of September 1, 2016 with the Asset Manager as the surviving company and Daiwa House REIT Management Co., Ltd., the asset manager of the former DHR, as the absorbed company.

**iii) Change of the Articles of Incorporation and the Asset Management Guidelines**

In an effort to shift to a diversified REIT through the Merger, DHR resolved at the unitholders' meeting held on June 17, 2016 to make amendments to the Articles of Incorporation including the establishment of a new investment policy and investment targets as a diversified REIT. This change of the Articles of Incorporation took effect as of September 1, 2016, which is the effective date of the Merger.

The Asset Manager resolved at the meeting of board of directors held on April 15, 2016 to change the asset management guidelines regarding DHR's asset management in line with the establishment of a new investment policy as a diversified REIT, etc. This change of the asset management guidelines also took effect as of September 1, 2016, which is the effective date of the Merger.

**iv) Acquisition of Assets**

DHR acquired the following properties on September 28, 2016.

Property name	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)
Asset type	Trust beneficiary interest in real estate
Acquisition price (Note 1)	¥7,600,000 thousand
Appraisal value (Note 2)	¥7,630,000 thousand
Seller (Note 3)	Daiwa House Industry Co., Ltd. DO Shin-Toshin Development Tokutei Mokuteki Kaisha
Agreement date	April 15, 2016

Property name	D Project Hibiki Nada
Asset type	Trust beneficiary interest in real estate
Acquisition price (Note 1)	¥2,080,000 thousand
Appraisal value (Note 2)	¥2,110,000 thousand
Seller (Note 3)	Daiwa House Industry Co., Ltd.
Agreement date	April 15, 2016
Property name	D Project Morioka II
Asset type	Trust beneficiary interest in real estate
Acquisition price (Note 1)	¥1,280,000 thousand
Appraisal value (Note 2)	¥1,300,000 thousand
Seller (Note 3)	Daiwa House Industry Co., Ltd.
Agreement date	April 15, 2016
Property name	Castalia Ningyocho III
Asset type	Trust beneficiary interest in real estate
Acquisition price (Note 1)	¥2,000,000 thousand
Appraisal value (Note 2)	¥2,180,000 thousand
Seller (Note 3)	Daiwa House Industry Co., Ltd.
Agreement date	April 15, 2016
Property name	Royal Parks Umejima
Asset type	Trust beneficiary interest in real estate
Acquisition price (Note 1)	¥2,020,000 thousand
Appraisal value (Note 2)	¥2,150,000 thousand
Seller (Note 3)	Daiwa House Industry Co., Ltd.
Agreement date	April 15, 2016
Property name	Sports Depo and GOLF5 Kokurahigashi IC Store
Asset type	Trust beneficiary interest in real estate
Acquisition price (Note 1)	¥2,230,000 thousand
Appraisal value (Note 2)	¥2,280,000 thousand
Seller (Note 3)	Daiwa House Industry Co., Ltd.
Agreement date	April 15, 2016

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

2. The appraisal date is August 31, 2016.

3. As the seller is a party having a special interest in DHR and/or the Asset Manager, the transaction was executed in accordance with certain procedures prescribed in the internal rule "regulations on transactions with interested parties" of the Asset Manager.

## v) Debt Financing and Repayment

(a) On September 28, 2016, DHR conducted debt financing for acquiring the properties mentioned in "iv) Acquisition of Assets" above as follows.

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Collateral
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; Resona Bank, Limited; Mizuho Trust & Banking Co., Ltd.; Shinsei Bank, Limited; Shinkin Central Bank; The Bank of Fukuoka	9,000	0.63479% (Fixed interest rate)	September 28, 2016	September 29, 2025	Bullet repayment	Unsecured and non-guaranteed
Development Bank of Japan Inc.	1,000	0.6888% (Fixed interest rate)	September 28, 2016	September 28, 2026	Bullet repayment	Unsecured and non-guaranteed

(b) DHR repaid a loan of ¥31,800 million that became due on September 30, 2016 and executed the following new loans as refinance funds on the same date.

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Collateral
Sumitomo Mitsui Trust Bank, Limited; Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; Resona Bank, Limited; The Norinchukin Bank; The Chiba Bank, Ltd.; Shinsei Bank, Limited	9,900	Base interest rate (Japanese Bankers Association 1-month yen TIBOR) +0.15%	September 30, 2016	March 31, 2020	Bullet repayment	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Aozora Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; Resona Bank, Limited; Shinsei Bank, Limited	10,400	0.40617% (Fixed interest rate)	September 30, 2016	March 31, 2023	Bullet repayment	Unsecured and non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.; Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; Mizuho Bank, Ltd.; Aozora Bank, Ltd.; Mitsubishi UFJ Trust and Banking Corporation; Resona Bank, Limited; Shinsei Bank, Limited	11,000	0.48305% (Fixed interest rate)	September 30, 2016	March 29, 2024	Bullet repayment	Unsecured and non-guaranteed

#### vi) Amendment of Commitment Line Contract

DHR executed the amended commitment line contract as of September 30, 2016. The details are as follows:

Maximum loan amount: ¥10,000 million

Lenders: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd.

Loan availability period: From October 4, 2016 to November 30, 2016

Individual loan period: Within one year

Collateral and guarantee: Unsecured and non-guaranteed

Use of funds: Acquisition of trust beneficiary interests and real estate (including common area) as well as payment of related expenses, repayment and redemption of the loans (including investment corporation bonds), and repayment of tenant leasehold and security deposits and related expenses

## 2 Overview of the Investment Corporation

### (1) Status of Investment Units

		17th period As of August 31, 2014	18th period As of February 28, 2015	19th period As of August 31, 2015	20th period As of February 29, 2016	21st period As of August 31, 2016
Total number of investment units authorized	Units	2,000,000	2,000,000	4,000,000	4,000,000	4,000,000
Total number of investment units issued	Units	373,870	373,870	747,740 (Note)	747,740	747,740
Unitholders' capital	Yen in thousands	61,703,224	61,703,224	61,703,224	61,703,224	61,703,224
Number of unitholders		6,538	6,400	6,998	7,073	6,431

(Note) A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.

### (2) Matters concerning Investment Units

The major unitholders as of August 31, 2016 are as follows:

Name	Number of investment units held (Units)	Percentage of total (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust account)	188,490	25.2
The Master Trust Bank of Japan, Ltd. (Trust account)	83,717	11.2
Daiwa House Industry Co., Ltd.	75,440	10.1
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	35,070	4.7
The Chugoku Bank, Ltd.	14,041	1.9
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	13,874	1.9
SCBHK AC DBS VICKERS (HK) LIMITED – CLIENT A/C	13,800	1.8
THE BANK OF NEW YORK - JASDEC NON - TREATY ACCOUNT	12,899	1.7
The Fuji Fire and Marine Insurance Co., Ltd.	12,530	1.7
State Street Bank - West Pension Fund Clients - Exempt 505233	10,891	1.5
Total	460,752	61.6

(Note) "Percentage of total" is a percentage of the number of investment units held by respective unitholders to the total number of investment units issued, which is rounded to the first decimal place.

### (3) Officers

The following table provides information about the Officers.

Title and post	Name	Major concurrent position	Total compensation per title during the 21st period (Yen in thousands)
Executive Director	Jiro Kawanishi	Auditor, Fujita Kanko Inc. (part time)	2,400
Supervisory Directors	Tetsuya Iwasaki	Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	2,100
	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	2,100
Accounting Auditor	Ernst & Young ShinNihon LLC	—	13,000

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

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



ii) Suspension order issued against the Accounting Auditor during last two years

On December 22, 2015, a suspension order was issued by the Financial Services Agency (FSA) against Ernst & Young ShinNihon LLC, the Accounting Auditor of DHR, as described below.

(a) Name of the firm

- Ernst & Young ShinNihon LLC

(b) Summary of order

- Suspension from accepting new engagements for three months from January 1, 2016 to March 31, 2016.

(c) Reason of order

- Seven certified public accountants of the firm had, in negligence of due care, attested the financial statements of TOSHIBA CORPORATION for the years ended March 31, 2010, 2012 and 2013 containing material misstatements as if the statements contained no material misstatements.
- The firm's operations are significantly inappropriate.

#### (4) Asset Manager, Custodian and General Administrators

Business	Name
Asset Manager	Daiwa House Asset Management Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General Administrator	Sumitomo Mitsui Trust Bank, Limited
Transfer agent / Special account administrator	Sumitomo Mitsui Trust Bank, Limited
Administrator of investment corporation bonds	Sumitomo Mitsui Trust Bank, Limited

### 3 Portfolio of the Investment Corporation

#### (1) Composition of Assets

The following table provides information about the composition of assets.

Type of assets	Property type	Area (Note 1)	20th period February 29, 2016		21st period August 31, 2016	
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)
Real estate	Residential properties	Area 1	11,516	4.5	11,466	4.4
		Area 2	14,036	5.4	13,962	5.4
		Area 3	—	—	—	—
		Area 4	23,589	9.1	23,467	9.1
Trust beneficiary interests in real estate	Residential properties	Area 1	76,827	29.7	76,562	29.6
		Area 2	65,207	25.2	64,815	25.1
		Area 3	32,701	12.6	32,303	12.5
		Area 4	22,496	8.7	22,219	8.6
Subtotal			246,376	95.3	244,798	94.8
Deposits and other assets			12,213	4.7	13,468	5.2
Total assets			258,590	100.0	258,266	100.0

(Notes) 1. "Area 1" indicated in the Area column means five major wards in Tokyo (Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward). "Area 2" means the wards of Tokyo excluding those in Area 1. "Area 3" means the Tokyo Metropolitan area (Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture). "Area 4" means other cities (areas with populations more than approximately 100,000).

2. "Total amount held" represents the amounts recorded on the balance sheet as of February 29, 2016 and August 31, 2016, which are rounded down to the nearest million yen. For real estate properties and trust beneficiary interests in real estate (may be referred to as "real estate in trust" or "trust beneficiary interests in real estate"), the amounts are their acquisition costs (including expenses associated with the acquisition) less accumulated depreciation.

3. "Percentage to total assets" is rounded to the first decimal place.

#### (2) Principal Assets Held

The overview of principal assets held by DHR as of August 31, 2016 (top ten properties in terms of book value at the end of the period) is as follows:

Property number	Property name	Book value (Yen in millions (Note 1))	Leasable area (m <sup>2</sup> ) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total real estate leasing business revenues (%) (Note 5)	Primary Use
3021	Pacific Royal Court Minatomirai Urban Tower	9,314	26,294.49	26,294.49	100.0	5.4	Apartment complex
1001	Qiz Ebisu	7,294	5,230.39	5,093.51	97.4	2.4	Apartment complex
1042	Castalia Takanawa	7,169	10,408.26	10,152.66	97.5	2.5	Apartment complex
1047	Shibaura Island Bloom Tower	7,085	16,849.50	16,281.76	96.6	3.9	Apartment complex
2014	Castalia Tower Shinagawa Seaside	6,915	12,732.35	12,510.06	98.3	2.9	Apartment complex
2039	Royal Parks Toyosu	6,608	18,112.03	18,112.03	100.0	3.4	Apartment complex
3018	Royal Parks Hanakoganei	5,043	18,153.57	18,153.57	100.0	2.5	Apartment complex
2052	Royal Parks SEASIR	4,462	17,269.74	17,269.74	100.0	2.5	Apartment complex
3020	Royal Parks Wakabadai	4,258	21,367.93	21,367.93	100.0	2.7	Apartment complex
1002	Castalia Azabujuban Shichimenzaka	4,214	3,492.93	3,273.63	93.7	1.2	Apartment complex
Total		62,368	149,911.19	148,509.38	99.1	29.3	—

(Notes) 1. "Book value" is the amount recorded on the balance sheets as of August 31, 2016 (in case of real estate or trust beneficiary interest, "Book value" is the acquisition costs (including expenses associated with the acquisition) less accumulated depreciation), which were rounded down to the nearest million yen.

2. "Leasable area" is the floor space of each real estate and each real estate in trust which is leasable based on the information as of August 31, 2016.

3. "Leased area" is the sum of the floor space indicated in lease or sublease agreements with end-tenants as of August 31, 2016. However, in cases where there are obvious errors in the lease agreements, the figures are based on the information obtained from the prior owner (prior beneficiary) and the drawing of the building.

4. "Occupancy rate" is the leased floor space of each real estate and each real estate as of August 31, 2016 in trust expressed as a percentage of leasable floor space, rounded to the first decimal place.

5. "Rate to total real estate leasing business revenues" is the leasing revenue from each real estate and each real estate in trust expressed as a percentage of the total rental revenue from the entire portfolio, rounded to the first decimal place.

### (3) Description of Portfolio

The overview of portfolio assets held by DHR as of August 31, 2016 (real estate and real estate in trust, etc.) is as follows:

Type	Property number	Property name	Location (displayed address)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 1)	Assessed value at the end of period (Yen in millions) (Note 2)	Book value (Yen in millions) (Note 3)
Residential properties	1001	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	8,170	7,294
	1002	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,140	4,214
	1003	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,090	2,438
	1004	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,120	2,376
	1005	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	1,810	2,099
	1006	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,120	1,088
	1007	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,150	2,138
	1008	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,620	2,813
	1009	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,450	2,555
	1010	Castalia Shinjuku Natsumezaaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo (Note 4)	Real estate in trust	1,917.62	1,650	1,785
	1011	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,640	1,687
	1012	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,130	1,348
	1015	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,150	2,186
	1016	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,050	1,683
	1017	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,470	1,427
	1018	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,330	1,211
	1019	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,190	1,077
	1020	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	981	883
	1021	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	866	785
	1022	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	888	864
	1023	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	685	640
	1024	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	580	561
	1025	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	503	444
	1027	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,160	875
	1028	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,310	992
	1029	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo (Note 4)	Real estate in trust	1,308.38	1,030	866
	1030	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,610	1,278
	1031	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,390	1,093
	1032	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	728	623
	1033	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	2,950	2,645
	1034	Castalia Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	985	822
	1035	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	765	619
	1036	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	487	480
	1037	Castalia Shintomicho IV	3-10-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	681.00	444	379
	1038	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,300	1,171
	1039	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	671	615
	1040	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	2,840	2,753
	1041	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	2,960	2,547
	1042	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	7,520	7,169
	1043	Castalia Higashi Nihonbashi	9-14, Yokoyama-cho, Nihonbashi, Chuo Ward, Tokyo	Real estate	6,442.28	3,960	3,303
	1045	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,280	2,861
	1046	Castalia Ichigaya	14-4, YakuOji-machi, Ichigaya, Shinjuku Ward, Tokyo (Note 4)	Real estate in trust	1,546.34	1,330	892
	1047	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	8,540	7,085

Type	Property number	Property name	Location (displayed address)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 1)	Assessed value at the end of period (Yen in millions) (Note 2)	Book value (Yen in millions) (Note 3)
Residential properties	1048	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,240	2,013
	1049	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,070	1,898
	1050	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,600	1,430
	2001	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,140	4,109
	2002	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	555	606
	2004	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,070	1,019
	2005	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,240	1,349
	2006	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,590	1,352
	2007	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	737	744
	2008	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	932	851
	2009	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,200	1,002
	2010	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,340	1,170
	2011	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,050	941
	2012	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	2,690	2,485
	2013	Castalia Kaname-cho	5-26-10, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,200	1,076
	2014	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	8,370	6,915
	2015	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	744	834
	2016	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	1,890	1,484
	2018	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,060	978
	2019	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	796	736
	2020	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	510	465
	2023	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	212	184
	2024	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	985	772
	2025	Castalia Wakabayashi koen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	809	754
	2026	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	913	740
	2027	Castalia Iriya	3-1-28, Shitaya, Taito Ward, Tokyo	Real estate in trust	1,415.15	641	510
	2028	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	2,590	2,449
	2029	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	771	631
	2030	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,510	1,316
	2031	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	583	506
	2032	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,200	987
	2033	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,110	879
	2034	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	983	869
	2035	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,600	2,020
	2036	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,100	1,010
	2037	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,430	1,166
	2038	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,560	1,697
	2039	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	9,190	6,608
	2040	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,500	1,639
	2041	Castalia Oimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,450	1,186
	2042	Casralia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,760	1,472
	2043	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,280	1,881
	2044	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,100	1,606
	2045	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	2,760	2,318
	2046	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,400	3,802
	2047	Castalia Meguro Choijamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,300	2,035
	2048	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,880	1,773

Type	Property number	Property name	Location (displayed address)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 1)	Assessed value at the end of period (Yen in millions) (Note 2)	Book value (Yen in millions) (Note 3)
Residential properties	2049	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,690	1,514
	2050	Morino Tonari	1-1-5, Koyamadai, Shinagawa Ward, Tokyo	Real estate	1,668.24	1,170	1,066
	2051	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,240	1,225
	2052	Royal Parks SEASIR	1-16-2, Sakae-chou, Nishiara, Adachi Ward, Tokyo	Real estate in trust	17,269.74	4,830	4,462
	2053	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,670	1,558
	3001	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	1,940	1,606
	3002	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	720	610
	3003	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	770	693
	3006	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	887	763
	3007	Castalia Maihama	5-14-17, Fujimi, Urayasu City, Chiba	Real estate in trust	1,287.72	635	621
	3008	Castalia Ichikawamyoden	2-14-20, Shioyaki, Ichikawa City, Chiba	Real estate in trust	1,218.00	703	631
	3010	Castalia Urayasu	3-30-4, Arai, Ichikawa City, Chiba	Real estate in trust	1,074.53	614	577
	3011	Castalia Minamigyotoku	4-1-26, Minami Gyotoku, Ichikawa City, Chiba	Real estate in trust	1,031.81	493	512
	3012	Castalia Minamigyotoku II	4-1-5, Minami Gyotoku, Ichikawa City, Chiba	Real estate in trust	724.63	338	364
	3013	Castalia Nogeyama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa (Note 4)	Real estate in trust	744.90	317	304
	3017	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	513	419
	3018	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	5,900	5,043
	3019	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	1,900	1,679
	3020	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo (Note 4)	Real estate in trust	21,367.93	4,750	4,258
	3021	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	10,600	9,314
	3022	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa (Note 4)	Real estate in trust	3,009.74	1,940	1,788
	3023	Royal Parks Musasikosugi	13-8, Shinjuku-kochi, Nakamanuko-aza, Nakahara Ward, Kawasaki City, Kanagawa (Note 4)	Real estate in trust	3,808.97	1,270	1,082
	4001	Castalia Shinsakae	1-11-29, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	3,548.48	1,580	1,682
	4008	Aprile Tarumi	7-3-1, Takamaru, Tarumi Ward, Kobe City, Hyogo	Real estate in trust	6,545.25	1,550	1,203
	4009	Crest Kusatsu	5-3-27, Kasayama, Kusatsu City, Shiga	Real estate in trust	13,452.80	1,940	2,963
	4010	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochou, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,600	1,361
	4011	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,420	1,247
	4012	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	4,620	4,088
	4014	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,190	935
	4015	Castalia Nipponbashi Kouzu	2-4-6, Kouzu, Chuo Ward, Osaka City, Osaka	Real estate	9,334.47	3,740	3,205
	4016	Castalia Maruyama Urasando	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	1,522.89	494	374
	4017	Castalia Maruyama Omotesando	21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	6,100.31	1,940	1,595
	4018	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	985	873
	4019	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,370	3,070
	4020	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,470	1,111
	4021	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	536	429
	4022	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	915	713
	4023	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	726	631
	4024	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,590	2,013
	4025	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,490	2,463
	4026	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido (Note 4)	Real estate in trust	8,661.19	2,490	1,443
	4027	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	2,980	2,078
	4028	Castalia Meieki Minami	1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	897	690
	4029	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,110	917
	4030	Castalia Mibu	79, Mibu, Aiai-chou, Nakagyo Ward, Kyoto City, Kyoto (Note 4)	Real estate in trust	2,828.39	1,440	1,157
	4031	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,690	1,195
	4032	Castalia Ohoi Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,750	2,799



Type	Property number	Property name	Location (displayed address)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 1)	Assessed value at the end of period (Yen in millions) (Note 2)	Book value (Yen in millions) (Note 3)
Residential properties	4033	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	3,080	2,709
	4034	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,140	1,686
	4035	Castalia Kyoto Nishioji	100-1, Shichijyo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto (Note 4)	Real estate	2,035.37	1,030	1,044
	Residential properties – Subtotal				497,856.50	277,337	242,767
	6001	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba (Note 4)	Real estate in trust	4,177.52	1,260	909
	6002	Aburatsubo Marina HILLS	1523-1, Shirasu, Misaki Town, Moroiso aza, Miura City, Kanagawa (Note 4)	Real estate in trust	3,901.14	1,250	1,120
	Residential properties (properties for the elderly) – Subtotal				8,078.66	2,510	2,030
Total					505,935.16	279,847	244,798

(Notes) 1. “Leasable area” is the floor space of each real estate and each real estate in trust which is leasable based on the information as of August 31, 2016.

2. “Assessed value at the end of period” is the appraisal value as of August 31, 2016 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., Tanizawa Sogo Appraisal Co., Ltd., Japan Real Estate Institute and Mori Appraisal & Investment Consulting Inc.) in accordance with the Articles of Incorporation of DHR as well as “Ordinance on Accounting of Investment Corporations”. The amounts were rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.

3. “Book value” is the amount recorded on the balance sheets as of August 31, 2016 (in case of real estate or trust beneficiary interest, “Book value” is the acquisition costs (including expenses associated with the acquisition) less accumulated depreciation), which were rounded down to the nearest million yen.

4. For properties whose addresses are not indicated officially, the building location in the registry book (for properties with multiple locations, only one location) is provided.

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

Type	Property number	Property name	20th period (From September 1, 2015 to February 29, 2016)			21st period (From March 1, 2016 to August 31, 2016)		
			Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)
Residential properties	1001	Qiz Ebisu	96.1	228,114	2.4	97.4	230,795	2.4
	1002	Castalia Azabujuban Shichimenzaka	96.9	118,853	1.2	93.7	117,184	1.2
	1003	Castalia Shibakoen	96.4	67,908	0.7	91.7	67,802	0.7
	1004	Castalia Ginza	93.3	68,305	0.7	95.6	62,956	0.6
	1005	Castalia Hiroo	97.5	49,665	0.5	100.0	50,567	0.5
	1006	Castalia Nihonbashi	98.3	37,435	0.4	100.0	38,113	0.4
	1007	Castalia Hacchobori	96.8	62,263	0.6	96.8	65,860	0.7
	1008	Castalia Azabujuban	96.4	70,301	0.7	96.0	69,937	0.7
	1009	Castalia Azabujuban II	91.4	64,340	0.7	95.7	62,170	0.6
	1010	Castalia Shinjuku Natsumezaka	90.3	48,447	0.5	100.0	46,997	0.5
	1011	Castalia Ginza II	96.0	50,849	0.5	94.6	49,741	0.5
	1012	Castalia Shibuya Sakuragaoka	100.0	35,425	0.4	100.0	34,518	0.4
	1015	Castalia Nishi Azabu Kasumicho	91.7	69,062	0.7	96.1	65,396	0.7
	1016	Castalia Ochanomizu	100.0	59,114	0.6	95.5	59,679	0.6
	1017	Castalia Sangubashi	100.0	44,398	0.5	100.0	41,926	0.4
	1018	Castalia Suitengu	95.6	44,785	0.5	96.6	45,942	0.5
	1019	Castalia Suitengu II	96.6	39,877	0.4	100.0	40,835	0.4
	1020	Castalia Shintomicho	100.0	33,338	0.3	96.0	32,195	0.3
	1021	Castalia Shintomicho II	96.5	27,661	0.3	100.0	28,954	0.3
	1022	Castalia Harajuku	100.0	26,864	0.3	100.0	26,622	0.3
	1023	Castalia Yoyogi Uehara	92.3	20,893	0.2	96.0	21,392	0.2
	1024	Castalia Sendagaya	88.2	18,960	0.2	96.2	18,327	0.2
	1025	Castalia Shinjuku 7 chome	100.0	19,304	0.2	100.0	18,954	0.2
	1027	Castalia Ningyocho	100.0	37,058	0.4	100.0	37,163	0.4
	1028	Castalia Ningyocho II	95.8	39,186	0.4	97.4	40,557	0.4
	1029	Castalia Shin-Ochanomizu	100.0	32,392	0.3	100.0	32,532	0.3
	1030	Castalia Higashi Nihonbashi II	100.0	51,199	0.5	98.6	49,144	0.5
	1031	Castalia Jinbocho	100.0	42,130	0.4	95.1	41,349	0.4

Type	Property number	Property name	20th period (From September 1, 2015 to February 29, 2016)			21st period (From March 1, 2016 to August 31, 2016)		
			Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)
Residential properties	1032	Castalia Shintomicho III	95.3	24,644	0.3	97.8	24,749	0.3
	1033	Castalia Shinjuku Gyoen	100.0	83,827	0.9	100.0	83,844	0.9
	1034	Castalia Takanawadai	94.6	29,047	0.3	96.9	29,261	0.3
	1035	Castalia Higashi Nihonbashi III	100.0	24,336	0.3	100.0	24,370	0.3
	1036	Castalia Shinjuku Gyoen II	96.3	15,420	0.2	96.3	16,153	0.2
	1037	Castalia Shintomicho IV	95.0	15,816	0.2	95.0	16,660	0.2
	1038	Castalia Takanawadai II	95.1	36,823	0.4	93.9	36,841	0.4
	1039	Castalia Minami Azabu	94.2	20,648	0.2	100.0	21,414	0.2
	1040	Castalia Ginza III	95.9	86,372	0.9	94.5	83,047	0.9
	1041	Castalia Kayabacho	99.0	92,485	1.0	98.7	95,014	1.0
	1042	Castalia Takanawa	96.4	241,468	2.5	97.5	240,129	2.5
	1043	Castalia Higashi Nihonbashi	98.3	138,611	1.4	93.1	138,316	1.4
	1045	Castalia Shinjuku	100.0	92,554	1.0	100.0	92,554	1.0
	1046	Castalia Ichigaya	97.4	38,575	0.4	97.4	39,947	0.4
	1047	Shibaura Island Bloom Tower	98.3	373,297	3.9	96.6	374,954	3.9
	1048	Castalia Hatsudai	95.7	69,444	0.7	95.7	70,572	0.7
	1049	Castalia Hatsudai II	100.0	59,421	0.6	93.4	58,243	0.6
	1050	Castalia Ebisu	100.0	42,483	0.4	94.7	43,175	0.4
	2001	Castalia Meguro Kamurozaka	98.5	127,772	1.3	97.2	125,286	1.3
	2002	Castalia Toritsudaigaku	93.8	19,146	0.2	96.9	19,194	0.2
	2004	Castalia Yukigaya	98.6	35,637	0.4	98.3	36,693	0.4
	2005	Castalia Yutenji	97.7	36,996	0.4	90.3	35,323	0.4
	2006	Castalia Otsuka	93.2	45,910	0.5	98.7	45,981	0.5
	2007	Castalia Kikukawa	98.0	26,966	0.3	100.0	28,345	0.3
	2008	Castalia Meguro	100.0	28,504	0.3	92.4	28,568	0.3
	2009	Castalia Otsuka II	100.0	36,570	0.4	93.2	37,067	0.4
	2010	Castalia Jiyugaoka	95.6	36,911	0.4	88.0	37,454	0.4
	2011	Castalia Mejiro	96.7	30,665	0.3	100.0	34,496	0.4
	2012	Castalia Ikebukuro	96.9	86,878	0.9	96.5	94,439	1.0
	2013	Castalia Kaname-cho	95.9	39,122	0.4	98.6	38,312	0.4
	2014	Castalia Tower Shinagawa Seaside	98.1	266,986	2.8	98.3	276,708	2.9
	2015	Castalia Yakumo	100.0	25,021	0.3	100.0	24,872	0.3
	2016	Castalia Togoshiekimae	100.0	50,775	0.5	100.0	50,709	0.5
	2018	Castalia Honjo Azumabashi	97.0	37,043	0.4	94.5	36,082	0.4
	2019	Castalia Kitazawa	93.0	25,366	0.3	100.0	26,168	0.3
	2020	Castalia Monzennakacho	100.0	16,995	0.2	100.0	16,969	0.2
	2023	Castalia Kamiikedai	100.0	7,745	0.1	100.0	7,608	0.1
	2024	Castalia Morishita	93.8	31,063	0.3	96.0	32,084	0.3
	2025	Castalia Wakabayashi koen	94.7	27,397	0.3	91.5	24,932	0.3
	2026	Castalia Asakusabashi	89.2	30,721	0.3	100.0	31,561	0.3
	2027	Castalia Iriya	90.9	21,410	0.2	86.9	22,019	0.2
	2028	Castalia Kita Ueno	91.7	87,800	0.9	91.4	87,250	0.9
	2029	Castalia Morishita II	97.6	26,604	0.3	95.0	27,098	0.3
	2030	Castalia Minowa	93.6	48,346	0.5	93.2	48,402	0.5
	2031	Castalia Oyamada	95.0	18,117	0.2	97.1	18,244	0.2
	2032	Castalia Nakano	97.2	35,968	0.4	92.6	35,241	0.4
	2033	Castalia Yoga	100.0	34,539	0.4	94.9	32,736	0.3
	2034	Castalia Sumiyoshi	100.0	32,594	0.3	96.6	32,441	0.3

Type	Property number	Property name	20th period (From September 1, 2015 to February 29, 2016)			21st period (From March 1, 2016 to August 31, 2016)		
			Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)
Residential properties	2035	Castalia Monzennakacho II	100.0	69,374	0.7	100.0	69,906	0.7
	2036	Castalia Oshiage	100.0	35,032	0.4	100.0	35,709	0.4
	2037	Castalia Kuramae	100.0	43,805	0.5	100.0	43,807	0.5
	2038	Castalia Nakanobu	98.8	73,588	0.8	96.4	73,473	0.8
	2039	Royal Parks Toyosu	100.0	334,043	3.5	100.0	333,904	3.4
	2040	Castalia Togoshi	94.9	77,081	0.8	95.8	76,449	0.8
	2041	Castalia Ooimachi	100.0	37,899	0.4	100.0	43,810	0.5
	2042	Castalia Omori	91.3	50,637	0.5	98.5	52,674	0.5
	2043	Castalia Mishuku	98.0	67,108	0.7	96.7	67,669	0.7
	2044	Castalia Arakawa	94.5	65,930	0.7	93.6	63,354	0.7
	2045	Castalia Omori II	97.1	81,623	0.8	94.9	80,200	0.8
	2046	Castalia Nakameguro	95.5	113,078	1.2	93.9	113,080	1.2
	2047	Castalia Meguro Chojyamaru	92.9	60,219	0.6	95.7	61,221	0.6
	2048	Castalia Meguro Takaban	92.9	51,772	0.5	95.8	53,949	0.6
	2049	Castalia Omori III	95.4	49,613	0.5	94.1	48,870	0.5
	2050	Morino Tonari	93.9	31,449	0.3	94.1	30,334	0.3
	2051	Castalia Meguro Tairamachi	96.7	30,739	0.3	94.1	33,408	0.3
	2052	Royal Parks SEASIR	100.0	243,792	2.5	100.0	243,647	2.5
	2053	Castalia Honkomagome	91.4	50,042	0.5	92.6	51,013	0.5
	3001	Cosmo Heim Musashikosugi	100.0	56,713	0.6	100.0	56,761	0.6
	3002	Castalia Tsurumi	96.9	25,727	0.3	97.0	27,242	0.3
	3003	Castalia Funabashi	100.0	30,155	0.3	95.5	30,104	0.3
	3006	Castalia Nishi Funabashi	100.0	32,045	0.3	93.8	32,961	0.3
	3007	Castalia Maihama	91.8	22,863	0.2	93.5	23,937	0.2
	3008	Castalia Ichikawamyoden	100.0	26,846	0.3	100.0	26,864	0.3
	3010	Castalia Urayasu	100.0	21,444	0.2	100.0	21,471	0.2
	3011	Castalia Minamigyotoku	93.9	18,425	0.2	98.0	19,224	0.2
	3012	Castalia Minamigyotoku II	100.0	13,819	0.1	100.0	13,605	0.1
	3013	Castalia Nogeyama	100.0	12,927	0.1	93.3	13,328	0.1
	3017	Castalia Ichikawa	100.0	19,702	0.2	100.0	22,579	0.2
	3018	Royal Parks Hanakoganei	100.0	244,708	2.5	100.0	245,049	2.5
	3019	Castalia Musashikosugi	98.7	58,058	0.6	93.0	57,132	0.6
	3020	Royal Parks Wakabadae	100.0	258,608	2.7	100.0	257,425	2.7
	3021	Pacific Royal Court Minatomirai Urban Tower	100.0	517,345	5.4	100.0	519,925	5.4
	3022	L-Place Shinkoyasu	100.0	56,852	0.6	100.0	56,853	0.6
	3023	Royal Parks Musasikosugi	100.0	68,209	0.7	100.0	67,831	0.7
	4001	Castalia Shinsakae	95.0	60,000	0.6	92.3	58,486	0.6
	4008	Aprile Tarumi	100.0	55,933	0.6	100.0	55,937	0.6
	4009	Crest Kusatsu	49.2	88,078	0.9	80.7	107,660	1.1
	4010	Castalia Sakaisuji Honmachi	95.8	62,422	0.6	94.1	59,520	0.6
	4011	Castalia Shin-Umeda	97.7	56,269	0.6	94.8	54,340	0.6
	4012	Castalia Abeno	95.8	175,021	1.8	90.2	165,665	1.7
	4014	Castalia Sakae	96.0	44,940	0.5	95.2	44,746	0.5
	4015	Castalia Nipponbashi Kouzu	98.3	157,265	1.6	97.8	155,643	1.6
	4016	Castalia Maruyama Urasando	100.0	21,498	0.2	94.5	21,068	0.2
	4017	Castalia Maruyama Omotesando	93.1	80,100	0.8	88.4	78,199	0.8
	4018	Castalia Higashi Hie	95.6	43,311	0.4	100.0	44,079	0.5
	4019	Castalia Tower Nagahoribashi	99.4	162,294	1.7	99.3	153,688	1.6

Type	Property number	Property name	20th period (From September 1, 2015 to February 29, 2016)			21st period (From March 1, 2016 to August 31, 2016)		
			Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Lease business revenues (during the period) (Yen in thousands)	Rate to total real estate leasing business revenues (%) (Note 2)
Residential properties	4020	Castalia Sannomiya	98.3	54,656	0.6	96.3	53,789	0.6
	4021	Castalia Kotodaikoen	100.0	24,524	0.3	98.2	23,900	0.2
	4022	Castalia Ichibancho	100.0	39,420	0.4	95.2	38,803	0.4
	4023	Castalia Omachi	98.6	33,359	0.3	97.2	33,388	0.3
	4024	Castalia Uemachidai	98.4	88,218	0.9	100.0	87,287	0.9
	4025	Castalia Tower Higobashi	96.4	128,428	1.3	96.2	131,635	1.4
	4026	Big Tower Minami Sanjo	98.5	111,078	1.1	98.1	113,062	1.2
	4027	Castalia Fushimi	95.7	105,886	1.1	94.8	105,316	1.1
	4028	Castalia Meieki Minami	94.2	32,168	0.3	100.0	31,514	0.3
	4029	Castalia Yakuin	97.0	41,474	0.4	99.2	41,464	0.4
	4030	Castalia Mibu	95.0	50,057	0.5	90.2	50,152	0.5
	4031	Castalia Tsutsujigaoka	100.0	61,036	0.6	100.0	60,852	0.6
	4032	Castalia Ohori Bay Tower	73.5	150,417	1.6	62.2	147,869	1.5
	4033	Royal Parks Namba	100.0	135,400	1.4	100.0	135,698	1.4
	4034	Castalia Shigahondori	98.3	74,230	0.8	94.0	74,270	0.8
	4035	Castalia Kyoto Nishioji	91.5	21,260	0.2	95.1	32,330	0.3
	Residential properties – Subtotal		96.0	9,579,043	99.1	96.0	9,608,329	99.1
	6001	Urban Living Inage	100.0	39,534	0.4	100.0	39,060	0.4
	6002	Aburatsubo Marina HILLS	100.0	43,749	0.5	100.0	43,749	0.5
	Residential properties (properties for the elderly) – Subtotal		100.0	83,283	0.9	100.0	82,809	0.9
	Total		96.0	9,662,326	100.0	96.1	9,691,138	100.0

(Notes) 1. “Occupancy rate (as of the end of period)” is the leased floor space expressed as a percentage of the leasable floor space of each real estate and each real estate in trust as of February 29, 2016 and August 31, 2016, rounded to the first decimal place.

2. “Rate to total real estate leasing business revenues” is the leasing revenue from each real estate and each real estate in trust expressed as a percentage of total rental revenue from the entire portfolio, rounded to the first decimal place.

#### (4) Summary of outstanding contracted amount and fair value of specified transactions

The following summarizes contracted amount and fair value of specified transactions of DHR as of August 31, 2016.

Category	Type	Contracted amount (Yen in thousands) (Note 1)		Fair value (Yen in thousands) (Note 2)
			Due after one year	
Transaction other than market transaction	Interest-rate swap Receive floating/Pay fixed	106,468,000	48,268,000	(973,890)
Total		106,468,000	48,268,000	(973,890)

(Notes) 1. “Contracted amount” is based on the notional principal amount.

2. “Fair value” is quoted by counterparties based on the prevailing market interest rate.

3. Since the special treatment for interest-rate swap contracts under the accounting standard for financial instruments is applied, these contracts are not carried at fair value in the balance sheets.

#### (5) Status of Other Assets

Real estate and real estate trust beneficiary interests are all listed in “(3) Description of Portfolio” presented earlier in this report. There are no other specific assets to be included in the portfolio of DHR as of August 31, 2016.

## 4 Capital Expenditures for Properties Held

### (1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc., for real estate and real estate in trust held as of August 31, 2016. The estimated construction cost includes the portion charged to expenses.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Yen in thousands)		
			Total amount	Payment for the period	Total amount paid
Castalia Nishi Azabu Kasumicho (Minato Ward, Tokyo)	Large-scale renovations	From October 2016 to February 2017	10,908	—	—
Castalia Ochanomizu (Chiyoda Ward, Tokyo)	Large-scale renovations	From October 2016 to February 2017	42,768	—	—
Castalia Sangubashi (Shibuya Ward, Tokyo)	Large-scale renovations	From October 2016 to February 2017	38,480	380	380
Castalia Kitazawa (Setagaya Ward, Tokyo)	Renovation works	From October 2016 to February 2017	39,960	—	—
Castalia Kitazawa (Setagaya Ward, Tokyo)	Large-scale renovations	From October 2016 to February 2017	43,848	—	—
Castalia Morishita (Koto Ward, Tokyo)	Large-scale renovations	From October 2016 to February 2017	57,456	—	—

### (2) Capital Expenditures during the Period

The following provides a summary of major construction work for DHR's real estate and real estate in trust and costs incurred by DHR during the fiscal period, which is accounted for as capital expenditure. Capital expenditure during the current period was ¥457,127 thousand, and repair and maintenance of ¥251,273 thousand and restoration costs of ¥298,033 thousand were charged to expenses. In total, ¥1,006,434 thousand was incurred for construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
Castalia Shinjuku Gyoen II (Shinjuku Ward, Tokyo)	Large-scale renovations	From April 2016 to August 2016	23,272
Castalia Takanawadai II (Minato Ward, Tokyo)	Large-scale renovations	From April 2016 to August 2016	24,540
Castalia Ikebukuro (Toshima Ward, Tokyo)	Large-scale renovations	From April 2016 to August 2016	58,624
Castalia Urayasu (Ichikawa City, Chiba)	Large-scale renovations	From May 2016 to August 2016	19,494
Castalia Omachi (Sendai City, Miyagi)	Large-scale renovations	From May 2016 to August 2016	47,781

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

DHR sets aside the following cash reserves for future expenditure in order to secure the asset value and to provide funds for equipment renewals.

Operating period	(Yen in thousands)				
	17th period From March 1, 2014 to August 31, 2014	18th period From September 1, 2014 to February 28, 2015	19th period From March 1, 2015 to August 31, 2015	20th period From September 1, 2015 to February 29, 2016	21st period From March 1, 2016 to August 31, 2016
Balance of reserves at beginning of period	519,120	533,200	547,280	561,360	575,440
Amount of reserves during period	14,080	14,080	14,080	14,080	14,080
Amount of reversal of reserves during period	—	—	—	—	—
Reserves carried forward	533,200	547,280	561,360	575,440	589,520



## 5 Expenses and Liabilities

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

(Yen in thousands)

Item	20th period (From September 1, 2015 to February 29, 2016)	21st period (From March 1, 2016 to August 31, 2016)
Asset management fee	645,418	609,840
Asset custody fee	23,065	23,083
Administrative service fee	62,720	65,557
Directors' compensation	6,600	6,600
Other expenses	289,226	279,660
Total	1,027,030	984,742

### (2) Debt Financing

The status of borrowings per financial institution as of August 31, 2016 is as follows:

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Short-term borrowings	Mizuho Bank, Ltd.	May 1, 2015	3,250,000	3,250,000	0.22	April 28, 2017	Bullet repayment	(Note 11)	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 1, 2015	3,250,000	3,250,000	0.22	April 28, 2017	Bullet repayment	(Note 11)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	May 1, 2015	1,750,000	1,750,000	0.22	April 28, 2017	Bullet repayment	(Note 11)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	May 1, 2015	1,750,000	1,750,000	0.22	April 28, 2017	Bullet repayment	(Note 11)	Unsecured and non-guaranteed
	Subtotal	—	10,000,000	10,000,000	—	—	—	—	—
Current portion of long-term borrowings	Sumitomo Mitsui Trust Bank, Limited		2,000,000	—					
	Aozora Bank, Ltd.		2,000,000	—					
	The Norinchukin Bank		1,000,000	—					
	The Chiba Bank, Ltd.	January 31, 2013	600,000	—	0.38	March 31, 2016	Bullet repayment	(Note 12)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		500,000	—					
	Mizuho Bank, Ltd.		500,000	—					
	The Shizuoka Bank, Ltd.		500,000	—					
	The Bank of Fukuoka		500,000	—					
	Sumitomo Mitsui Trust Bank, Limited		5,200,000	5,200,000					
	Sumitomo Mitsui Banking Corporation		5,200,000	5,200,000					
	Mizuho Bank, Ltd.		5,200,000	5,200,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 30, 2011	5,200,000	5,200,000	1.10 (Note 2)	September 30, 2016	Bullet repayment	(Note 13)	Unsecured and non-guaranteed
	Aozora Bank, Ltd.		4,500,000	4,500,000					
	Mitsubishi UFJ Trust and Banking Corporation		3,000,000	3,000,000					
	Resona Bank, Limited		2,500,000	2,500,000					
	Shinsei Bank, Limited		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		—	3,000,000					
	Aozora Bank, Ltd.	March 27, 2012	—	1,500,000	1.03 (Note 3)	March 31, 2017	Bullet repayment	(Note 14)	Unsecured and non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation		—	1,500,000					
	Shinkin Central Bank		—	1,000,000					
	Mizuho Bank, Ltd.		—	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2012	—	3,000,000	1.03 (Note 3)	March 31, 2017	Bullet repayment	(Note 14)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		—	1,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Current portion of long-term borrowings	Resona Bank, Limited	March 26, 2012	—	1,095,000	0.70	March 31, 2017	Bullet repayment	(Note 15)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	3,480,000					
	Sumitomo Mitsui Banking Corporation	July 31, 2012	—	3,480,000	0.70 (Note 4)	July 31, 2017	Bullet repayment	(Note 15)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		—	3,480,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	1,960,000					
	Subtotal	—	39,400,000	59,295,000	—	—	—	—	—
Long-term borrowings	Sumitomo Mitsui Banking Corporation		3,000,000	—					
	Aozora Bank, Ltd.	March 27, 2012	1,500,000	—	1.03 (Note 3)	March 31, 2017	Bullet repayment	(Note 14)	Unsecured and non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,500,000	—					
	Shinkin Central Bank		1,000,000	—					
	Mizuho Bank, Ltd.		3,000,000	—					
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2012	3,000,000	—	1.03 (Note 3)	March 31, 2017	Bullet repayment	(Note 14)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		1,000,000	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 27, 2012	4,000,000	4,000,000	1.07 (Note 5)	March 27, 2019	Bullet repayment	(Note 14)	Unsecured and non-guaranteed
	Resona Bank, Limited	March 26, 2012	1,095,000	—	0.70	March 31, 2017	Bullet repayment	(Note 15)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		3,480,000	—					
	Sumitomo Mitsui Banking Corporation	July 31, 2012	3,480,000	—	0.70 (Note 4)	July 31, 2017	Bullet repayment	(Note 15)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		3,480,000	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,960,000	—					
	Sumitomo Mitsui Trust Bank, Limited		4,430,000	4,430,000					
	Sumitomo Mitsui Banking Corporation		3,260,000	3,260,000					
	Aozora Bank, Ltd.	January 31, 2013 and February 28, 2013	2,700,000	2,700,000					
	Mizuho Bank, Ltd.		1,930,000	1,930,000	0.96 (Note 6)	January 31, 2020	Bullet repayment	(Note 12)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		1,830,000	1,830,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,350,000	1,350,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Mitsubishi UFJ Trust and Banking Corporation		910,000	910,000					
	Development Bank of Japan Inc.	January 31, 2013	1,500,000	1,500,000	0.96 (Note 5)	January 31, 2020	Bullet repayment	(Note 12)	Unsecured and non-guaranteed
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.90 (Note 7)	January 31, 2021	Bullet repayment	(Note 12)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,599,000	1,599,000					
	The Norinchukin Bank		1,510,000	1,510,000					
	Aozora Bank, Ltd.		1,169,000	1,169,000					
	Sumitomo Mitsui Banking Corporation		936,000	936,000					
	Mizuho Bank, Ltd.	January 30, 2015	603,000	603,000	0.61 (Note 8)	January 31, 2022	Bullet repayment	(Note 12)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		454,000	454,000					
	Mitsubishi UFJ Trust and Banking Corporation		226,000	226,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		211,000	211,000					
	The Chiba Bank, Ltd.		150,000	150,000					
	Development Bank of Japan Inc.	January 30, 2015	2,000,000	2,000,000	0.88 (Note 5)	January 31, 2024	Bullet repayment	(Note 12)	Unsecured and non-guaranteed

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (%) (Note 1)	Repayment due date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Trust Bank, Limited		2,030,000	2,030,000					
The Norinchukin Bank		1,600,000	1,600,000					
Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
Aozora Bank, Ltd.		1,192,000	1,192,000					
Mizuho Bank, Ltd.		1,017,000	1,017,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 1, 2015	616,000	616,000	0.66 (Note 9)	April 28, 2022	Bullet repayment	(Note 11)	Unsecured and non-guaranteed
Mizuho Trust & Banking Co., Ltd.		524,000	524,000					
Nippon Life Insurance Company		500,000	500,000					
Development Bank of Japan Inc.		400,000	400,000					
Mitsubishi UFJ Trust and Banking Corporation		291,500	291,500					
The Shizuoka Bank, Ltd.		260,000	260,000					
The Chiba Bank, Ltd.		215,000	215,000					
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Mizuho Bank, Ltd.	December 28, 2015	1,800,000	1,800,000	0.59 (Note 10)	December 28, 2022	Bullet repayment	(Note 15)	Unsecured and non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,800,000	1,800,000					
Mitsubishi UFJ Trust and Banking Corporation		1,400,000	1,400,000					
Resona Bank, Limited		1,400,000	1,400,000					
Shinsei Bank, Limited		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		—	2,000,000					
Aozora Bank, Ltd.		—	2,000,000					
The Norinchukin Bank		—	1,000,000					
The Chiba Bank, Ltd.	March 31, 2016	—	600,000	0.24	March 29, 2019	Bullet repayment	(Note 15)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		—	500,000					
Mizuho Bank, Ltd.		—	500,000					
The Shizuoka Bank, Ltd.		—	500,000					
The Bank of Fukuoka		—	500,000					
Subtotal	—	83,263,000	63,368,000	—	—	—	—	—
Total	—	132,663,000	132,663,000	—	—	—	—	—

(Notes) 1. Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders, and are rounded to the second decimal place.

- On and after December 30, 2011, the interest rate is substantially fixed at an annual rate of 1.096% based on an interest-rate swap agreement dated December 20, 2011.
- On and after June 29, 2012, the interest rate is substantially fixed at an annual rate of 1.025% based on an interest-rate swap agreement dated June 7, 2012.
- On and after July 31, 2012, the interest rate is substantially fixed at an annual rate of 0.69536% based on an interest-rate swap agreement dated July 24, 2012.
- This loan carries a fixed interest rate.
- On and after February 28, 2013, the interest rate is substantially fixed at an annual rate of 0.9585% based on an interest-rate swap agreement dated February 4, 2013.
- On and after February 28, 2014, the interest rate is substantially fixed at an annual rate of 0.89825% based on an interest-rate swap agreement dated February 17, 2014.
- On and after April 30, 2015, the interest rate is substantially fixed at an annual rate of 0.6076% based on an interest-rate swap agreement dated April 27, 2015.
- On and after May 29, 2015, the interest rate is substantially fixed at an annual rate of 0.661% based on an interest-rate swap agreement dated May 27, 2015.
- On and after December 28, 2015, the interest rate is substantially fixed at an annual rate of 0.585% based on an interest-rate swap agreement dated December 24, 2015.
- To be used to purchase trust beneficiary interests in real estate and related expenses.
- To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- To be used to refinance existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- To be used for repayment of existing loans (refinance fund).

### (3) Investment Corporation Bonds

The status of investment corporation bonds issued as of August 31, 2016 is as follows:

Issue name	Issue date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Interest rate (%)	Maturity	Method of redemption	Use	Note
Daiwa House Residential Investment Corporation, 1st Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	3,000,000	3,000,000	1.12	March 9, 2017	Bullet repayment	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation, 2nd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.35	January 22, 2021	Bullet repayment	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation, 3rd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.67	January 22, 2025	Bullet repayment	(Note 3)	Unsecured
Total	—	9,000,000	9,000,000	—	—	—	—	—

(Notes) 1. The bonds have pari passu conditions among specified investment corporation bonds.

2. The proceeds were used toward the repayment of borrowings.

3. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

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

Not applicable.

### (5) Unit Acquisition Rights

Not applicable.

## 6 Status of Purchases and Sales during the Period

### (1) Status of Purchases and Sales of Properties and Asset-Backed Securities, Infrastructure Assets, and Infrastructure Related Assets

Not applicable.

### (2) Transaction of Other Assets

Assets other than the above-mentioned properties and asset-backed securities are mostly bank deposits or bank deposits in trust assets.

### (3) Review on Value of Specified Assets

Not applicable.

### (4) Transactions with Interested Parties

#### i) Status of Transactions

Not applicable for purchase and sale transactions, etc. with interested parties, etc. (Note) for the 21st fiscal period.

#### ii) Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions (Note) with interested parties		Rate to total amount paid (B/A) (%)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Property lease and management expenses, etc.	388,576	Daiwa Living Co., Ltd.	271,820	70.0
Outsourcing expenses	568,364	Daiwa Living Co., Ltd.	362,536	63.8
		Daiwa Lease Co., Ltd.	232	0.0
Repair and maintenance construction expenses	251,273	Daiwa Living Co., Ltd.	181,724	72.3
		Daiwa Lease Co., Ltd.	1,440	0.6
		Daiwa LifeNext Co., Ltd.	30	0.0
Restoration costs	298,033	Daiwa Living Co., Ltd.	213,540	71.6
Other operating expenses	12,224	Daiwa Living Co., Ltd.	7,640	62.5

(Note) "Interested parties, etc." are interested parties, etc., of the Asset Management Company with which DHR has concluded an asset management agreement as provided in Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Order for Enforcement of the Investment Trust Act, Article 244-3 of Ordinance for Enforcement of Investment Trust Act and Article 26, Item 27 of The Investment Trusts Association, Japan's Rules on Management Reports, etc., of Investment Trusts and Investment Corporations. As disclosed above, DHR had transactions, such as payments of fees, with Daiwa Living Co., Ltd., Daiwa Lease Co., Ltd. and Daiwa LifeNext Co., Ltd. during this fiscal period.

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

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



## 7 Accounting

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

Please refer to “Balance Sheets,” “Statements of Income and Retained Earnings,” “Statements of Changes in Net Assets,” “Notes to Financial Statements” and “Distribution Information.”

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

Not applicable.

### (3) Changes in Method to Evaluate Properties and Infrastructure Assets

Not applicable.

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

Not applicable.

### (5) Disclosure relating to a Corporation Holding Overseas Real Estate and to Real Estate Held by such Corporation

Not applicable.

## 8 Other

### (1) Notice

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

Date of the Board of Directors meeting	Item	Description
April 15, 2016	Conclusion of merger agreement with Daiwa House REIT Investment Corporation	On April 15, 2016, DHR and the former DHR executed an agreement to conduct an absorption-type merger, with DHR as the surviving corporation and the former DHR as the absorbed corporation.
April 15, 2016	Conclusion of an agreement and memorandum on amendments to asset management agreement	On April 15, 2016, DHR and Daiwa House Asset Management Co., Ltd. concluded an agreement and memorandum on amendments to the asset management agreement concluded between DHR and the Asset Manager on June 7, 2005, with the agreement to be terminated subject to the Merger taking effect and approval of a resolution partially amending the Articles of Incorporation at the 10th Unitholders' Meeting on June 17, 2016.
April 15, 2016	Conclusion of new basic agreement on pipeline support, etc.	DHR concluded a new basic agreement on pipeline support, etc. with the Asset Manager and Daiwa House Industry Co., Ltd. on April 15, 2016, subject to the new basic agreement on pipeline support, etc. previously executed between the same parties ceasing to be effective due to the Merger.
August 19, 2016	Conclusion of agreement and memorandum on amending general administration agreement	DHR and Sumitomo Mitsui Trust Bank, Limited concluded an agreement and memorandum on September 1, 2016 amending the general administration agreement previously concluded between the parties on June 7, 2005.
August 19, 2016	Conclusion of agreement and memorandum on amending asset custody agreement	DHR and Sumitomo Mitsui Trust Bank, Limited concluded an agreement and memorandum on September 1, 2016 amending the asset custody agreement previously concluded between the two parties on June 7, 2005.
August 19, 2016	Conclusion of an agreement and memorandum on amending transfer agency agreement	DHR and Sumitomo Mitsui Trust Bank, Limited concluded an agreement and memorandum on September 1, 2016 amending the unitholder registration operator agreement previously concluded between the two parties on January 5, 2009.
August 19, 2016	Conclusion of agreement and memorandum on amending special account administration agreement	DHR and Sumitomo Mitsui Trust Bank, Limited concluded an agreement and memorandum on September 1, 2016 amending the special account management agreement previously concluded between the two parties on January 5, 2009 (Note).
August 19, 2016	Conclusion of basic agreements on pipeline support, etc.	DHR concluded the basic agreements on pipeline support, etc. between DHR, the Asset Manager and each of Cosmos Initia Co., Ltd., Daiwa Lease Co., Ltd., Daiwa Information Service Co., Ltd., Daiwa Royal Co., Ltd., Fujita Corporation and Daiwa Logistics Co., Ltd. on September 1, 2016.

(Note) In addition to the above memoranda, DHR concluded a memorandum related to temporary administration fees arising from the Merger with Sumitomo Mitsui Trust Bank, Limited on August 31, 2016.

### (2) 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**  
**(Formerly, Daiwa House Residential Investment Corporation)**  
**BALANCE SHEETS**

As of February 29, 2016 and August 31, 2016

	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Assets</b>		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥7,997,194	¥9,388,328
Operating accounts receivable	96,884	110,856
Prepaid expenses	319,970	255,842
Other current assets	45,357	3,034
Allowance for doubtful accounts	(3,921)	(4,078)
Total current assets	8,455,484	9,753,983
Investment properties (Notes 6 and 7)	241,058,958	239,518,795
Other assets:		
Leasehold rights in trust (Note 7)	5,317,233	5,279,705
Lease and guarantee deposits in trust	3,250,134	3,250,134
Guarantee deposits	10,261	10,261
Long-term prepaid expenses	453,702	396,454
Investment corporation bond issuance costs	38,956	33,930
Software	2,033	1,740
Trademark rights	3,385	3,092
Other	—	42,488
Allowance for doubtful accounts	—	(24,058)
Total other assets	9,075,708	8,993,749
<b>Total assets</b>	<b>¥258,590,152</b>	<b>¥258,266,528</b>

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

**Daiwa House REIT Investment Corporation**  
**(Formerly, Daiwa House Residential Investment Corporation)**  
**BALANCE SHEETS, CONTINUED**

As of February 29, 2016 and August 31, 2016

	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Liabilities</b>		
Current liabilities:		
Operating accounts and other payable	¥1,164,980	¥889,538
Short-term loans (Notes 4 and 12)	10,000,000	10,000,000
Current portion of investment corporation bonds (Notes 4 and 11)	—	3,000,000
Current portion of long-term loans (Notes 4, 5 and 12)	39,400,000	59,295,000
Accrued expenses	520,944	638,221
Consumption taxes payable	40,265	22,971
Advances received	899,666	901,603
Deposits received	308,560	334,234
Total current liabilities	52,334,417	75,081,569
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 11)	9,000,000	6,000,000
Long-term loans (Notes 4, 5 and 12)	83,263,000	63,368,000
Tenant leasehold and security deposits	288,518	277,602
Tenant leasehold and security deposits in trust	2,089,742	2,072,139
Asset retirement obligations (Note 17)	419,792	424,558
Total non-current liabilities	95,061,053	72,142,301
<b>Total liabilities</b>	147,395,471	147,223,870
<b>Net assets</b> (Notes 9 and 10)		
Unitholders' equity:		
Unitholders' capital	61,703,224	61,703,224
Units authorized:		
4,000,000 units as of February 29, 2016 and August 31, 2016		
Units issued and outstanding:		
747,740 units as of February 29, 2016 and August 31, 2016		
Capital surplus	28,241,587	28,241,587
Reserve for distribution	18,072,729	17,884,290
Retained earnings	3,177,139	3,213,554
Total unitholders' equity	111,194,680	111,042,657
<b>Total net assets</b>	111,194,680	111,042,657
<b>Total liabilities and net assets</b>	¥258,590,152	¥258,266,528

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



**Daiwa House REIT Investment Corporation**  
**(Formerly, Daiwa House Residential Investment Corporation)**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**

For the six-month periods ended February 29, 2016 and August 31, 2016

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Operating revenues:</b>		
Rental revenues (Note 8)	¥9,662,326	¥9,691,138
Total operating revenues	9,662,326	9,691,138
<b>Operating expenses:</b>		
Rental expenses (Note 8)	4,688,094	4,746,584
Asset management fees	645,418	609,840
Asset custody fees	23,065	23,083
Administrative service fees	62,720	65,557
Directors' remuneration	6,600	6,600
Provision of allowance for doubtful accounts	1,551	373
Other operating expenses	287,675	279,286
Total operating expenses	5,715,125	5,731,326
<b>Operating income</b>	3,947,200	3,959,811
<b>Non-operating revenues:</b>		
Interest income	515	43
Gain on forfeiture of unclaimed distributions	4,021	4,046
Gain on adjustment of liabilities	—	6,853
Other non-operating revenues	142	3
Total non-operating revenues	4,679	10,947
<b>Non-operating expenses:</b>		
Interest expense	572,250	539,652
Interest expense on investment corporation bonds	31,748	32,451
Amortization of investment corporation bond issuance costs	5,025	5,025
Financing related expenses	163,502	153,724
Provision of allowance for doubtful accounts	—	24,058
Other non-operating expenses	1,608	1,686
Total non-operating expenses	774,135	756,599
<b>Ordinary income</b>	3,177,744	3,214,159
<b>Income before income taxes</b>	3,177,744	3,214,159
Income taxes-current (Note 14)	605	605
<b>Net income</b>	¥3,177,139	¥3,213,554
<b>Unappropriated retained earnings</b>	¥3,177,139	¥3,213,554

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

**Daiwa House REIT Investment Corporation**  
**(Formerly, Daiwa House Residential Investment Corporation)**  
**STATEMENTS OF CHANGES IN NET ASSETS**

For the six-month periods ended February 29, 2016 and August 31, 2016

	Unitholders' equity						Total net assets
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	
	(Units)	(Yen in thousands)					
Balance as of August 31, 2015	747,740	¥61,703,224	¥28,241,587	¥18,261,746	¥3,145,903	¥111,352,461	¥111,352,461
Changes during the period:							
Reversal of reserve for distribution	—	—	—	(189,016)	189,016	—	—
Distributions from retained earnings	—	—	—	—	(3,334,920)	(3,334,920)	(3,334,920)
Net income	—	—	—	—	3,177,139	3,177,139	3,177,139
Total changes during the period	—	—	—	(189,016)	31,235	(157,781)	(157,781)
Balance as of February 29, 2016	747,740	¥61,703,224	¥28,241,587	¥18,072,729	¥3,177,139	¥111,194,680	¥111,194,680
Changes during the period:							
Reversal of reserve for distribution	—	—	—	(200,892)	200,892	—	—
Distributions from retained earnings	—	—	—	—	(3,365,577)	(3,365,577)	(3,365,577)
Reserve for distribution	—	—	—	12,454	(12,454)	—	—
Net income	—	—	—	—	3,213,554	3,213,554	3,213,554
Total changes during the period	—	—	—	(188,438)	36,415	(152,022)	(152,022)
Balance as of August 31, 2016	747,740	¥61,703,224	¥28,241,587	¥17,884,290	¥3,213,554	¥111,042,657	¥111,042,657

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

**Daiwa House REIT Investment Corporation**  
**(Formerly, Daiwa House Residential Investment Corporation)**  
**STATEMENTS OF CASH FLOWS**  
For the six-month periods ended February 29, 2016 and August 31, 2016

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥3,177,744	¥3,214,159
Depreciation and amortization	2,012,584	2,033,025
Amortization of investment corporation bond issuance costs	5,025	5,025
Loss on retirement of noncurrent assets	45,399	4,914
Amortization of trademark rights	346	292
Amortization of software	292	292
Interest income	(515)	(43)
Interest expense	603,998	572,104
Increase in operating accounts receivable	(11,416)	(13,972)
Decrease in consumption taxes receivable	118,750	—
Decrease in prepaid expenses	28,599	64,128
(Decrease) increase in operating accounts and other payable	(43,327)	9,737
Decrease in consumption taxes payable	—	(17,294)
Increase in accrued expenses	5,013	115,575
Increase (decrease) in deposits received	40,803	(1,772)
(Decrease) increase in advances received	(35,145)	5,871
(Increase) decrease in long-term prepaid expenses	(7,975)	57,248
Increase in allowance for doubtful accounts	480	24,216
Other	(52,198)	(63,400)
Subtotal	5,888,462	6,010,109
Interest received	515	43
Interest paid	(631,157)	(570,403)
Income taxes paid	(581)	(532)
<b>Net cash provided by operating activities</b>	<b>5,257,238</b>	<b>5,439,217</b>
<b>Cash flows from investing activities:</b>		
Purchases of investment properties	(1,643,747)	(749,136)
Proceeds from tenant leasehold and security deposits	24,879	36,236
Payment of tenant leasehold and security deposits	(16,362)	(23,214)
Proceeds from tenant leasehold and security deposits in trust	131,252	156,489
Payment of tenant leasehold and security deposits in trust	(93,312)	(106,588)
<b>Net cash used in investing activities</b>	<b>(1,597,290)</b>	<b>(686,214)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term loans	10,500,000	7,600,000
Repayment of long-term loans	(10,500,000)	(7,600,000)
Distribution payment	(3,331,511)	(3,361,868)
<b>Net cash used in financing activities</b>	<b>(3,331,511)</b>	<b>(3,361,868)</b>
<b>Net increase in cash and cash equivalents</b>	<b>328,437</b>	<b>1,391,134</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7,668,757</b>	<b>7,997,194</b>
<b>Cash and cash equivalents at end of the period (Note 3)</b>	<b>¥7,997,194</b>	<b>¥9,388,328</b>

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

**Daiwa House REIT Investment Corporation**  
**(Formerly, Daiwa House Residential Investment Corporation)**  
**Notes to Financial Statements**

As of and for the six-month periods ended February 29, 2016 and August 31, 2016

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**Note 1 – Organization and Basis of Presentation**

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***Organization***

Daiwa House REIT Investment Corporation (formerly, Daiwa House Residential Investment Corporation; “DHR”), a Japanese real estate investment corporation, was established on June 7, 2005 with an initial capitalization of ¥300 million under the Act on Investment Trusts and Investment Corporations of Japan (the “Investment Trust Act”). DHR was formed to invest primarily in residential and retail properties in Japan. DHR is externally managed by Daiwa House Asset Management Co., Ltd. (the “Asset Manager”).

DHR has focused its investment efforts on real estate properties and aims to build a hybrid portfolio to secure stable revenues in the mid- to long-term periods. By collaborating with the Daiwa House Group and acquiring properties mainly developed by Daiwa House Industry Co., Ltd., the sponsor, DHR strives to gain steady growth for its portfolio and expand its primary investment income.

As stated in Note 19 – “Subsequent Events,” on September 1, 2016, DHR merged with the former Daiwa House REIT Investment Corporation (the “former DHR”) in an absorption-type merger with DHR as the surviving corporation, and changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation. Please see Note 19 – “Subsequent Events” for details.

***Basis of Presentation***

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

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

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

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



## Note 2 – Summary of Significant Accounting Policies

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

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

### *(b) Investment Properties*

Investment properties are stated at cost, net of accumulated depreciation. The cost of investment properties includes the allocated purchase price, related costs and expenses for acquisition of the trust beneficiary interests in real estate. Depreciation is calculated on a straight-line basis over the estimated useful lives as stated below:

	Years
Buildings	2 – 69
Structures	6 – 63
Machinery and equipment	7 – 29
Tools, furniture and fixtures	2 – 28

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) Intangible Assets*

Computer software is amortized on a straight-line basis over its estimated useful life of 5 years.

Leasehold rights (general fixed-term land lease rights) are amortized on a straight-line basis over the life of each contract.

### *(d) Investment Corporation Bond Issuance Costs*

Investment corporation bond issuance costs are amortized on a straight-line basis over the redemption period.

### *(e) Revenue Recognition*

Rental revenues are recognized on a straight-line accrual basis over the life of each lease contract.

### *(f) Taxes on Property and Equipment*

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

government. The taxes are determined in April to June of each year and are paid in four installments during the year.

When a property is purchased prior to January 1 of any given calendar year, taxes for the previous year are imposed on the seller. DHR pays the seller the corresponding amount of the taxes for the period from the property's acquisition date to December 31 of the previous year as included in the purchase price of the property, and capitalizes this amount as an acquisition cost of the property.

***(g) Income Taxes***

Deferred tax assets and liabilities are computed based on the differences between the financial reporting and income tax bases of assets and liabilities using the enacted tax rates.

***(h) Allowance for Doubtful Accounts***

To cover possible losses on collection, allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

***(i) Consumption Taxes***

Consumption taxes withheld and consumption taxes paid are not included in the accompanying statements of income and retained earnings. Non-deductible consumption taxes for acquisition of assets are added on to the acquisition cost of each asset.

***(j) Trust Beneficiary Interests***

For trust beneficiary interests in real estate, each of the trust assets and liabilities as well as all income generated and expenses incurred in trusts are recorded in the relevant balance sheet and income statement accounts.

***(k) Derivatives and Hedge Accounting***

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

### 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. The balance of cash and bank deposits as of February 29, 2016 and August 31, 2016 included ¥4,219,302 thousand and ¥4,427,398 thousand of cash and bank deposits in trust, respectively.

	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
Cash and bank deposits	¥7,997,194	¥9,388,328
Cash and cash equivalents	¥7,997,194	¥9,388,328

### Note 4 – Financial Instruments

#### (a) Qualitative Information on Financial Instruments

##### *Policy on financial instruments*

As a policy, when acquiring real estate and other properties, as well as when repaying its obligations, DHR raises necessary funds through loans from financial institutions, issuance of investment corporation bonds and issuance of investment units, etc. DHR carefully pays attention to ensure their financing to be long-term, cost effective and stable, while considering applying various financial methods and dispersing repayment dates.

DHR may use derivative financial instruments for such purposes as hedging interest rate fluctuation risk, but does not use them for speculative purposes. DHR currently uses interest-rate swaps to hedge interest rate fluctuation risk.

Surplus funds can be invested in securities or monetary claims; however, as a current policy of DHR, they are deposited in interest-bearing accounts.

##### *Nature and extent of risks arising from financial instruments and risk management*

The Asset Manager stipulates basic provisions of risk management in its risk management rules.

Investment corporation bonds and loans are used to finance acquisitions of real estate and repayments of loans. Although these financial instruments are exposed to liquidity risk, DHR controls such risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, dispersing repayment dates, and retaining a certain amount of highly liquid cash and deposits.

Floating rate loans are exposed to the risk of interest rate fluctuations. In order to reduce the impact caused by rising interest rates, DHR closely monitors the movement of interest rates and intends to increase fixed rate loans.

Deposits are exposed to credit risks, including collapse of the financial institutions where deposits are made. DHR manages such risks through the use of liquid deposits.

##### *Supplemental explanation concerning fair value of financial instruments*

The fair value of financial instruments is determined by market prices, if available. When there is no observable

market price available, the fair value is based on a price that is reasonably estimated. Since certain assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

**(b) Estimated Fair Value of Financial Instruments**

Book value on the balance sheet, fair value and the difference as of February 29, 2016 and August 31, 2016 are as follows.

	As of					
	February 29, 2016			August 31, 2016		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥7,997,194	¥7,997,194	¥—	¥9,388,328	¥9,388,328	¥—
Total	¥7,997,194	¥7,997,194	¥—	¥9,388,328	¥9,388,328	¥—
Liabilities						
(2) Short-term loans	10,000,000	10,000,000	—	10,000,000	10,000,000	—
(3) Current portion of investment corporation bonds	—	—	—	3,000,000	3,006,657	6,657
(4) Current portion of long-term loans	39,400,000	39,469,366	69,366	59,295,000	59,358,565	63,565
(5) Investment corporation bonds	9,000,000	9,137,179	137,179	6,000,000	6,114,946	114,946
(6) Long-term loans	83,263,000	84,243,652	980,652	63,368,000	64,247,410	879,410
Total	¥141,663,000	¥142,850,199	¥1,187,199	¥141,663,000	¥142,727,580	¥1,064,580
(7) Derivatives	—	—	—	—	—	—

Notes:

1. Methods to estimate fair value of financial instruments

**Assets:**

(1) Cash and bank deposits

These instruments are settled in the short term and their fair value is approximately equal to their book value. Thus, the book value is used as the fair value.

**Liabilities:**

(2) Short-term loans

These instruments carry floating interest rates, and their fair value is approximately equal to their book value. Thus, the book value is used as the fair value.

(3) Current portion of investment corporation bonds and (5) Investment corporation bonds

The fair value of these bonds is measured as the present value, which is calculated by discounting the total of principal and interest by the interest rate assumed based on the remaining period until maturity and credit risk.

(4) Current portion of long-term loans and (6) Long-term loans

For long-term loans with floating interest rates, their fair value is approximately equal to their book value. Thus, the book value is used as the fair value. However, for those which are hedged by interest rate swaps meeting hedge accounting criteria, DHR employs a method to calculate the fair value by discounting the total of the principal and interest accounted for under the special accounting treatment for interest rate swaps by an interest rate assumed to be applied if similar types of loans are entered into.

For long-term loans with fixed interest rates, DHR employs a method to calculate the fair value by discounting the total of the principal and interest by an interest rate assumed to be applied if similar types of loans are entered into.

(7) Derivatives

Please refer to Note 5 – “Derivative Transactions” below.

2. Redemption schedule for monetary claims after February 29, 2016 and August 31, 2016 are as follows:

As of February 29, 2016	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
(Yen in thousands)						
Cash and bank deposits	¥7,997,194	¥—	¥—	¥—	¥—	¥—
<b>Total</b>	¥7,997,194	¥—	¥—	¥—	¥—	¥—

As of August 31, 2016	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
(Yen in thousands)						
Cash and bank deposits	¥9,388,328	¥—	¥—	¥—	¥—	¥—
<b>Total</b>	¥9,388,328	¥—	¥—	¥—	¥—	¥—

3. Repayment schedules for short-term loans, investment corporation bonds and long-term loans after February 29, 2016 and August 31, 2016 are as follows:

As of February 29, 2016	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
(Yen in thousands)						
Short-term loans	¥10,000,000	¥—	¥—	¥—	¥—	¥—
Investment corporation bonds	—	3,000,000	—	—	3,000,000	3,000,000
Long-term loans (Note 2)	39,400,000	27,495,000	—	22,910,000	3,500,000	29,358,000
<b>Total</b>	¥49,400,000	¥30,495,000	¥—	¥22,910,000	¥6,500,000	¥32,358,000



As of August 31, 2016	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
(Yen in thousands)						
Short-term loans	¥10,000,000	¥—	¥—	¥—	¥—	¥—
Investment corporation bonds (Note 1)	3,000,000	—	—	—	3,000,000	3,000,000
Long-term loans (Note 2)	59,295,000	—	11,600,000	18,910,000	3,500,000	29,358,000
<b>Total</b>	<b>¥72,295,000</b>	<b>¥—</b>	<b>¥11,600,000</b>	<b>¥18,910,000</b>	<b>¥6,500,000</b>	<b>¥32,358,000</b>

Notes:

1. The figures above include the current portion of the investment corporation bonds.
2. The figures above include the current portion of the long-term loans.

## Note 5 – Derivative Transactions

*(a) Derivative Transactions for Which Hedge Accounting Has Not Been Applied* — None

*(b) Derivative Transactions for Which Hedge Accounting Has Been Applied*

Contract amount or notional principal amount of derivative transactions classified by hedge accounting method is as follows:

Hedge accounting method	Type of derivative transaction	Hedged item	As of					
			February 29, 2016			August 31, 2016		
			Contract amount		Fair value	Contract amount		Fair value
			Total	Due after one year		Total	Due after one year	
			(Yen in thousands)					
Special treatment for interest-rate swaps	Interest-rate swap Receive floating/ Pay fixed	Long-term loan	¥106,468,000	¥74,668,000	(*)	¥106,468,000	¥48,268,000	(*)

(\*) Under the special accounting treatment, interest-rate swaps are accounted for as part of the long-term loans, the hedged item; thus, the fair value is included in the fair value of the long-term loans. (Please refer to Note 4 – “Financial Instruments” above.)

## Note 6 – Investment Properties

As of February 29, 2016 and August 31, 2016, investment properties consist of the following property and equipment and property and equipment in trust.

	As of					
	February 29, 2016			August 31, 2016		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥22,453,013	¥—	¥22,453,013	¥22,453,490	¥—	¥22,453,490
Buildings	29,006,699	3,331,692	25,675,007	29,078,053	3,631,226	25,446,827
Structures	255,331	30,835	224,495	256,102	33,784	222,317
Machinery and equipment	479,422	93,704	385,717	488,215	103,860	384,354
Tools, furniture and fixtures	676,340	271,600	404,740	684,485	294,769	389,715
Property and equipment in trust:						
Land	85,002,219	—	85,002,219	85,002,219	—	85,002,219
Buildings	118,906,184	14,440,415	104,465,769	119,200,580	15,971,610	103,228,969
Structures	993,333	156,015	837,318	1,009,608	178,054	831,554
Machinery and equipment	1,928,225	643,786	1,284,439	1,935,110	716,432	1,218,678
Tools, furniture and fixtures	531,039	204,800	326,238	575,122	234,833	340,288
Construction in progress	—	—	—	380	—	380
<b>Total</b>	<b>¥260,231,809</b>	<b>¥19,172,851</b>	<b>¥241,058,958</b>	<b>¥260,683,369</b>	<b>¥21,164,573</b>	<b>¥239,518,795</b>

## Note 7 – Fair Value of Investment Properties

DHR owns residential properties for lease in Tokyo and other areas for the purpose of earning rental revenues. The book value of these investment properties including leasehold rights in trust, net change in the book value and the fair value are as follows:

	As of / For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Book value:</b>		
Balance at beginning of the period	¥246,411,517	¥246,376,192
Net change during the period	(35,325)	(1,577,691)
Balance at end of the period	¥246,376,192	¥244,798,501
<b>Fair value at end of the period</b>	<b>¥278,340,000</b>	<b>¥279,847,000</b>

Notes:

1. The book value above includes leasehold rights in trust of ¥5,317,233 thousand and ¥5,279,705 thousand as of February 29, 2016 and August 31, 2016, respectively.
2. The change during the period ended February 29, 2016 includes an increase of ¥1,054,104 thousand primarily due to the acquisition of Castalia Kyoto Nishioji and a decrease primarily due to depreciation.  
The change during the period ended August 31, 2016 includes a decrease primarily due to depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

## Note 8 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended February 29, 2016 and August 31, 2016 are as follows:

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Rental revenues:</b>		
Rental revenues	¥8,772,019	¥8,711,310
Common area charges	304,799	309,039
Subtotal	9,076,818	9,020,350
Other revenues related to property leasing:		
Facility charges	291,639	287,364
Incidental revenues	51,426	56,177
Other revenues	242,441	327,245
Subtotal	585,507	670,787
Total rental revenues	9,662,326	9,691,138
<b>Rental expenses:</b>		
Management fees	879,036	956,941
Utilities	130,371	121,597
Taxes and public dues	489,583	552,179
Repairs	383,566	251,273
Insurance premiums	14,342	14,511
Restoration costs	208,470	298,033
Custodian fees	55,676	43,667
Depreciation and amortization	2,012,584	2,033,025
Other operating expenses	514,462	475,353
Total rental expenses	4,688,094	4,746,584
<b>Operating income from property leasing activities</b>	<b>¥4,974,231</b>	<b>¥4,944,553</b>

Transactions with DHR's major unitholder for the periods ended February 29, 2016 and August 31, 2016 are as follows:

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Business transactions</b>		
Operating revenues	¥82,809	¥82,809

## Note 9 – Net Assets

DHR issues only non-par value units in accordance with the Investment Trust Act and all issue amounts of new units are designated as stated capital. DHR maintains net assets of at least ¥50,000 thousand as required by Paragraph 4 of Article 67 of the Investment Trust Act.

## Note 10 – Distribution Information

In accordance with Article 37.1.1 of the bylaws set forth by DHR for cash distributions, the amount of distribution is limited to the amount of income and more than 90% of income available for distribution as set forth in Article 67.15 of the Special Taxation Measures Act of Japan.

Also, DHR implemented its policy of stabilized distributions by utilizing reserve for distribution. In accordance with the foresaid policy, cash distribution is declared for the amount calculating by deducting the amount of provision for reserve for distribution from the total of unappropriated retained earnings and reversal of reserve for distribution.

No cash distribution exceeding the income amount set forth in Article 37.1.2 of the bylaws of DHR shall be made.

Distributions related to the period but declared after the balance sheet date are summarized as follows:

	For the six-month periods ended			
	February 29, 2016		August 31, 2016	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥3,177,139,345		¥3,213,554,837	
Reversal of reserve for distribution	200,892,593		202,816,078	
Retention of reserve for distribution	(12,454,198)		(23,874,535)	
Cash distributions	¥3,365,577,740	¥4,501	¥3,392,496,380	¥4,537
Retained earnings carried forward	—		—	

**Note 11 – Investment Corporation Bonds**

The following summarizes the status of the DHR's unsecured investment corporation bonds with special pari passu conditions among specified investment corporation bonds as of February 29, 2016 and August 31, 2016. The bonds are to be repaid on a lump-sum basis on the maturity date.

Description	Issue date	Maturity date	Interest rate	As of	
				February 29, 2016	August 31, 2016
				(Yen in thousands)	
Daiwa House Residential Investment Corporation 1st Unsecured Bonds	March 9, 2012	March 9, 2017	1.12%	¥3,000,000	¥3,000,000
Daiwa House Residential Investment Corporation 2nd Unsecured Bonds	January 22, 2015	January 22, 2021	0.35%	3,000,000	3,000,000
Daiwa House Residential Investment Corporation 3rd Unsecured Bonds	January 22, 2015	January 22, 2025	0.67%	3,000,000	3,000,000
<b>Total</b>				¥9,000,000	¥9,000,000

**Note 12 – Short-Term Loans and Long-Term Loans**

Short-term and long-term loans consist of borrowings from financial institutions under loan agreements. None of the loans are secured by collateral or guaranteed. The following table summarizes the short-term and long-term loans as of February 29, 2016 and August 31, 2016.

	As of	
	February 29, 2016	August 31, 2016
(Yen in thousands)		
<b>Short-term loans:</b>		
0.22% floating-rate short-term loan due 2017	¥10,000,000	¥10,000,000
<b>Total short-term loans</b>	¥10,000,000	¥10,000,000
<b>Long-term loans:</b>		
0.38% floating-rate long-term loan due 2016	¥7,600,000	¥—
1.10% floating-rate long-term loan due 2016 (*)	31,800,000	31,800,000
1.03% floating-rate long-term loan due 2017 (*)	14,000,000	14,000,000
0.70% floating-rate long-term loan due 2017	1,095,000	1,095,000
0.70% floating-rate long-term loan due 2017 (*)	12,400,000	12,400,000
1.07% fixed-rate long-term loan due 2019	4,000,000	4,000,000
0.24% floating-rate long-term loan due 2019	—	7,600,000
0.96% floating-rate long-term loan due 2020 (*)	17,410,000	17,410,000
0.96% fixed-rate long-term loan due 2020	1,500,000	1,500,000
0.90% floating-rate long-term loan due 2021 (*)	3,500,000	3,500,000
0.61% floating-rate long-term loan due 2022 (*)	6,858,000	6,858,000



	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
0.66% floating-rate long-term loan due 2022 (*)	10,000,000	10,000,000
0.59% floating-rate long-term loan due 2022 (*)	10,500,000	10,500,000
0.88% fixed-rate long-term loan due 2024	2,000,000	2,000,000
Total	122,663,000	122,663,000
Less: current portion	(39,400,000)	(59,295,000)
<b>Long-term loans, less current portion</b>	<b>¥83,263,000</b>	<b>¥63,368,000</b>

(\*) DHR entered into an interest-rate swap contract to avoid interest rate fluctuation risk. The stated interest rate includes the effect of the interest-rate swap.

The stated interest rate is the weighted average interest rate during the period ended August 31, 2016 and is rounded to the second decimal place.

The repayment schedules for short-term and long-term loans subsequent to February 29, 2016 and August 31, 2016 are disclosed in Note 4 – “Financial Instruments.”

DHR has entered into a commitment line agreement with four financial institutions in order to secure flexible and stable financing. The status of the commitment line agreement as of February 29, 2016 and August 31, 2016 is as follows:

	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
Total amount of commitment line	¥10,000,000	¥10,000,000
Balance executed as loans	—	—
Unused line of credit	¥10,000,000	¥10,000,000

### Note 13 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of February 29, 2016 and August 31, 2016 are as follows:

	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
Due within one year	¥725,791	¥678,868
Due after one year	467,336	406,963
<b>Total</b>	<b>¥1,193,127</b>	<b>¥1,085,831</b>

**Note 14 – Deferred 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 Measures Act of Japan. If DHR does not satisfy all of the requirements as specified in the Special Taxation Measures Act of Japan, the entire taxable income of DHR will be subject to regular corporate income taxes in Japan.

***(a) Significant Components of Deferred Tax Assets and Liabilities***

	As of	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
<b>Deferred tax assets – current:</b>		
Excess provision of allowance for doubtful accounts	¥620	¥1,294
Other	19,857	19,486
Subtotal	20,478	20,780
Valuation reserve	20,478	20,780
<b>Net deferred tax assets – current</b>	<b>¥—</b>	<b>¥—</b>
<b>Deferred tax assets – non-current:</b>		
Valuation difference at the time of merger (Long-term prepaid expenses, etc.)	¥1,348	¥1,096
Valuation difference at the time of merger (Land, Buildings)	1,571,116	1,510,223
Loss carryforward assumed at the time of merger	14,385,714	14,168,921
Asset retirement obligations	135,634	134,133
Excess provision of allowance for doubtful accounts	—	7,601
Other	43,920	54,803
Subtotal	16,137,734	15,876,779
<b>Deferred tax liabilities – non-current:</b>		
Valuation difference at the time of merger (Land, Buildings)	1,752,467	1,698,437
Asset retirement costs	121,621	118,925
Subtotal	1,874,088	1,817,363
Net deferred tax assets before valuation reserve	14,263,645	14,059,416
Valuation reserve	14,263,645	14,059,416
<b>Net deferred tax assets – non-current</b>	<b>¥—</b>	<b>¥—</b>

***(b) Significant Differences Between the Statutory Tax Rate and the Effective Tax Rate After Applying Deferred Income Tax Accounting***

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

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
Statutory tax rate	32.31%	32.31%
Adjustments:		
Tax-deductible cash distributions paid	(32.37)	(32.65)
Other	0.08	0.36
Effective tax rate	0.02%	0.02%

***(c) Adjustments of Deferred Tax Assets and Liabilities Due to a Change in the Corporate Income Tax Rate***

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15, 2016) was enacted on March 29, 2016. As a result, the effective statutory tax rate used in computing deferred tax assets and liabilities has been reduced from 32.31% to 31.74% for the temporary differences expected to be reversed in the fiscal periods beginning on and after September 1, 2016. This change had no effect on the accompanying financial statements.

**Note 15 – Per Unit Information**

Earnings per unit for the periods ended February 29, 2016 and August 31, 2016 and net assets per unit as of February 29, 2016 and August 31, 2016 are as follows:

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen)	
<b>Earnings per unit:</b>		
Net income per unit	¥4,248	¥4,297
Weighted average number of units outstanding (units)	747,740	747,740
	<b>As of</b>	
	February 29, 2016	August 31, 2016
	(Yen)	
<b>Net assets per unit</b>	¥148,707	¥148,504

Net income per unit is calculated by dividing net income by the weighted average number of investment units during the period. Net assets per unit are calculated by dividing net assets by the number of units outstanding at each balance sheet date. Diluted earnings per unit are not disclosed since there were no diluted units.

## Note 16 – Related-Party Transactions

Related-party transactions for the periods ended February 29, 2016 and August 31, 2016 are as follows:

**(a) Controlling Company and Major Corporate Investors** — None

**(b) Affiliates** — None

**(c) Transactions under Common Control**

### For the six-month period ended February 29, 2016

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Subsidiary of DHR's major corporate investor	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	Consigned asset-management operations	Asset-management fees	¥653,202	Accrued expenses	¥402,241
Subsidiary of DHR's major corporate investor	Daiwa Living Co., Ltd.	Koto-ku, Tokyo	¥100	Real estate property management	—	Property lease and management	Rental revenues etc.	¥1,537,066	Tenant leasehold and security deposits in trust	¥259,477
							Property lease and management fees	1,011,274	Operating account payable	302,467

### For the six-month period ended August 31, 2016

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Subsidiary of DHR's major corporate investor	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	Consigned asset-management operations	Asset-management fees	¥609,840	Accrued expenses	¥517,841
Subsidiary of DHR's major corporate investor	Daiwa Living Co., Ltd.	Koto-ku, Tokyo	100	Real estate property management	—	Property lease and management	Rental revenues etc.	1,537,066	Tenant leasehold and security deposits in trust	259,477
							Property lease and management fees	1,037,261	Operating account payable	259,604

Notes:

1. In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at end of the period.
2. The terms and conditions are on an arm's length basis.

**(d) Director and Major Individual Investors** — None

## Note 17 – Asset Retirement Obligations

DHR has entered into fixed-term land lease agreements with some landowners, and recognizes asset retirement obligations associated with restoration obligations upon expiration of the lease agreements.

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (54 – 60 years), and uses a 2.1 – 2.4% discount rate for the calculation of asset retirement obligations. Changes in asset retirement obligations for the six-month periods ended February 29, 2016 and August 31, 2016 are as follows:

	For the six-month periods ended	
	February 29, 2016	August 31, 2016
	(Yen in thousands)	
Balance at beginning of the period	¥415,079	¥419,792
Accretion expense	4,712	4,766
Balance at end of the period	¥419,792	¥424,558

## Note 18 – Segment Information

### (a) Segment Information

Since DHR has been engaged in a single segment of the real estate leasing business, and there is no other business segment for disclosure, segment information has been omitted.

### (b) Related Information

#### *Information about products and services*

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended February 29, 2016 and August 31, 2016, information about products and services has been omitted.

#### *Information about geographic areas*

##### (1) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended February 29, 2016 and

August 31, 2016, information about geographic areas has been omitted.

(2) Investment properties

Since over 90% of total investment properties on the balance sheets as of February 29, 2016 and August 31, 2016, are located within Japan, information about geographic areas on such investment properties has been omitted.

*Information about major customers*

A major customer is defined as 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:

	Operating revenues for the six-month periods ended		Related segment
	February 29, 2016	August 31, 2016	
	(Yen in thousands)		
Daiwa Living Co., Ltd.	¥1,537,066	¥1,537,066	Real estate leasing

## Note 19 – Subsequent Events

### ***(a) Merger with the Former Daiwa House REIT Investment Corporation***

On September 1, 2016, DHR merged with the former DHR in an absorption-type merger (the “Merger”) with DHR as the surviving corporation and the former DHR as the absorbed corporation. Upon the Merger, DHR changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation.

(1) Purpose of the Merger

DHR and the former DHR concluded the merger agreement on April 15, 2016, expecting the following to result from the Merger: (i) enhanced external growth potential and further internal growth opportunities through the shift to a diversified REIT, (ii) improvement of the position in the J-REIT market and asset-management flexibility through scale enhancement, and (iii) acceleration of growth leveraging the value chain of the Daiwa House Group’s integrated capabilities, among other positive effects.

(2) Merger type

The Merger was an absorption-type merger with DHR as the surviving corporation. The former DHR was dissolved upon the Merger.

(3) Merger ratio

For the Merger, 2.2 units of DHR were allotted to the former DHR unitholders per one former DHR unit. Since this generated fractions less than one unit for the number of investment units delivered, those fractional units less than one unit were sold through market transactions in accordance with statutory provisions, and DHR commenced payment of the proceeds from the sale on November 1, 2016 to the unitholders who held fractions in proportion to the number of their holdings.



(4) Cash payment upon the Merger

Instead of cash distributions to the former DHR unitholders for the former DHR's final fiscal period ended on the day before the effective date of the Merger, DHR commenced payment on November 14, 2016 to the unitholders listed or recorded on the final unitholders' register of the former DHR as of the day before the effective date of the Merger in the total amount of ¥3,281,149,200, which was equivalent to the amount of distributions for the final fiscal period calculated based on the former DHR's distributable profit.

- (5) The following summarizes the performance of the former DHR in the final fiscal period ended August 31, 2016. The business purpose of the former DHR was to invest primarily in specified assets and operate them under the Investment Trust Act.

Operating revenues	¥ 7,142 million
Net income	3,280 million
Total assets	222,208 million
Total liabilities	113,467 million
Total net assets	108,740 million

**(b) Acquisition of Assets**

On September 28, 2016, DHR acquired trust beneficiary interests in the following properties based on the purchase agreements concluded on April 15, 2016.

Property name	Acquisition price (Note 1)	Appraisal value (Note 2)	Seller (Note 3)
(Yen in thousands)			
Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	¥7,600,000	¥7,630,000	Daiwa House Industry Co., Ltd. DO Shin-Toshin Development Tokutei Mokuteki Kaisha
D Project Hibiki Nada	2,080,000	2,110,000	Daiwa House Industry Co., Ltd.
D Project Morioka II	1,280,000	1,300,000	Daiwa House Industry Co., Ltd.
Castalia Ningyocho III	2,000,000	2,180,000	Daiwa House Industry Co., Ltd.
Royal Parks Umejima	2,020,000	2,150,000	Daiwa House Industry Co., Ltd.
Sports Depo and GOLF5 Kokurahigashi IC Store	2,230,000	2,280,000	Daiwa House Industry Co., Ltd.

Notes:

1. The acquisition prices do not include acquisition-related expenses, taxes and dues, consumption taxes, and security deposits for land lease.
2. The appraisal date was August 31, 2016.
3. As Daiwa House Industry Co., Ltd. is an interested party of the Asset Manager as defined in the Investment Trust Act, the Asset Manager has gone through the necessary discussion and approval procedures in accordance with its internal rules to prevent any potential conflicts of interest.

***(c) Borrowing of Funds and Repayment of Loans***

- (1) DHR obtained a syndicated loan with 10 Japanese banks and one bank loan to acquire assets as stated in “(b) Acquisition of Assets” above on September 28, 2016.

	Loan amount (Yen in millions)	Interest rate	Loan execution date	Repayment date
Unsecured syndicated loan	¥9,000	0.63479% (Fixed rate)	September 28, 2016	September 29, 2025
Unsecured bank loan	1,000	0.6888% (Fixed rate)		September 28, 2026

- (2) DHR repaid ¥31,800 million of long-term loans on their original repayment dates of September 30, 2016 and refinanced with the following syndicated loans.

Lender	Loan amount (Yen in millions)	Interest rate	Loan execution date	Repayment date
Unsecured syndicated loan with nine Japanese banks	¥9,900	JBA yen 1 month TIBOR + 0.15%	September 30, 2016	March 31, 2020
Unsecured syndicated loan with eight Japanese banks	10,400	0.40617% (Fixed rate)		March 31, 2023
Unsecured syndicated loan with eight Japanese banks	11,000	0.48305% (Fixed rate)		March 29, 2024

***(d) Amendment to Commitment Line Agreement***

Upon expiration of the prior commitment line agreement, on September 30, 2016, DHR newly entered into a syndicated commitment line agreement with four Japanese banks as follows.

Total amount of commitment line:	¥10,000 million
Commitment period:	From October 4, 2016 to November 30, 2016
Term of loan upon execution:	One year or less
Collateral:	Unsecured not guaranteed
Use of funds:	To acquire trust beneficiary interests in real estate or real estate properties including co-ownership interest of the property and related expenses, to repay existing borrowings including investment corporation bonds and to repay leasehold and security deposits and related expenses.



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www.shinnihon.or.jp

## Independent Auditor's Report

The Board of Directors  
Daiwa House REIT Investment Corporation

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation (formerly, Daiwa House Residential Investment Corporation), which comprise the balance sheet as at August 31, 2016, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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*

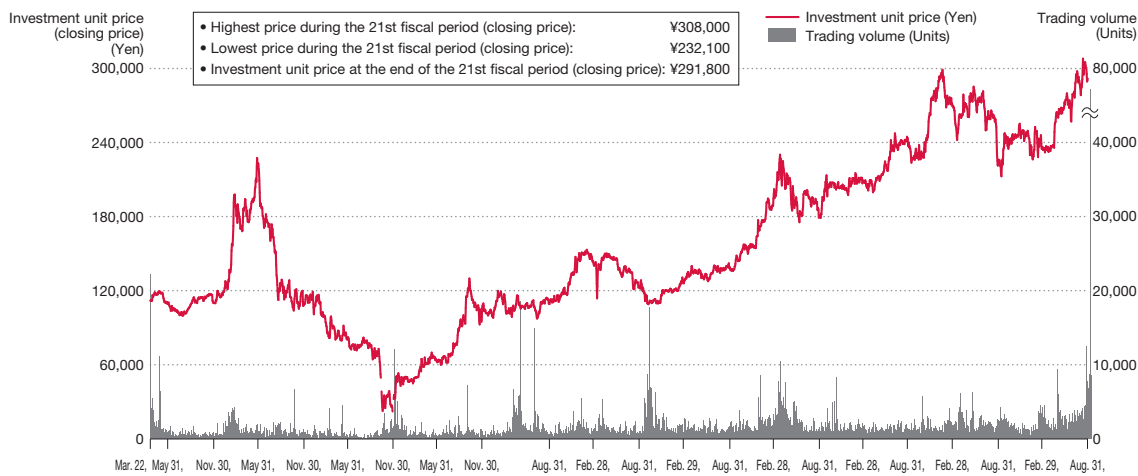
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation (formerly, Daiwa House Residential Investment Corporation) as at August 31, 2016, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 19(a) to the financial statements, which describes that Daiwa House Residential Investment Corporation merged with the former Daiwa House REIT Investment Corporation and changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation on September 1, 2016. Our opinion is not qualified in respect of this matter.

November 21, 2016  
Tokyo, Japan

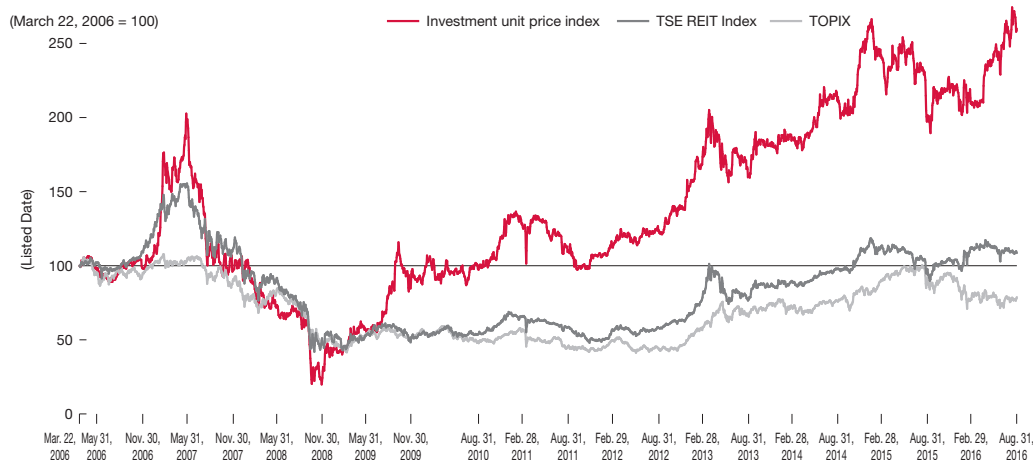
## Investment Unit Price



(Note) A 2-for-1 split of investment units has been implemented on two occasions with effective dates of March 1, 2013 and March 1, 2015.

With regard to investment unit price and trading volume until February 25, 2013, the value shown for investment unit price is divided by four, while the value shown for trading volume is multiplied by four in consideration of the said split of investment units. Furthermore, from February 26, 2013 to February 24, 2015, the value shown for investment unit price is divided by two, and the value shown for trading volume is multiplied by two.

## Index Comparison

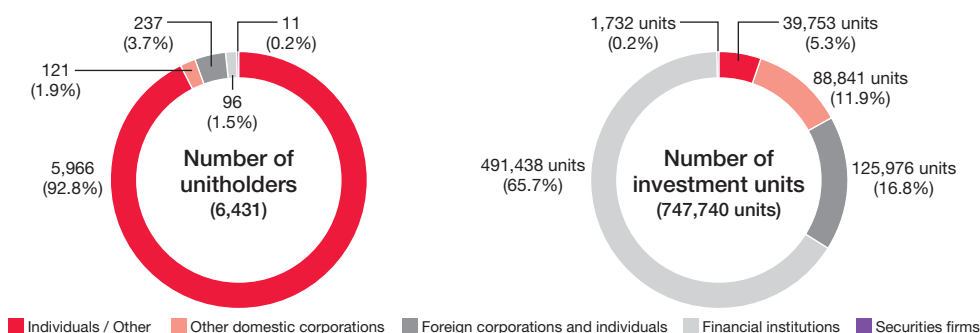


(Note 1) Investment unit price index is an index of the closing price of DHR investment units on the Tokyo Stock Exchange.

(Note 2) Indexed with the value as of the date of listing of DHR (March 22, 2006) as 100.

## Unitholders Data

(As of August 31, 2016)



(Note) Ratios in parentheses are rounded to the nearest tenth.

## 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.

## Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions 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.

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.

## Distribution Statement

The “Distribution Statement” delivered upon payment of distributions includes the “Payment Notice,” referred to in the provisions of the Act on Special Measures Concerning Taxation. This document may be used as a supporting document when declaring income for tax purposes. Furthermore, unitholders who receive distributions by way of a receipt for distributions also receive a “Distribution Statement” enclosed with it.

## Outline of the Social Security and Tax Number System (nicknamed “My Number System”) with Regard to Investment Units

Residents in Japan are notified of their Social Security and Tax Number (nicknamed “My Number”) by their city, town or village. My Number is required when performing tax-related procedures with regard to investment units.

### Use of the My Number for Investment Unit Related Business

As stipulated by laws and regulations, it is now required to state the My Number of the unitholder on payment records that are submitted to the tax office.

Unitholders are therefore requested to submit their My Number to their securities company.

[Contact address for inquiries on submitting My Number]

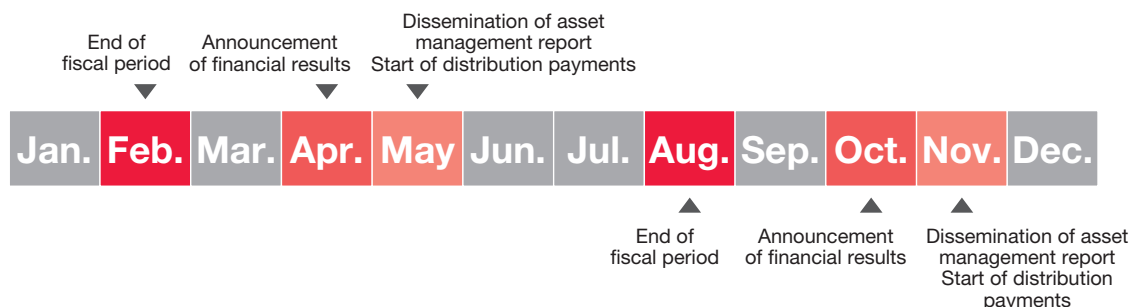
■ Unitholders whose investment units are managed by a securities account  
➡ Please direct your inquiries to your securities company.

■ Unitholders not conducting transactions via a securities company  
➡ Please call the following toll-free phone number.  
Stock Transfer Agency Business Planning Dept. of  
Sumitomo Mitsui Trust Bank, Limited  
TEL: 0120-782-031

## Note for Unitholders

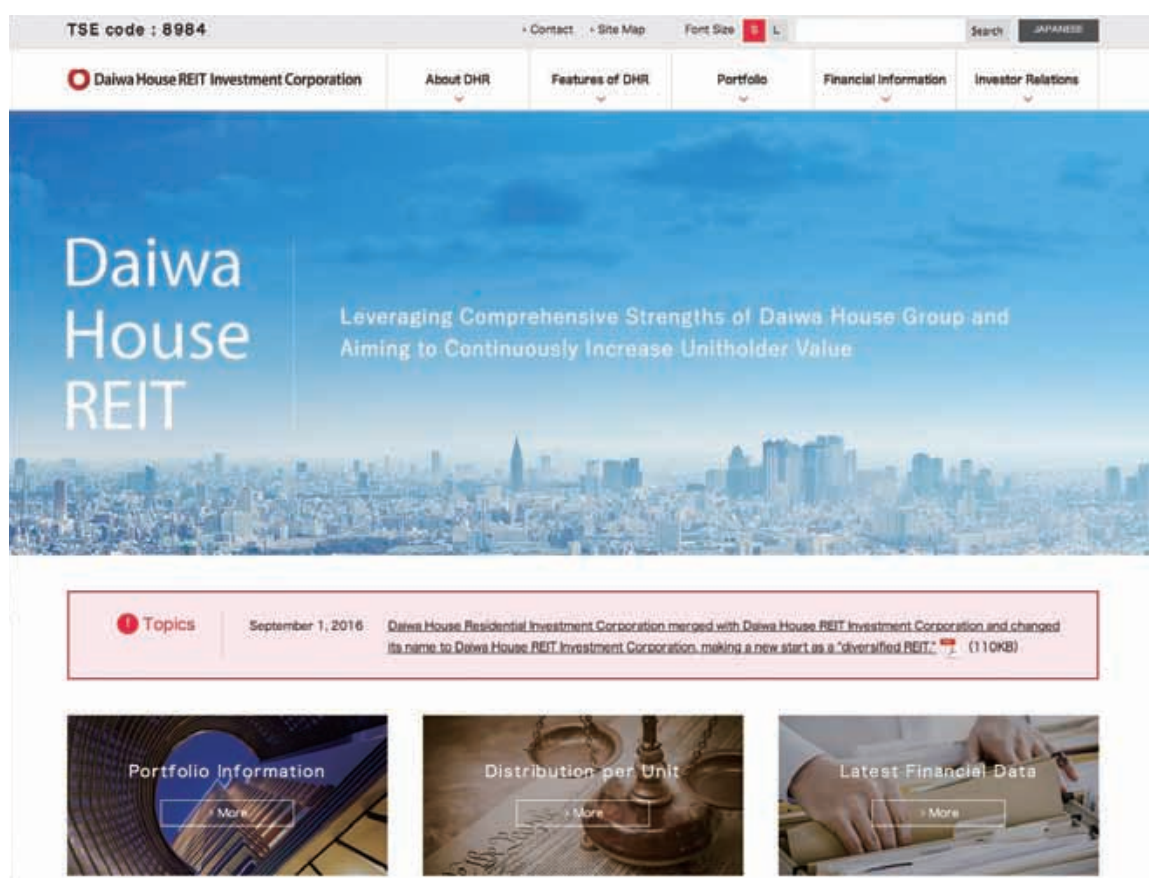
Account closing date	Last day of February and August of each year
Date for determining distribution payments	Last day of February and August of each year (Distributions are to be paid within three months of each date.)
Unitholders' Meeting	To be held at least once every two years
Date for finalizing general meeting voting rights	Date set forth in Section 16.1 in the Articles of Incorporation by DHR
Listing	REIT section of the Tokyo Stock Exchange (Securities code: 8984)
Public notices	The “Nikkei” newspaper ( <i>Nihon Keizai Shimbun</i> )
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, JAPAN
Inquiries	8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, JAPAN Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited TEL: 0120-782-031 (toll-free, available within Japan only) Weekdays 9 a.m. to 5 p.m.

## Investor Relations Calendar



## DHR Website

**Website: <http://www.daiwahouse-reit.co.jp/en/>**



## Outline of the Asset Manager

Corporate Name	Daiwa House Asset Management Co., Ltd.
Head Office	7th Floor, Nissei Nagatacho Building 2-4-8, Nagatacho, Chiyoda-ku, Tokyo 100-0014
Established	September 1, 2004
Paid-in Capital	¥300 million
Shareholder	Daiwa House Industry Co., Ltd. (100%)



## Q&A concerning Unitholder Benefits Program

Beginning the fiscal period ended August 2013, DHR has established a unitholder benefits program. Below are some answers to the many questions we have received from unitholders since the program was established.

How to make reservations using the pass for accommodation at a special room rate

**Q1** Do reservations have to be made by telephone? Can I make reservations over the Internet?

**A1** When the unitholder benefits program was established, it was decided that there should be just one point of contact for receiving reservations in order to avoid any reservation confusions. As such, it is only possible to make a reservation by phone.

What conditions apply to accommodation reservations?

**Q1** How many people can stay each time?

**A1** Providing that the reservation is for two or more guests per room, you may reserve for as many people as you like under the same single reservation. When the number of staying guests exceeds one hotel room capacity, you may be required to stay in multiple rooms.

**Q2** How many reservations can be made with the pass?

**A2** You can make reservations as many times as you like for stays during the valid period of the pass.

**Q3** I would like to use the pass for a single-person stay.

**A3** In principle, the pass is for two or more persons. However we allow single person reservations for an additional ¥4,320 on top of the price in the per-person price list for two persons.

Concerning the content of the unitholder benefits program

**Q1** It would be nice to receive a gift card such as a dining coupon or QUO card.

**A1** DHR, unlike a general business operating company, in principle provides distribution using cash from the full amount of net income. If DHR were to distribute a gift card like a dining coupon or QUO card, an amount equivalent to the cost of such a gift would be deducted from the distribution payment amount. Therefore, the unitholder benefits program is designed to be available to unitholders without any extra cost burden borne by DHR.

