



Semi-Annual Report for the **29th** Fiscal Period

From March 1, 2020 to August 31, 2020

 **Daiwa House REIT Investment Corporation**
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Mid-Term Growth Strategy

Mid-Term Growth Strategy Aiming for Sustainable Growth of DPU

Over the 3 years after the merger
(from September 2016 to August 2019)

Mid-Term Growth Strategy
(from September 2019 onward)

Target

Asset Size



Stabilized DPU

External growth

- Selectively acquire highly competitive properties mainly in the three major metropolitan areas and core regional cities^(Note)
- Leverage pipelines and promote portfolio rebalancing
- Utilize various acquisition schemes

Acquire properties accretive to DPU

Internal growth

- Steadily increase rent mainly at the residential properties in central Tokyo
- Additional investment in LED light installation and other value enhancement measures
- Conduct planned large-scale repair
- Promote redevelopment (rebuilding)

Improve profitability

Finance

- Equity financing attentive to NAV and growth of DPU
- Control LTV (excluding goodwill) at around 45% with an upper limit at 50%
- Decrease debt financing costs
- Effective use of cash on hand

Maintain financial discipline

ESG strategy

- Improve ESG rating by third parties including GRESB and MSCI
- Increase the ratio of properties with environmental certification to 50% (gross floor area basis) or more

(Note) "Core regional cities" are cities outside of the three major metropolitan areas designated by government ordinance of Japan (Sapporo City, Sendai City, Niigata City, Hamamatsu City, Shizuoka City, Hiroshima City, Okayama City, Fukuoka City, Kitakyushu City, and Kumamoto City).

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Overview of the 29th Fiscal Period Ended August 31, 2020

We would like to send our heartfelt sympathy to everyone who has fallen ill with COVID-19.

We would like to report on the financial results and give an overview of operations of Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") in the 29th fiscal period (the fiscal period ended August 31, 2020).

DHR conducted its fourth capital increase through public offering since the merger in March 2020, and acquired three properties through the Daiwa House Group's pipeline in April 2020 (total acquisition price of ¥70.8 billion). Furthermore, DHR acquired one retail property for an acquisition price of ¥2.6 billion in August 2020. As a result, DHR's portfolio as of the end of the current fiscal period consisted of 228 properties with an asset size of ¥819.1 billion (total acquisition price). Our occupancy rate at the end of the current fiscal period was 99.4%.

The Japanese economy is stagnant today due to the serious effects of COVID-19, and an overall sense of uncertainty remains over the future. Even amid these conditions, through our stable portfolio operations, the effects of COVID-19 on DHR in the current fiscal period have remained minimal. While we accepted requests for rent reduction from some tenants, properties acquired during the period contributed to earnings. As a result, in the current fiscal period, DHR posted operating revenues of ¥26,613 million, operating income of ¥11,574 million, and net income of ¥9,936 million. The total amount of distributions was ¥11,917 million with the amount equivalent to amortization of goodwill of ¥1,982 million added to net income, and distributions per unit amounted to ¥5,427, which was ¥77 higher than the forecast distributions released before.

DHR will work to continuously increase unitholder value by ensuring stable revenue and steady growth of its portfolio over the medium to long term through fully utilizing its sponsor Daiwa House Group's comprehensive strengths and knowhow regarding real-estate development.

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



Toshiharu Asada

Executive Director
Daiwa House REIT Investment Corporation



Koichi Tsuchida

President and CEO
Daiwa House Asset Management Co., Ltd.

Distributions Per Unit^(Note 1)

29th Fiscal Period

(From March 1, 2020 to August 31, 2020)

*Distribution payments start date is November 9, 2020.

¥5,427

Forecast distributions per unit^(Note 2)

30th Fiscal Period

(From September 1, 2020 to February 28, 2021)

¥5,550

31st Fiscal Period

(From March 1, 2021 to August 31, 2021)

¥5,450

(Note 1) Distributions per unit for the 29th fiscal period ended August 31, 2020 include distributions in excess of earnings of ¥23 (which do not apply to return of capital).

(Note 2) Forecast distributions refer to the forecast as of October 16, 2020, and actual distributions per unit may vary from this figure. These forecasts also do not guarantee the amount of distributions. Furthermore, forecast distributions include distributions in excess of earnings per unit, and DHR forecasts distributions in excess of earnings per unit of ¥902 for the 30th fiscal period ending February 28, 2021 (including return of capital of ¥79), and of ¥898 for the 31st fiscal period ending August 31, 2021 (including return of capital of ¥73).

Financial Highlights for the Fiscal Period Ended August 31, 2020

Statements of Income (Summary)

	(Yen in millions)		
	Fiscal period ended February 29, 2020 (28th period)	Fiscal period ended August 31, 2020 (29th period)	Change
Operating revenues	25,018	26,613	1,595
Rental revenues	24,712	26,613	1,901
Gain on sale of real estate properties	306	—	(306)
Operating expenses	14,459	15,039	580
Rental expenses	10,278	10,737	458
Rental expenses (excluding depreciation)	5,472	5,562	89
Depreciation	4,806	5,174	368
Other operating expenses	4,180	4,302	121
Amortization of goodwill	1,982	1,982	—
Operating income	10,559	11,574	1,014
Non-operating income	21	15	(6)
Non-operating expenses	1,454	1,652	198
Interest expenses and borrowing related expenses	1,452	1,491	39
Ordinary income	9,126	9,936	810
Net income	9,125	9,936	810
Reversal of voluntary reserve	3,407	2,710	(696)
Distributions in excess of earnings (allowance for temporary difference adjustments)	—	50	50
Total distributions	12,533	11,917	(615)
Retained earnings carried forward	—	779	779
Distributions per unit	¥6,040	¥5,427	¥(613)

Rental revenues

- Revenue contributions of the properties acquired in the fiscal period ended August 31, 2020 +¥1,748 million
- Reduced revenues from rent due to COVID-19 (rent concessions) -¥83 million
- Increased revenues from rent due to increased rent for residential properties +¥37 million

Non-operating expenses

- Investment unit issuance expenses recorded in the fiscal period ended August 31, 2020
- New investment unit issuance expenses incurred +¥159 million
- Increase in interest expenses associated with new loans +¥39 million

Distributions in excess of earnings

- Distribution accounted as an allowance for temporary difference adjustments with the completion of the reversal of voluntary reserve

Distributions per unit

- Excluding the impact of distributions associated with sale of properties in the fiscal period ended February 29, 2020 +¥201

Balance Sheets (Summary)

	(Yen in millions)		
	As of February 29, 2020 (28th period)	As of August 31, 2020 (29th period)	Change
Total assets	839,931	899,579	59,647
Current assets	52,338	43,538	(8,799)
Non-current assets	787,484	855,902	68,417
Investment properties	710,370	780,843	70,472
Intangible assets	71,308	69,278	(2,029)
Goodwill	65,413	63,431	(1,982)
Total liabilities	379,590	408,277	28,687
Current liabilities	22,928	26,722	3,794
Interest-bearing debt	14,400	19,000	4,600
Non-current liabilities	356,662	381,554	24,892
Interest-bearing debt	334,358	357,558	23,200
Net assets	460,341	491,302	30,960
Unitholders' capital	198,492	231,766	33,273
Capital surplus	247,667	247,667	—
Voluntary reserve	6,117	2,710	(3,407)
LTV (excluding goodwill)	45.0%	45.0%	— points
LTV (including goodwill)	41.5%	41.9%	0.4 points
Number of investment units issued	2,075,000 units	2,196,000 units	121,000 units
Net assets per unit	¥221,851	¥223,725	¥1,874

Investment properties

- Increase due to properties acquired +¥74,081 million
- Capital expenditures +¥1,416 million
- Depreciation -¥5,174 million

Interest-bearing debt

- New loans +¥28,000 million
- Refinance ¥7,700 million
- Issuance of investment corporation bonds (Green Bonds) for repayment of short-term loans ¥5,000 million
- Reclassification of long-term loans to current liabilities ¥12,500 million

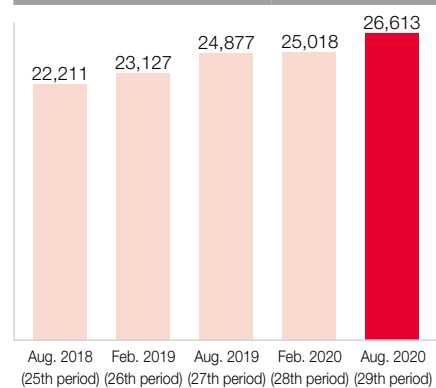
Voluntary reserve

- Reversal of reserve for temporary difference adjustments -¥3,407 million

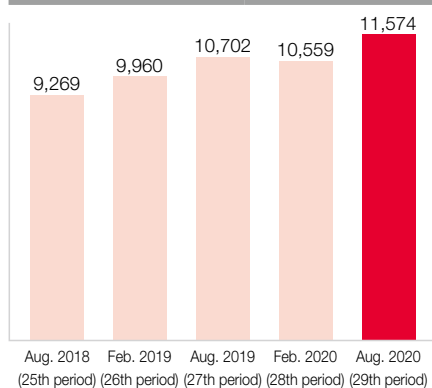
Number of investment units issued

- Increase due to public offering +121,000 units

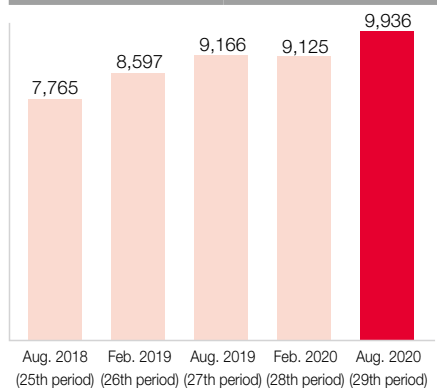
Operating revenues (Yen in millions)



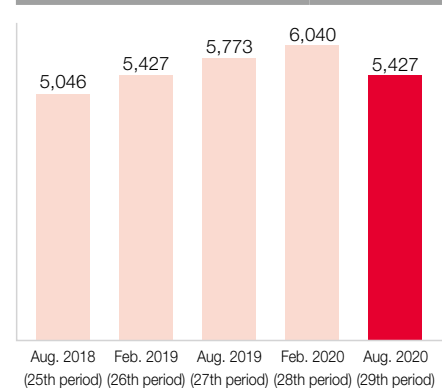
Operating income (Yen in millions)



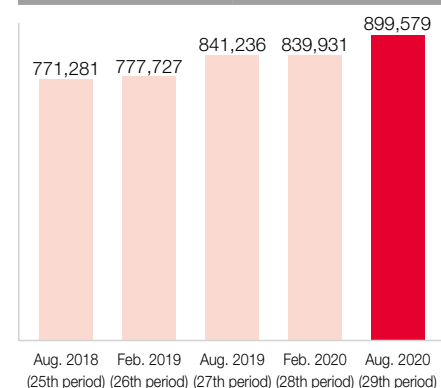
Net income (Yen in millions)



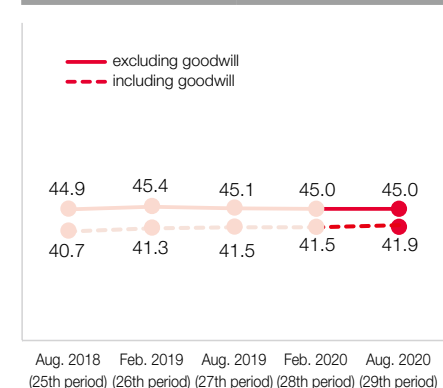
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)



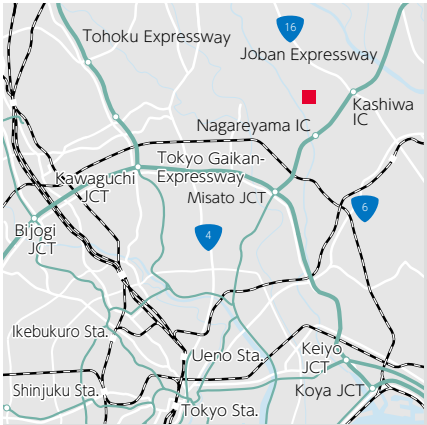
Assets Newly Acquired in the Fiscal Period Ended August 31, 2020

By raising funds of ¥34.3 billion through public offering and ¥28.0 billion through new loans, DHR acquired three properties for a total acquisition price of ¥70.8 billion in April 2020. Furthermore, DHR acquired one property for an acquisition price of ¥2.6 billion in August 2020 using funds in hand.

Properties Acquired in April 2020

LM-004 DPL Nagareyama I

Logistics (multi-tenant type)



Acquisition date	April 3, 2020
Location	Nagareyama City, Chiba
Acquisition price	¥32,600 million
Leasable area	124,489.93 m ²
Major lessee	Yamato Transport, SENKO, Frameworx

Multi-tenant type logistics property with leading-edge technologies installed

- Located approx. 2.7 km from Nagareyama IC on the Joban Expressway with convenient access to National Route 16, it serves as a hub for an extensive delivery network covering Tokyo, Saitama and Chiba.
- Highly versatile four-floor logistics property using seismic isolation construction with a ceiling height of 6.2 m-6.6 m, a floor weight capacity of 1.5 t/m², and pillar interval spacing of 11.0 m by 11.5 m. With truck berths installed on both sides of the 1st floor and on one side of each of the other floors and one-way traffic utilizing double ramp ways, efficient operations are possible.

RM-012 iias Tsukuba (additional acquisition of 70% quasi co-ownership interest)

Retail (mall type)

Daiwa House Group Sublease



Acquisition date	April 1, 2020
Location	Tsukuba City, Ibaraki
Acquisition price	¥23,800 million
Leasable area	97,230.27 m ²
Lessee	Daiwa House

Largest retail property in the area growing along with the local community

- Located within walking distance of approximately four minutes from Kenkyu-gakuen Station on the Tsukuba Express, the newly emerging subcenter of Tsukuba City. Good accessibility by car facing three roads with a parking area for approx. 4,300 vehicles.
- Eco-friendly property with installation of solar and solar/wind hybrid power generation systems, as well as an air-conditioning system using an ice thermal storage system using midnight power.

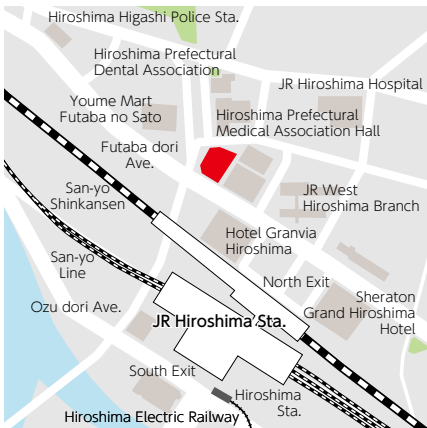
OT-006 GRANODE Hiroshima (50% quasi co-ownership interest)

Other Assets



Large-scale multi-use property consisting of office, hotel and retail facilities

- Located approx. four minutes walking distance from JR Hiroshima Station, providing convenient access to transportation for both business and tourist travelers, the multi-use building is comprised of offices on the 3rd to 11th floors, a hotel on the 13th to 20th floors and retail facilities on the 1st and 2nd floors.
- The office with total gross floor area of approx. 15,000 tsubo and the standard floor area of approx. 660 tsubo is one of the largest among offices in Hiroshima City. This earthquake-resistant property has executed strong BCP initiatives, including a 72-hour supply of electricity generated by an equipped emergency generator and a space for tenants' power generators.



Acquisition date	April 3, 2020
Location	Hiroshima City, Hiroshima
Acquisition price	¥14,400 million
Leasable area	14,962.23 m ²
Major lessee	Daiwa Royal

Properties Acquired in August 2020

RU-002 Sports Plaza Ibaraki

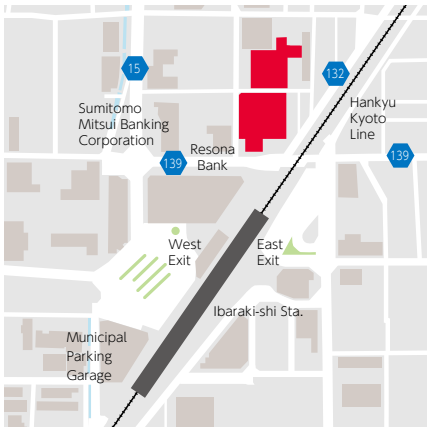
Retail (urban type)

Daiwa House Group Sublease



Concluded a long-term sublease-type master lease agreement for fixed rent with the Daiwa House Group

- Located an approx. one-minute walk from Ibaraki-shi Station on the Hankyu Kyoto Line in a commuter town of Osaka, it offers high convenience due to its close proximity to the station.
- The tenants include an integrated sports club and the property is equipped with a multi-story mechanical parking garage for more than 200 vehicles.

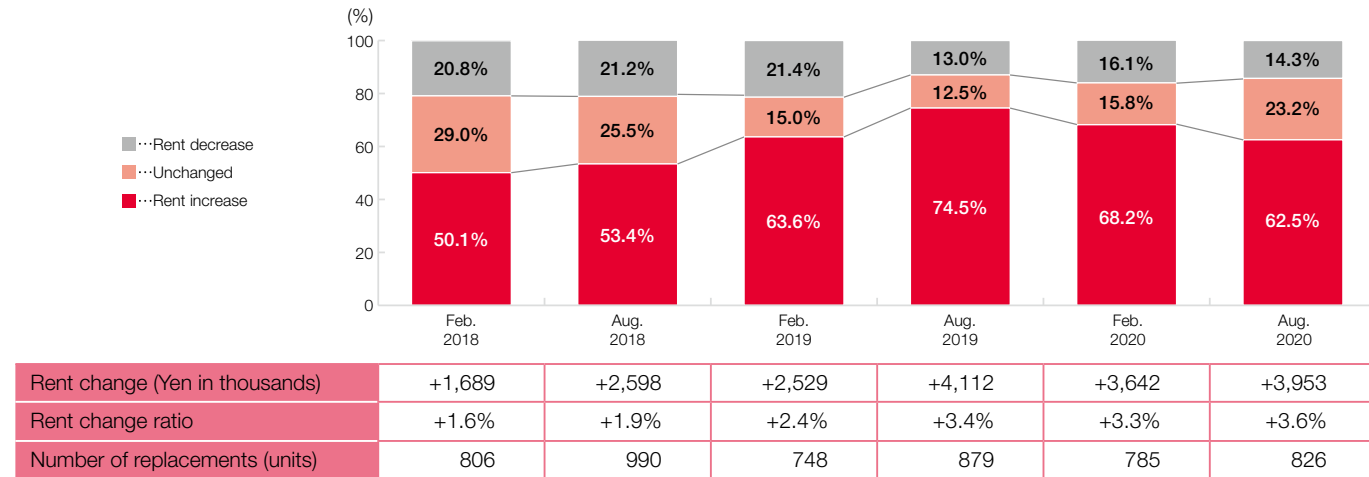


Acquisition date	August 31, 2020
Location	Ibaraki City, Osaka
Acquisition price	¥2,689 million
Leasable area	9,470.27 m ²
Lessee	Daiwa Information Service

Internal Growth Initiatives

- Improving profitability by increasing rent when tenants or rents are changed and through strategic tenant replacement
- Implemented value enhancement projects to increase property attractiveness

Monthly Rent at the Time of Residential Tenant Replacement (ratio of the number of tenant replacements)

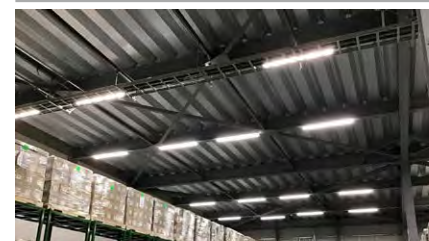


Realizing Internal Growth Through the Installment of LED Lights and Value Enhancement Projects

Installment of LED lights^(Note 1)

	Number of properties	Construction cost	Effect Increase in total rental revenue (annual) ^(Note 2)
Logistics	18	¥723 million	¥86 million
Retail	3	¥119 million	¥9 million

D Project Chibakita



DREAM TOWN ALI



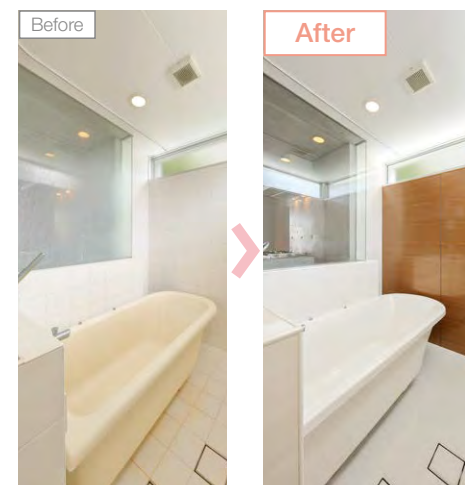
(Note 1) Data includes properties with increased rental revenue in which LED lights were installed from July 2013 to July 2020 (excluding properties that had been sold as of August 31, 2020).

(Note 2) "Increase in total rental revenue (annual)" is calculated by multiplying by twelve each asset's portion of monthly increase in revenue from the installation of LED lights.

Value enhancement projects

Castalia Hiroo

Bathroom renovation



Portfolio Highlights

Asset Size (acquisition price basis / as of September 30, 2020)

229 properties **¥822.2** billion

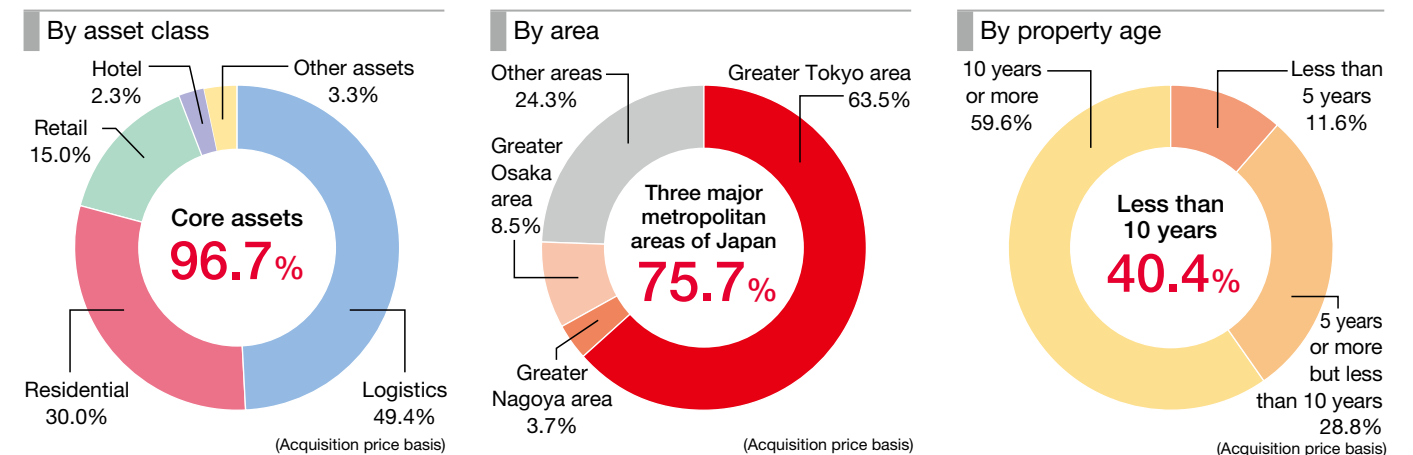
Logistics **62** properties **¥406.2** billion

Residential **133** properties **¥246.4** billion

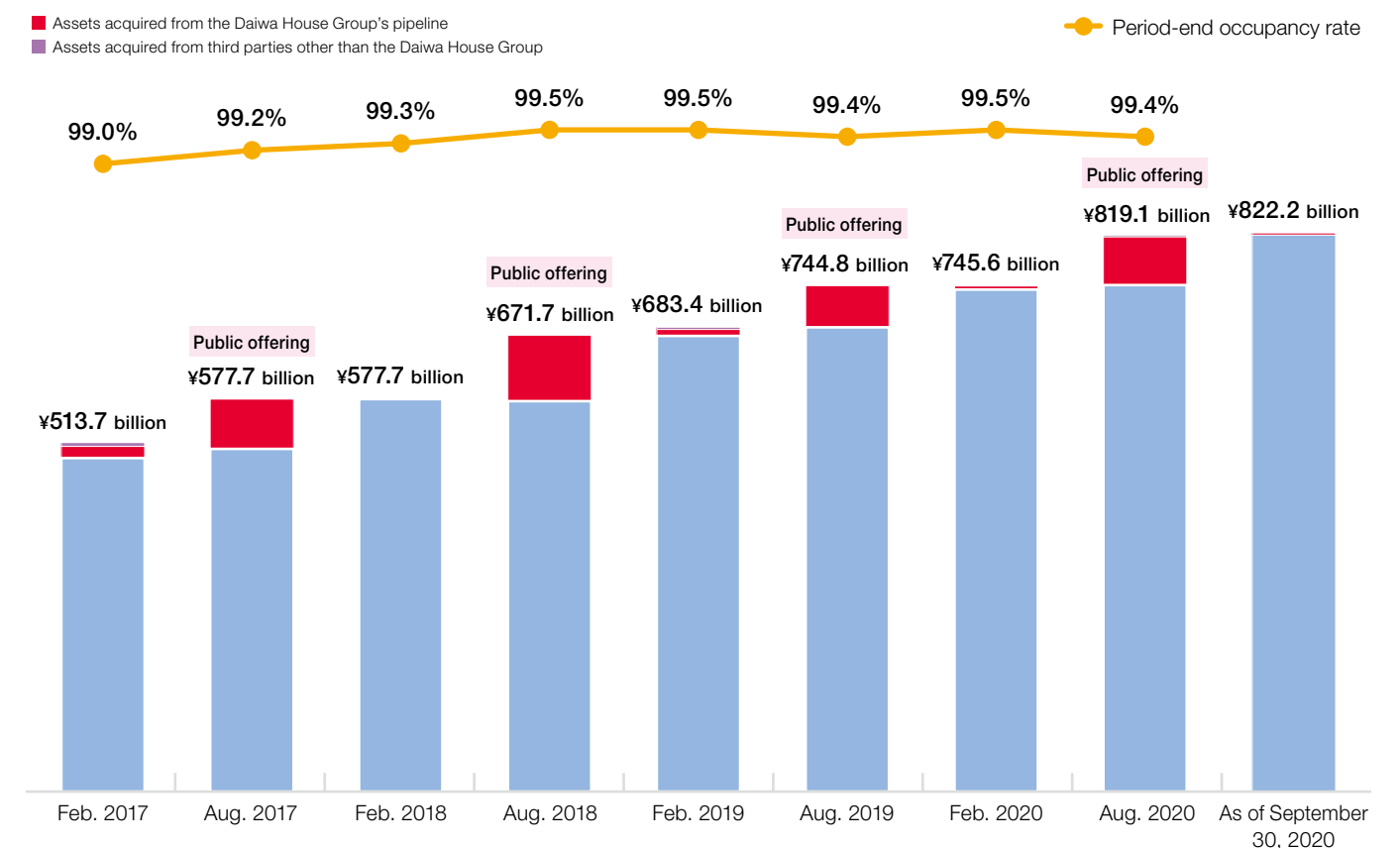
Retail **23** properties **¥123.2** billion

Hotel **5** properties **¥19.1** billion

Other assets **6** properties **¥27.2** billion

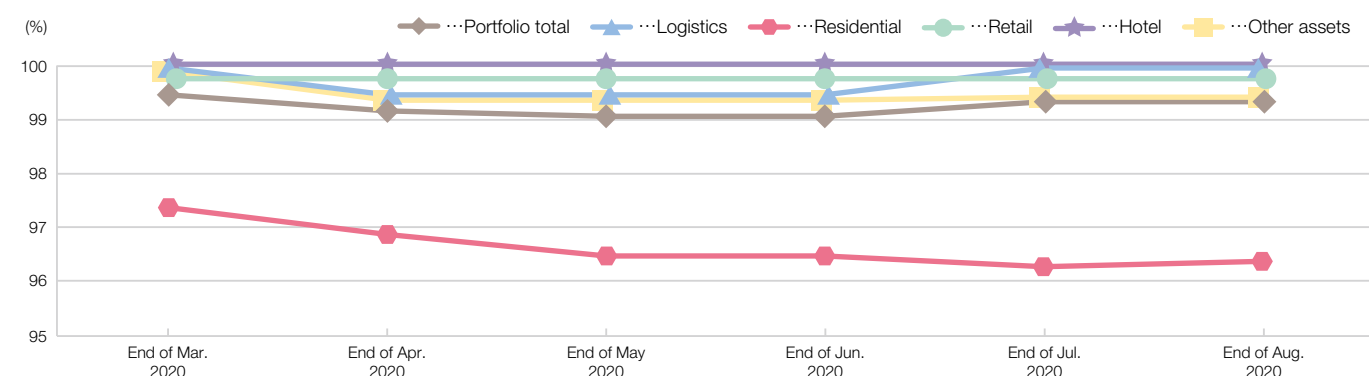


Trends of Asset Size (Acquisition Price) and Occupancy Rate at the End of the Fiscal Period



Trend of Occupancy Rate

As of August 31, 2020, the occupancy rate was 99.4%, as we continued to maintain stable operations.



ESG Initiatives

Sustainability Policy

1 Prevention of global warming

We will promote energy conservation measures through the installation of energy conservation equipment and so forth to realize a carbon-free society. We will also consider introduction of renewable energy power generation facilities and acquisition of properties that have such equipment installed.

2 Harmony with the natural environment (preservation of biodiversity)

We will aim for a society that is able to pass on abundant natural resources to future generations in order to protect and improve natural capital. We will also promote planting and management considering harmony with the surrounding environment.

3 Conservation of natural resources (reducing waste, protecting water resources)

We will work towards the realization of a recycling-oriented society by promoting water conservation measures through the installation of water conservation equipment. We will also promote 3R activities (reduce, reuse, and recycle) for resources.

4 Prevention of chemical pollution

We will aim to realize a society where people and ecosystems do not suffer adverse effects from chemical substances by promoting reduction, substitution and appropriate management of harmful chemical substances when managing real estate, and taking efforts to minimize risks.

5 Establishment of an internal framework and initiatives for employees

We will establish an internal framework for promoting sustainability and take steps to develop personnel by conducting regular employee education and training. We will also aim to create workplaces where people can work safely and healthily, and workplaces where diverse employees can work flexibly.

6 Building of trust relationships with external stakeholders

We aim to build trust relationships with external stakeholders and we will work on our suppliers to enhance the satisfaction of tenant customers and promote CSR in our supply chain. We will undertake neighborhood co-existence activities with local residents.

7 Promotion of communication through information disclosure

We will proactively disclose ESG-related information and utilize dialogues with stakeholder such as investors in our future business activities. Furthermore, we will aim for continuous acquisition of Green Building Certification.

8 Compliance with laws and regulations, and risk management

We will comply with ESG-related laws and regulations. Moreover, we will strive to implement appropriate risk management, such as giving consideration for the environmental and social impacts in risk evaluations when acquiring real estate and promoting awareness of human rights.

Sustainability Target

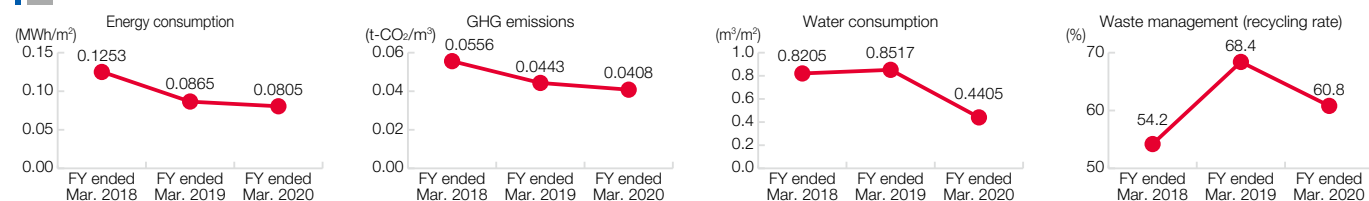
DHR's asset manager, Daiwa House Asset Management Co., Ltd., recognizes matters such as energy saving and the reduction of greenhouse gas emissions in asset management operations as important environmental issues and has created individual policies to reduce the environmental burden. Furthermore, we have established the following reduction target (medium to long term) for energy use.

For individual properties, reduce energy consumption and CO₂ emission intensity by 10% in the ten years from 2018 to 2027

Indicator	Annual target	Long-term target (over the ten-year period from 2018 to 2027)
Energy consumption	1% reduction of intensity	10% reduction of intensity
GHG emissions	1% reduction of CO ₂ emission intensity	10% reduction of CO ₂ emission intensity
Water consumption	—	Reduction of consumption intensity to less than its FY ended Mar. 2018 (base year) level
Waste management	—	Increase in recycling rate to more than its FY ended Mar. 2018 (base year) level

*Targeted at properties designated by the Asset Manager's Sustainability Committee or its secretariat.

Environmental Performance



*1 Aggregation period : The aggregation period is from every April to the following March. Results are updated annually in principle.

*2 Calculation method : Environmental performance is calculated only for DHR-owned properties for which the requisite data are available. Energy consumption intensity and GHG emission intensity are calculated by dividing total electricity usage and CO₂ emissions by intensity denominator (gross floor area (m²)).

Consideration for Society

Contributions to local communities

Workshop for visually impaired pedestrians



Establishing meeting places



Bicycle rentals



Provision of emergency communal well



Governance

- Introduction of the Investment Unit Ownership Program by both Daiwa House and the Asset Manager

Individuals covered	Introduction period
Officers of Daiwa House	November 2018
Officers and employees of the Asset Manager	November 2019
Employees of Daiwa House	June 2020

(Note) Includes people seconded from Daiwa House.

- Ownership of investment units by Daiwa House (Same Boat Investment)

Number of investment units held by Daiwa House (holding ratio)
189,200 units (8.6%) (as of August 31, 2020)

Status of Environmental Certifications (as of September 30, 2020)

- To increase the objectivity and reliability of DHR's initiatives in reducing the environmental burden of properties it owns, DHR intends to increase medium- to long-term asset value and pursue the acquisition of third-party external certifications and evaluations.

Number of properties that have obtained environmental certifications

36 properties

+8 properties
Compared with the end of September 2019

Ratio of properties that have obtained environmental certifications (gross floor area basis)

50.6%

+3.6 points
Compared with the end of September 2019

	DBJ Green Building	BELS	CASBEE
★★★★★	3 properties	6 properties	4 properties
★★★★	10 properties	4 properties	1 property
★★★	9 properties	3 properties	
★★	5 properties	7 properties	
★		2 properties	
Number of certified properties	27 properties	22 properties	5 properties
Certified rate (gross floor area basis)	41.8%	34.8%	13.1%
Certified rate Compared with the end of September 2019	+1.8 points	+18.4 points	+8.3 points

GRESB Assessment in 2019

- Proactively promoting ESG initiatives and information disclosure

Real estate assessment

Green Star

3 Stars

Public disclosure rating

A
(Highest rating)



Concluding Green Lease Agreement

- Aiming to reduce the environmental burden of owned assets through cooperation with tenants, we introduced "Green Leases"

Ratio of properties with green lease agreements concluded (gross floor area basis)

68.4%

+31.4 points
Compared with the end of September 2019
(as of September 30, 2020)

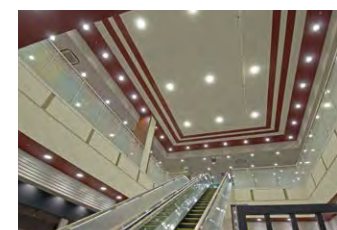
EcoAction 21

- A third-party evaluation system to certify and register organizations which promote environmental communication in accordance with the guideline formulated by the Ministry of the Environment
- Appraised for employing SDGs in the Asset Manager's environmental management policy and working on a reduction of the environmental burden of the DHR portfolio



Consideration for the Environment

LED lights



Solar and wind power generation facilities



Large-scale green area



Rooftop greening



Employment of insulated sandwich panels



Large-scale window space allowing the use of natural light



Exterior greening, water-permeable paving



Eco-friendly weeding by goats



Major Portfolio Properties

Logistics properties

LB-005 | D Project Urayasu I



Logistics properties

LM-002 | DPL Fukuoka Kasuya



Logistics properties

LM-001 | DPL Misato



Retail properties

RM-003 | QIZ GATE URAWA



Residential properties

RE-110 | Pacific Royal Court
Minatomirai Urban Tower



Hotel properties

HO-003 | Daiwa Roynet Hotel
Nagoya Shinkansenguchi

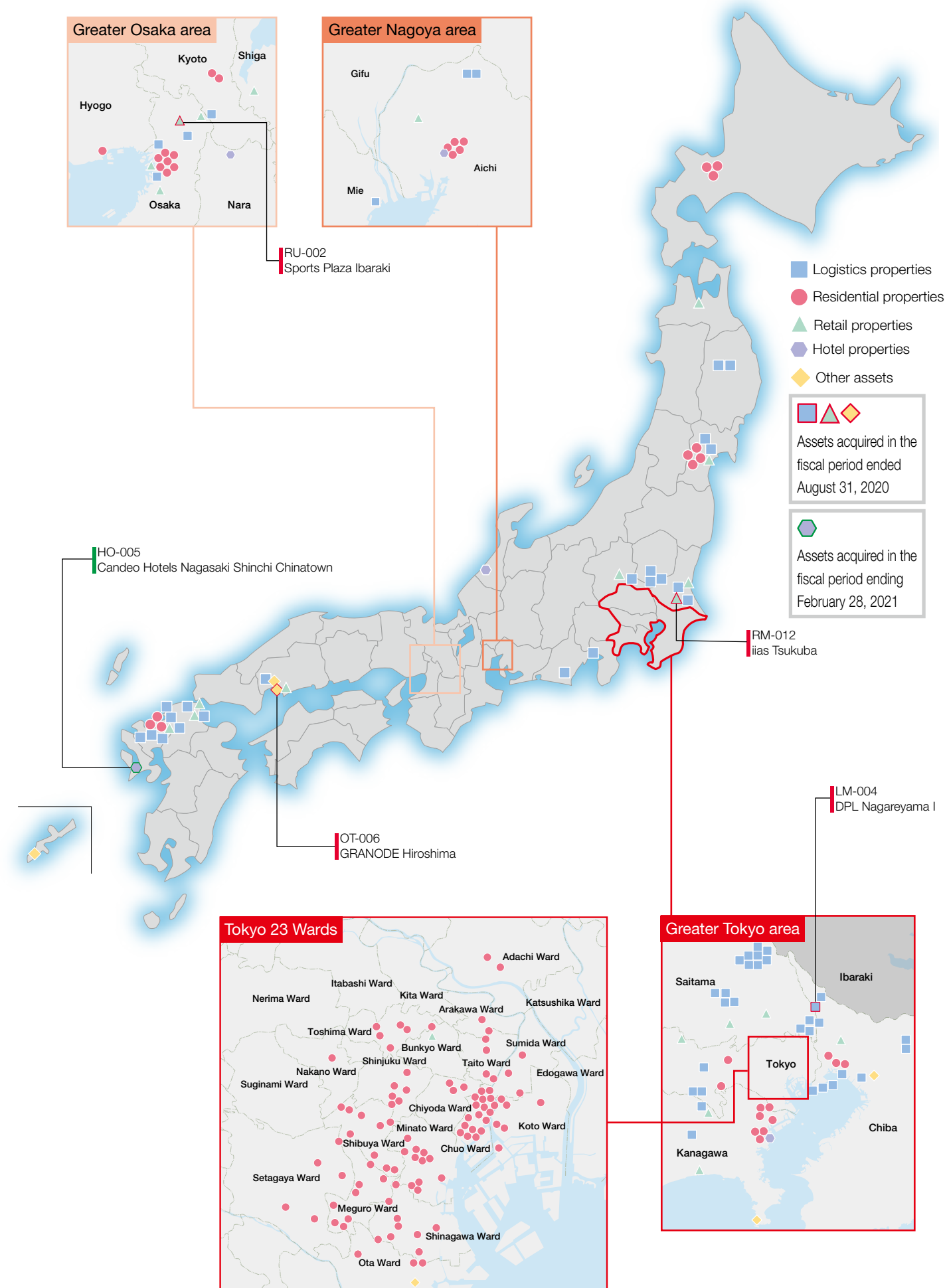


Other assets

OT-003 | Naha Shin-Toshin Center Building
(Daiwa Roynet Hotel Naha-Omoromachi)



Portfolio Map (as of September 30, 2020)



Financial Status

Financial Policy

DHR is working to improve the stability of its financial base by maintaining and expanding its strong lender formation, through initiatives geared toward diversifying methods of raising capital through issuance of investment corporation bonds, and by promoting use of long-term fixed rates on interest-bearing debt and staggering repayment dates. DHR's policy is to work toward stable financial operations by controlling our LTV (excluding goodwill) at around the 45% level.

Interest-bearing Debt (as of September 30, 2020)

In the fiscal period ended August 31, 2020, DHR arranged refinancing of ¥7,700 million and new borrowings of ¥28,000 million in March and April 2020, and issued ¥5,000 million investment corporation bonds (Green Bonds) in May 2020 to provide for the repayment of existing loans. As for the fiscal period ending February 28, 2021, we took out ¥2,000 million in new loans in September 2020.

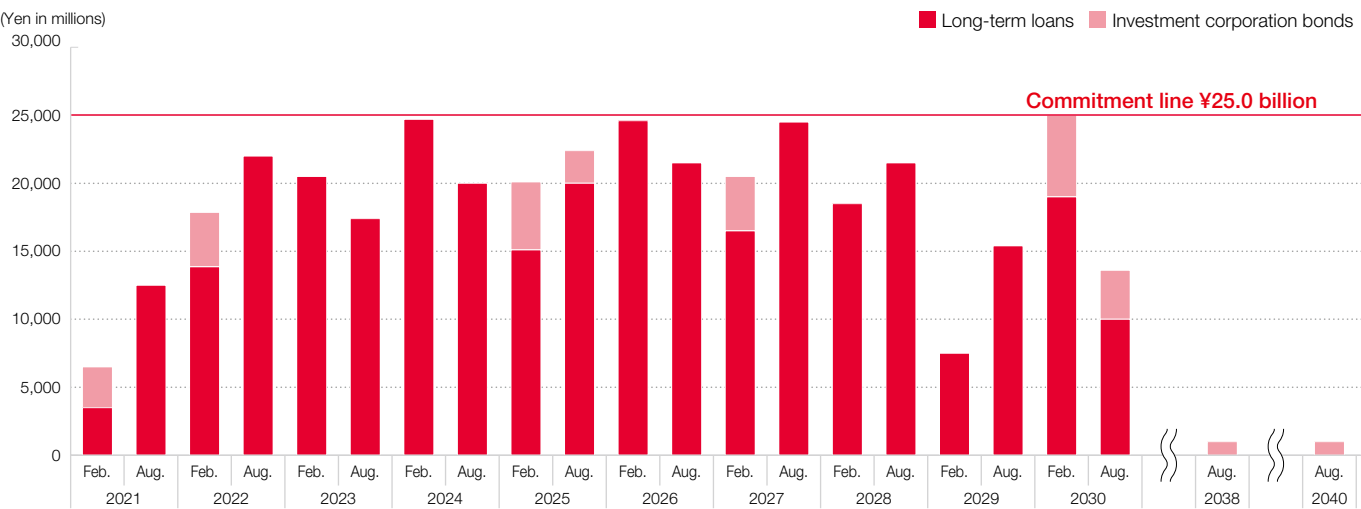
Total interest-bearing debt	¥378,558 million
Total loans	¥348,558 million
Total investment corporation bonds	¥30,000 million
LTV (excluding goodwill)	45.2%
LTV (including goodwill)	42.0%
Long-term interest-bearing debt ratio	95.0%
Fixed interest ratio	97.2%
Average interest rate	0.69%
Average remaining maturity	5.0 years
Commitment line	¥25,000 million

Breakdown by Lender (as of September 30, 2020)

Lender	Loan balance (Yen in millions)
Sumitomo Mitsui Trust Bank, Limited	61,529
Sumitomo Mitsui Banking Corporation	61,490
MUFG Bank, Ltd.	58,344
Mizuho Bank, Ltd.	53,520
Development Bank of Japan Inc.	18,900
The Norinchukin Bank	14,810
Aozora Bank, Ltd.	12,761
Resona Bank, Limited	12,500
Mizuho Trust & Banking Co., Ltd.	8,878
Shinsei Bank, Limited	6,500
Nippon Life Insurance Company	5,600
Shinkin Central Bank	5,000
Mitsui Sumitomo Insurance Company, Limited	4,500
The Bank of Fukuoka, Ltd.	3,500
The Chiba Bank, Ltd.	2,965
The 77 Bank, Ltd.	2,700
The Nishi-Nippon City Bank, Ltd.	2,500
The Dai-ichi Life Insurance Company, Limited	2,500
The Chugoku Bank, Limited	2,200
The Iyo Bank, Ltd.	2,000
The Bank of Kyoto, Ltd.	1,500
The Shizuoka Bank, Ltd.	1,260
JAPAN POST INSURANCE Co., Ltd.	1,100
Taiyo Life Insurance Company	1,000
The Yamaguchi Bank, Ltd.	500
The Yamanashi Chuo Bank, Ltd.	500
Total loans	348,558

(Note) The amounts were rounded down to the nearest million yen.

Diversifying Debt Maturities (as of September 30, 2020)



Rating / Outlook (as of August 31, 2020)

JCR (Japan Credit Rating Agency, Ltd.)	AA (Stable)	R&I (Rating and Investment Information, Inc.)	AA- (Stable)
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I. Asset Management Report

1. Summary of Asset Management

(1) Historical Operating Results

		25th period August 2018	26th period February 2019	27th period August 2019	28th period February 2020	29th period August 2020
Operating revenues (Note 1)	Yen in millions	22,211	23,127	24,877	25,018	26,613
Of which, real estate rental revenues	Yen in millions	22,211	23,013	24,722	24,712	26,613
Operating expenses	Yen in millions	12,942	13,166	14,175	14,459	15,039
Of which, real estate rental expenses	Yen in millions	8,944	9,184	10,062	10,278	10,737
Operating income	Yen in millions	9,269	9,960	10,702	10,559	11,574
Ordinary income	Yen in millions	7,770	8,597	9,166	9,126	9,936
Net income	Yen in millions	7,765	8,597	9,166	9,125	9,936
Total assets	Yen in millions	771,281	777,727	841,236	839,931	899,579
Period-on-period changes	%	13.2	0.8	8.2	(0.2)	7.1
Net assets	Yen in millions	430,596	429,223	463,170	460,341	491,302
Period-on-period changes	%	14.4	(0.3)	7.9	(0.6)	6.7
Unitholders' capital	Yen in millions	163,230	163,230	198,492	198,492	231,766
Total number of investment units issued	Units	1,927,000	1,927,000	2,075,000	2,075,000	2,196,000
Net assets per unit	Yen	223,454	222,741	223,214	221,851	223,725
Total distributions	Yen in millions	9,723	10,457	11,978	12,533	11,917
Distributions per unit	Yen	5,046	5,427	5,773	6,040	5,427
Of which, earnings distributions per unit	Yen	5,046	5,427	5,773	6,040	5,404
Of which, distributions in excess of earnings per unit	Yen	—	—	—	—	23
Ordinary income to total assets ratio (Note 2)	%	1.1	1.1	1.1	1.1	1.1
Annualized	%	2.1	2.2	2.2	2.2	2.3
Return on equity (Note 3)	%	1.9	2.0	2.1	2.0	2.1
Annualized	%	3.8	4.0	4.1	4.0	4.1
Equity ratio	%	55.8	55.2	55.1	54.8	54.6
Period-on-period changes	%	0.6	(0.6)	(0.1)	(0.3)	(0.2)
Payout ratio	%	123.6	121.7	130.6	137.3	119.4
<Other Reference Information>						
Rental NOI (Note 4)	Yen in millions	17,563	18,283	19,424	19,239	21,050
FFO per unit (Note 5)	Yen	7,346	7,747	7,598	7,526	7,789
FFO multiple (Note 6)	Times	17.7	15.9	18.6	17.8	17.9
Debt service coverage ratio (Note 7)	Times	14.2	14.8	14.6	14.8	15.5
Interest-bearing debt	Yen in millions	314,268	321,268	348,768	348,758	376,558
Interest-bearing debt to total assets ratio (Note 8)	%	40.7	41.3	41.5	41.5	41.9

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

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

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

4. Rental NOI = Real estate rental revenues – Real estate rental expenses + Depreciation and amortization during the period

5. FFO per unit = (Net income + Depreciation and amortization + Amortization of goodwill + Amortization of investment corporation bond issuance costs + Amortization of trademark rights + Amortization of software +/- Loss/gain on sale of real estate properties +/- Extraordinary loss/income) / Total number of investment units issued

6. FFO multiple = Investment unit price at the end of period / Annualized FFO per unit

7. Debt service coverage ratio = Net income before interest, depreciation and amortization / Interest expenses

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

(2) Asset Management during the Period

i) Transition of DHR

Daiwa House REIT Investment Corporation (hereinafter referred to as the “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 Real Estate Investment Trust (REIT) Market of Tokyo Stock Exchange, Inc. (hereinafter referred to as the “Tokyo Stock Exchange”) on March 22, 2006, and then later merged with New City Residence Investment Corporation (hereinafter referred to as “NCR”) on April 1, 2010 (hereinafter referred to as “the merger with NCR”). Subsequently on December 1, 2011, DHR changed its corporate name to Daiwa House Residential Investment Corporation (the corporation prior to change of corporate name to “Daiwa House REIT Investment Corporation” is hereinafter referred to as the “former DHI”), and accordingly changed its investment targets to residential properties.

The former Daiwa House REIT Investment Corporation (the Daiwa House REIT Investment Corporation, which was dissolved upon having merged with DHR as of September 1, 2016, is hereinafter referred to as the “former DHR”) was established on September 14, 2007, whose asset manager was Daiwa House REIT Management Co., Ltd., a wholly owned subsidiary of Daiwa House. The former DHR was listed on the Tokyo Stock Exchange Real Estate Investment Trust (REIT) Market on November 28, 2012, as a REIT that targets investment in logistics and retail properties.

As of September 1, 2016, the former DHI and the former DHR (hereinafter collectively referred to as the “Investment Corporations”) conducted an absorption-type merger (hereinafter referred to as the “Merger”) whereby the former DHI was the surviving corporation and the former DHR was the absorbed corporation. DHR shifted to a diversified portfolio strategy, targeting investment in new asset classes such as hotel and office properties, in addition to those that the Investment Corporations had targeted for investment in the past, and changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation.

ii) Performance for the Current Fiscal Period

DHR raised ¥34.3 billion of capital in its fourth public offering since the Merger and acquired three properties for a total acquisition price (Note 1) of ¥70.8 billion through the Daiwa House Group (Note 2)’s pipeline in April 2020 by a combination of funds raised through public offering and loans. Furthermore, DHR acquired one retail property for an acquisition price of ¥2.6 billion in August 2020 using funds in hand. As a result, DHR’s portfolio as of the end of the current fiscal period consists of 228 properties with an asset value of ¥819.1 billion (Note 3) (Note 4).

- (Notes)
1. “Acquisition price” is the purchase price stipulated in the respective purchase agreements of assets owned by DHR (not including expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, or leasehold guarantee deposits, etc.), except as otherwise noted. However, the acquisition prices of properties previously owned by NCR have been presented as the appraisal values as of February 28, 2010, which were the prices received at the time of the merger with NCR, and the acquisition prices of properties previously owned by the former DHR have been presented as the appraisal values as of August 31, 2016, which were the prices received at the time of the merger with the former DHR. The “total acquisition price” has been rounded down to the nearest unit. The same shall apply hereinafter.

2. The Daiwa House Group comprises Daiwa House, which is the parent company, 351 consolidated subsidiaries, 61 equity-method affiliates and one non-equity-method affiliate as of June 30, 2020. The Asset Manager is a member of the group. The same shall apply hereinafter.

3. “Asset value” is the aggregate total of the acquisition prices of respective assets owned by DHR at respective points in time, except as otherwise noted. The same shall apply hereinafter.

4. “ias Tsukuba” that was acquired in April 2020 (the additional acquisition of 70% quasi co-ownership) is counted independently as one property in the context of the number of properties acquired, but in the context of the number of properties held as of the end of the current fiscal period, the aforementioned together with the 30% quasi co-ownership that was acquired on April 5, 2019 is counted as one property. The same shall apply hereinafter.

iii) Overview of Financing

DHR arranged refinancing at a total amount of ¥7,700 million to provide for part of the funds for the repayment of ¥7,900 million in existing loans due on March 31 and April 1, 2020. Furthermore, DHR conducted debt financing of a total amount of ¥28,000 million on April 1 and April 3, 2020, to provide for part of the acquisition costs and the related expenses for the acquisition of properties through the Daiwa House Group’s pipeline. Moreover, DHR issued its 10th, 11th, and 12th Unsecured Investment Corporation Bonds (Green Bonds) at a total amount of ¥5,000 million on May 27, 2020 to provide for part of the early repayment of a total of ¥5,000 million in existing loans.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥376,558 million (loan balance: ¥346,558 million, investment corporation bond balance: ¥30,000 million), which is an increase of ¥27,800 million in comparison with the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 41.9%, and its LTV (excluding goodwill) (Note 2) was 45.0%.

- (Notes)
1. “LTV (including goodwill)” is obtained using the following formula. The same shall apply hereinafter.
LTV (including goodwill) = total amount of interest-bearing debt (loans + investment corporation bonds) ÷ total assets (including goodwill) × 100

2. “LTV (excluding goodwill)” is obtained using the following formula. The same shall apply hereinafter.
LTV (excluding goodwill) = total amount of interest-bearing debt (loans + investment corporation bonds) ÷ total assets (excluding goodwill) × 100

The credit ratings of DHR as of the date of this report are as follows:

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

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 ¥906,406 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value, was ¥119,888 million.

- (Note)
- “Unrealized gain” is the positive valuation difference when the appraisal value exceeds the book value of real estate properties (excluding construction in progress and construction in progress in trust). (Negative valuation difference is referred to as unrealized loss.) The same shall apply hereinafter. Please note that unrealized gain is not guaranteed to be realized as a result of the sale of real estate.

v) Overview of Financial Results

As a result of the abovementioned investment management activities, in the current fiscal period, DHR posted operating revenues of ¥26,613 million, operating income of ¥11,574 million, ordinary income of ¥9,936 million, and net income of ¥9,936 million. Based on its distribution policy, ¥1,982 million in amortization of goodwill was added to net income. The total amount of distributions is ¥11,917 million (¥5,427 per investment unit) after the fractional parts of amounts less than ¥1 per investment unit for each type of distribution listed in the breakdown of distributions below have been adjusted.

Furthermore, the breakdown of distributions includes income of ¥11,867 million (¥5,404 per investment unit) as provided for in Article 136,

paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended. Hereinafter referred to as the “Investment Trusts Act”) as earnings distributions and an allowance for temporary difference adjustments of ¥50 million (¥23 per investment unit) as distributions in excess of earnings.

(3) Summary of Capital Increase

Changes in DHR’s total number of investment units issued and unitholders’ capital for the most recent five years until August 31, 2020 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders’ capital (Yen in millions)		Remark
		Change	Balance	Change	Balance	
September 1, 2016	Delivery by allotment due to merger	771,540	1,519,280	–	61,703	(Note 1)
March 21, 2017	Capital increase through public offering	156,720	1,676,000	42,625	104,328	(Note 2)
April 14, 2017	Capital increase through third-party allotment	14,000	1,690,000	3,807	108,136	(Note 3)
March 19, 2018	Capital increase through public offering	222,000	1,912,000	51,607	159,743	(Note 4)
April 13, 2018	Capital increase through third-party allotment	15,000	1,927,000	3,486	163,230	(Note 5)
March 1, 2019	Capital increase through public offering	138,000	2,065,000	32,879	196,110	(Note 6)
March 26, 2019	Capital increase through third-party allotment	10,000	2,075,000	2,382	198,492	(Note 7)
March 2, 2020	Capital increase through public offering	121,000	2,196,000	33,273	231,766	(Note 8)

(Notes) 1. At the time of the merger, which became effective as of September 1, 2016, DHR allotted 2.2 units of DHR per unit of the former DHR, and as a result, 771,540 new investment units were issued.
2. Investment units were issued by public offering with an issue price of ¥280,868 per unit (paid-in amount: ¥271,983) in order to raise funds for the acquisition of new properties, etc.
3. Additional investment units were issued with a paid-in amount of ¥271,983 per unit in order to raise funds for the acquisition of new properties, etc.
4. Investment units were issued by public offering with an issue price of ¥239,806 per unit (paid-in amount: ¥232,465) in order to raise funds for the acquisition of new properties, etc.
5. Additional investment units were issued with a paid-in amount of ¥232,465 per unit in order to raise funds for the acquisition of new properties, etc.
6. Investment units were issued by public offering with an issue price of ¥245,784 per unit (paid-in amount: ¥238,260) in order to raise funds for the acquisition of new properties, etc.
7. Additional investment units were issued with a paid-in amount of ¥238,260 per unit in order to raise funds for the acquisition of new properties, etc.
8. Investment units were issued by public offering with an issue price of ¥283,670 per unit (paid-in amount: ¥274,986) in order to raise funds for the acquisition of new properties, etc.

[Changes in market price of investment securities]

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

	25th period	26th period	27th period	28th period	29th period
Fiscal period ended	August 2018	February 2019	August 2019	February 2020	August 2020
Highest	¥276,000	¥261,100	¥280,800	¥318,000	¥286,500
Lowest	¥244,000	¥238,800	¥241,700	¥269,200	¥181,100
Beginning of period	¥251,300	¥256,900	¥247,200	¥282,000	¥278,500
End of period	¥257,600	¥248,400	¥280,400	¥269,200	¥277,000

(4) Distributions

For the relevant period, of the total amount of ¥11,918,267,588 when combining net income of ¥9,936,041,002 and amortization of goodwill of ¥1,982,226,586, DHR decided to pay a total of ¥11,917,692,000 in distributions, for distributions per unit of ¥5,427, after adjusting the fractional parts of amounts less than ¥1 per investment unit for each type of distribution listed in the breakdown of distributions below. The breakdown of distributions was ¥11,867,184,000 as earnings distributions (¥5,404 per unit) and ¥50,508,000 in allowance for temporary difference adjustments as distributions in excess of earnings (¥23 per unit).

	25th period From March 1, 2018 to August 31, 2018	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019	28th period From September 1, 2019 to February 29, 2020	29th period From March 1, 2020 to August 31, 2020
Unappropriated retained earnings (Yen in thousands)	7,765,290	8,597,087	9,166,085	9,125,933	9,936,041
Amount retained as voluntary reserve / retained earnings carried forward (Note) (Yen in thousands)	10,791,107	8,930,366	6,117,477	2,710,410	779,267
Total distributions (Yen in thousands)	9,723,642	10,457,829	11,978,975	12,533,000	11,917,692
Distributions per unit (Yen)	5,046	5,427	5,773	6,040	5,427
Of the above, total earnings distributions (Yen in thousands)	9,723,642	10,457,829	11,978,975	12,533,000	11,867,184
Earnings distributions per unit (Yen)	5,046	5,427	5,773	6,040	5,404
Of the above, total capital refunds (Yen in thousands)	–	–	–	–	50,508
Capital refunds per unit (Yen)	–	–	–	–	23
Of total capital refunds, total distributions deemed as distributions from the allowance for temporary difference adjustments (Yen in thousands)	–	–	–	–	50,508
Of capital refunds per unit, distributions deemed as distributions from the allowance for temporary difference adjustments per unit (Yen)	–	–	–	–	23
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	–	–	–	–	–

(Note) Amount retained as voluntary reserve from 25th period to 28th period indicates the sum of the amount retained as reserve for temporary difference adjustments and reserve for distribution after accumulation and reversal of reserves.

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, the Japanese economy was largely impacted by depressed private consumption, imports and exports, and capital expenditures due to the stay-at-home advisory and other measures with the state of emergency declared by the Japanese government in April 2020 in response to the spread of COVID-19, as well as the disappearance of inbound demand from stagnation in global economic activities. As a result, the real GDP growth rate (the 2nd preliminary) declined by 7.9% compared with the previous quarter (28.1% annualized) from April to June 2020, amounting to large-scale negative growth that exceeded the period following the 2008 global financial crisis.

In the J-REIT market, the Tokyo Stock Exchange REIT Index plunged to 1,145 points on a closing-price base on March 19, 2020 due to concern over deteriorating results from reduced revenues from rent due to COVID-19 and uncertainty over the future. At present, the Tokyo Stock Exchange REIT Index has recovered to 1,747 points at the end of August 2020 with the growing move to reopen economic activities.

ii) Future Operating Policies and Issues to Be Addressed

(a) Growth Strategy

Due to its shift to a diversified portfolio strategy as a result of the Merger, taking advantage of the expanded opportunities to acquire properties from an extensive range of asset classes, DHR aims to steadily grow its asset size while maximizing unitholder value by securing stable income over the long term.

Due to its shift to a diversified portfolio strategy, DHR's portfolio now includes a range of assets with varying risk-return profiles, and as of the date of this report, maintains high occupancy rates for assets held. By investing in various types of assets, DHR deems that it will be able to diversify its portfolio and mitigate the risk of excessive reliance on a limited number of tenants in order to boost portfolio income and generate cash flows that are more consistent.

DHR carefully selects and acquires assets that contribute to increasing unitholder value mainly through the Daiwa House Group's pipeline and plans to maintain its policy of selective investment going forward.

Furthermore, through continuous property replacement, DHR aims to increase the quality of its portfolio and realize increased unitholder value.

(b) ESG initiatives

The Daiwa House Group's basic approach is "Creating Dreams, Building Hearts." As a group that co-creates value for individuals, communities and people's lifestyles, the group aims to build trust relationships with stakeholders and contribute to society through its businesses, and to realize a sustainable society by meeting the challenge of achieving "zero environmental impacts."

The Asset Manager shares the Daiwa House Group's basic approach as DHR's asset manager, and considers that including consideration for the environment, society, and governance in its real estate investment management operations contributes to DHR's basic policy of ensuring stable revenue and steady asset growth over the long term. Therefore, we have established the "Sustainability Policy" to guide our real estate investment management.

The Asset Manager considers efforts such as energy conservation and reducing greenhouse gas emissions in relation to asset management to be of paramount importance. It establishes individual policies for the matter and strives to reduce the burden it puts on the environment. The Asset Manager's reduction targets of energy consumption (long-term targets) are to reduce energy consumption and CO2 emission intensity by 10% over the ten-year period from 2018 to 2027.

(c) Distribution Policy

DHR changed part of its distribution policy in the fiscal period ended February 28, 2017 and made it a policy to reverse the amount equivalent to amortization of goodwill from the voluntary reserve (reserve for temporary difference adjustments and reserve for distribution; the same shall apply hereinafter) (Note 1) and to distribute this to top up net income. After the voluntary reserve is fully reversed with the distributions paid for the fiscal period ended August 31, 2020, distributions in excess of earnings in the amount equivalent to amortization of goodwill are paid (distribution accounted as an allowance for temporary difference adjustments and other distributions in excess of earnings).

Furthermore, in the case of the occurrence of excess taxable income over accounting income associated with sale of properties that causes a need for DHR to take action to maintain its conduit status, DHR plans to conduct additional distributions in excess of earnings (distribution accounted as an allowance for temporary difference adjustments) to reduce the occurrence of corporate taxes.

However, where there is an occurrence of special gains such as gain on sale of real estate properties, other distributions in excess of earnings, which is a part of the above-mentioned distributions in excess of earnings in the amount equivalent to amortization of goodwill, can be reduced by an amount equivalent to part of the gain on sale of real estate properties.

DHR's policy is to pay distributions in excess of earnings (distribution accounted as an allowance for temporary difference adjustments and other distributions in excess of earnings) to realize stabilization of distributions on a medium- to long-term basis (Note 2) while ensuring the level of distributions not impacted by the amortization of goodwill that accompanied the Merger.

(Notes) 1. DHR's reversals of voluntary reserve do not fall under distributions in excess of earnings (return of unitholders' capital).
2. Under the above distribution policy, DHR has the policy to stabilize distributions. However, it is not intended as a guarantee or promise of the payment of distribution and amounts thereof.

iii) Financial Strategy

DHR seeks as its basic policy to execute a well-planned and flexible financial strategy with the aim of ensuring sustainable income 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 strong lender formation through initiatives geared toward diversifying methods of raising capital through issuance of investment corporation bonds, and by promoting use of long-term fixed rates on interest-bearing debt and staggering repayment dates.

(6) Significant Events after Balance Sheet Date

A. Acquisition of Assets

DHR acquired the following property:

Asset name	Candeo Hotels Nagasaki Shinchi Chinatown
Asset type	Trust beneficiary interest in real estate
Asset class	Hotel
Acquisition price (Note 1)	¥3,140,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Date of acquisition	September 30, 2020

(Notes) 1. This figure does not include expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, etc.
2. Daiwa House, which is the seller of Candeo Hotels Nagasaki Shinchi Chinatown, is defined as an interested party, etc. in the Investment Trusts Act. Therefore, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.

B. Debt Financing

DHR conducted debt financing for acquiring the property mentioned in "A. Acquisition of Assets" above, on September 30, 2020, as follows:

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Collateral
Shinsei Bank, Limited	1,000	0.4629% (Fixed interest rate)	September 30, 2020	September 30, 2027	Bullet repayment	Unsecured and non-guaranteed
The Dai-ichi Life Insurance Company, Limited	1,000	0.440% (Fixed interest rate)	September 30, 2020	March 31, 2026	Bullet repayment	Unsecured and non-guaranteed

2. Overview of the Investment Corporation

(1) Status of Investment Units

	25th period As of August 31, 2018	26th period As of February 28, 2019	27th period As of August 31, 2019	28th period As of February 29, 2020	29th period As of August 31, 2020
Total number of authorized investment units	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued	1,927,000	1,927,000	2,075,000	2,075,000	2,196,000
Unitholders' capital (Yen in thousands)	163,230,367	163,230,367	198,492,847	198,492,847	231,766,153
Number of unitholders	16,962	16,903	17,717	16,349	18,024

(2) Matters concerning Investment Units

The major unitholders as of August 31, 2020 are as follows:

Name	Number of investment units held (Units)	Percentage of investment units held against the total number of investment units issued (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	431,937	19.7
The Master Trust Bank of Japan, Ltd. (Trust account)	325,182	14.8
Daiwa House Industry Co., Ltd.	189,200	8.6
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	106,158	4.8
State Street Bank - West Client - Treaty 505234	67,627	3.1
Custody Bank of Japan, Ltd. (Securities investment trust account)	65,593	3.0
SMBC Nikko Securities Inc.	36,121	1.6
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	35,308	1.6
JPMorgan Securities Japan Co., Ltd.	29,991	1.4
State Street Bank and Trust Company 505103	27,307	1.2
Total	1,314,424	59.9

(Note) The percentages are rounded to the first decimal place.

(3) Officers

The following table provides information about the officers.

Title and post	Name	Major concurrent position	Total remuneration per title during the 29th period (Yen in thousands)
Executive Director	Toshiharu Asada	—	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	—	39,000

(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 remuneration for audits.
3. ¥22,500 thousand of the remuneration for the Accounting Auditor is related to the preparation of a comfort letter.

(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, MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation

3. Portfolio of DHR

(1) Composition of Assets

The following table provides information about the composition of assets.

Type of assets	Asset class	Area (Note 1)	28th period February 29, 2020		29th period August 31, 2020		
			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	Three major metropolitan areas of Japan	Greater Tokyo area	23,693	2.8	23,648	2.6
			Greater Nagoya area	894	0.1	897	0.1
			Greater Osaka area	13,219	1.6	13,134	1.5
		Other	5,239	0.6	5,194	0.6	
	Retail properties	Other	1,466	0.2	1,471	0.2	
	Subtotal		44,514	5.3	44,346	4.9	
Trust beneficiary interests in real estate	Logistics properties	Three major metropolitan areas of Japan	Greater Tokyo area	238,522	28.4	270,449	30.1
			Greater Nagoya area	15,668	1.9	15,573	1.7
			Greater Osaka area	22,773	2.7	22,621	2.5
		Other	88,706	10.6	88,114	9.8	
	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	166,372	19.8	165,579	18.4
			Greater Nagoya area	5,927	0.7	5,868	0.7
			Greater Osaka area	6,013	0.7	5,979	0.7
		Other	4,914	0.6	4,822	0.5	
	Retail properties	Three major metropolitan areas of Japan	Greater Tokyo area	32,432	3.9	32,305	3.6
			Greater Nagoya area	2,390	0.3	2,390	0.3
			Greater Osaka area	20,381	2.4	22,981	2.6
		Other	39,325	4.7	63,042	7.0	
	Hotel properties	Three major metropolitan areas of Japan	Greater Tokyo area	4,758	0.6	4,735	0.5
			Greater Nagoya area	4,531	0.5	4,516	0.5
			Greater Osaka area	1,459	0.2	1,450	0.2
		Other	5,200	0.6	5,167	0.6	
	Other assets	Three major metropolitan areas of Japan	Greater Tokyo area	3,268	0.4	3,241	0.4
		Other	9,101	1.1	23,499	2.6	
Subtotal			671,749	80.0	742,342	82.5	
Deposits and other assets			123,667	14.7	112,890	12.5	
Total assets			839,931	100.0	899,579	100.0	

(Notes) 1. Three major metropolitan areas of Japan in "Area" are the greater Tokyo area (Tokyo, Kanagawa, Saitama and Chiba, the same shall apply hereinafter), the greater Nagoya area (Aichi, Gifu and Mie, the same shall apply hereinafter) and the greater Osaka area (Osaka, Kyoto, Hyogo, Nara and Shiga, the same shall apply hereinafter). The same shall apply hereinafter.
2. "Total amount held" represents the amounts recorded on the balance sheets as of the last day of each fiscal period (February 29, 2020 and August 31, 2020), 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 prices (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, 2020 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total real estate rental revenues (%) (Note 5)	Primary use
iiias Tsukuba	34,165	138,900.39	138,900.39	100.0	3.6	Retail
DPL Nagareyama I	32,728	124,489.93	124,489.93	100.0	(Note 6)	Logistics
D Project Urayasu II	25,383	72,320.01	72,320.01	100.0	(Note 6)	Logistics
DPL Misato	16,506	55,864.47	55,864.47	100.0	(Note 6)	Logistics
D Project Hachioji	15,040	62,394.17	62,394.17	100.0	(Note 6)	Logistics
GRANODE Hiroshima	14,442	14,962.23	14,734.08	98.5	1.4	Other assets
DPL Fukuoka Kasuya	13,124	73,754.20	73,754.20	100.0	(Note 6)	Logistics
D Project Itabashi Shingashi	12,254	33,763.46	33,763.46	100.0	(Note 6)	Logistics
D Project Inuyama	10,325	54,197.80	54,197.80	100.0	(Note 6)	Logistics
D Project Nishiyodogawa	9,813	39,584.80	39,584.80	100.0	(Note 6)	Logistics
Total	183,784	670,231.46	670,003.31	100.0	18.7	–

(Notes) 1. "Book value" is the amount recorded on the balance sheets as of August 31, 2020 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust and the figures stated refer to the area DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building, etc. in relation to each real estate or each real estate in trust as of August 31, 2020. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
3. "Leased area" represents the leased area in the leasable area as indicated in the lease agreement in relation to each real estate or each real estate in trust as of August 31, 2020. However, in the case of a pass-through type master lease agreement entered into with the master lease company, the leased area to end-tenants indicated in each sublease agreement entered into between the master lease company and end-tenants for each real estate or each real estate in trust as of August 31, 2020, is provided. As some lease agreements for each real estate or each real estate in trust may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular, at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leased area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
4. "Occupancy rate" represents occupancy rate (the percentage of leased area to the leasable area) of each property as of August 31, 2020, which is rounded to the first decimal place.
5. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of the total rental revenues from the entire portfolio, rounded to the first decimal place.
6. Undisclosed as consent for disclosure has not been obtained from the lessee.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of August 31, 2020 (real estate and real estate in trust, etc.) is as follows:

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Machida	2-1-6, Oyamagaoka, Machida City, Tokyo	Real estate in trust	50,490.39	9,860	9,119
	D Project Hachioji	3-21-1, Minami-Osawa, Hachioji City, Tokyo	Real estate in trust	62,394.17	17,100	15,040
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa	Real estate in trust	14,240.84	4,470	3,723
	D Project Urayasu I	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	36,515.81	9,730	9,060
	D Project Urayasu II	11-5, Chidori, Urayasu City, Chiba	Real estate in trust	72,320.01	28,100	25,383
	D Project Akanehama	3-2-8, Akanehama, Narashino City, Chiba	Real estate in trust	11,663.39	3,080	2,849
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda City, Chiba	Real estate in trust	29,232.53	6,550	5,972
	D Project Inuyama	5-5, Aza Takanebora, Inuyama City, Aichi	Real estate in trust	54,197.80	11,760	10,325
	D Project Neyagawa	2-24-12, Shimeno, Neyagawa City, Osaka	Real estate in trust	11,151.51	6,320	5,786
	D Project Morioka	3-18, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	9,558.32	1,210	1,158
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura City, Ibaraki	Real estate in trust	17,448.86	3,560	3,191
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka	Real estate in trust	24,729.56	4,850	4,079
	D Project Tosu	1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	17,858.01	6,130	5,378
	D Project Kuki I	6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	22,708.72	4,220	3,744
	D Project Kuki II	6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	50,490.00	8,830	7,670
	D Project Kawagoe I	3-2-3, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	16,150.88	3,880	3,401
	D Project Kawagoe II	3-2-4, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	19,872.00	5,380	4,687
	DPL Inuyama	1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi	Real estate in trust	21,628.50	4,240	3,764
	D Project Fukuoka Hakozaki	5-2-1, Hakozakifuto, Higashi Ward, Fukuoka City, Fukuoka	Real estate in trust	34,710.80	4,610	4,191

I. Asset Management Report

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Kuki III	6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	26,937.41	8,420	7,270
	D Project Kuki IV	6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	26,460.00	6,080	5,266
	D Project Kuki V	6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	47,320.89	9,020	7,937
	D Project Kuki VI	48-3, Kiyoku-cho, Kuki City, Saitama	Real estate in trust	29,244.66	5,590	4,894
	D Project Yashio	50-1, Oaza Shin-machi, Yashio City, Saitama	Real estate in trust	21,965.04	6,750	6,154
	D Project Nishiyodogawa	2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka	Real estate in trust	39,584.80	10,900	9,813
	D Project Matsudo	700-3, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	26,776.67	7,740	7,126
	D Project Hibiki Nada	3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka	Real estate in trust	23,933.75	2,190	1,963
	D Project Morioka II	3-15, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	4,481.00	1,320	1,223
	D Project Kawagoe III	2-8-55, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	39,572.32	7,860	6,951
	D Project Kazo	2-16-1, Okuwa, Kazo City, Saitama	Real estate in trust	18,371.10	3,610	3,183
	D Project Urayasu III	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	39,441.32	9,750	8,570
	D Project Tomisato	7-2, Misawa, Tomisato City, Chiba	Real estate in trust	36,113.25	5,300	4,785
	D Project Kyotanabe	3-50-1, Kannabidai, Kyotanabe City, Kyoto	Real estate in trust	10,965.68	3,790	3,428
	D Project Sendai Izumi	2-9-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	10,764.05	1,590	1,449
	D Project Oyama	2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi	Real estate in trust	14,106.91	2,050	1,923
	D Project Sano	570-9, Nishiura-cho, Sano City, Tochigi	Real estate in trust	15,668.44	1,830	1,698
	D Project Tatebayashi	110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma	Real estate in trust	13,521.56	3,220	2,971
	D Project Kakegawa	653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka	Real estate in trust	39,341.44	6,150	5,809
	D Project Hiroshima Seifu	2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	19,004.72	4,050	3,689
	D Project Tosu II	1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	13,012.50	1,910	1,624
	D Project Kawagoe IV	3-2-1, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	24,684.47	5,930	5,509
	D Project Kuki VII	6004-3, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	3,225.46	1,150	1,031
	D Project Chibakita	461-1, Naganumacho, Inage Ward, Chiba City, Chiba	Real estate in trust	24,368.86	8,300	7,554
	D Project Matsudo II	700-1, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	25,305.82	8,490	8,053
	D Project Tomisato II	1-6, Misawa, Tomisato City, Chiba	Real estate in trust	40,870.56	7,100	6,721
	D Project Osaka Hirabayashi	2-6-15, Hirabayashikita, Suminoe Ward, Osaka City, Osaka	Real estate in trust	22,485.08	4,250	3,594
	D Project Sendai Izumi II	3-1-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	39,580.46	7,520	7,071
	D Project Kaminokawa	2568-1, Aza Minamihara, Oaza Tako, Kaminokawamachi, Kawachi District, Tochigi	Real estate in trust	52,239.75	8,070	7,699
	D Project Fuji	2261-6, Aza Shiroyama, Obuchi, Fuji City, Shizuoka	Real estate in trust	23,795.40	3,640	3,499
	D Project Tosu III	3-1-3, Yayoigaoka, Tosu City, Saga	Real estate in trust	65,215.07	9,470	8,939
	D Project Kitahachioji I	2969-2, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	16,523.82	4,450	4,274
	D Project Kitahachioji II	2969-18, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	21,402.20	5,870	5,681
	D Project Kitahachioji III	2969-19, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	26,275.05	7,570	7,272
	D Project Itabashi Shingashi	1-2-2, Shingashi, Itabashi Ward, Tokyo	Real estate in trust	33,763.46	12,400	12,254
	D Project Sagamihara	1-2-31, Miyashimo, Chuo Ward, Sagamihara City, Kanagawa	Real estate in trust	16,599.30	3,990	3,871
	D Project Kuki VIII	49-3, Kiyokucho, Kuki City, Saitama	Real estate in trust	29,410.54	6,240	6,043
	D Project Yokkaichi	1947-14, Nakamuracho, Yokkaichi City, Mie	Real estate in trust	6,185.46	1,500	1,482
	D Project Ibaraki Ishioka	6-4, Kashiwabara, Ishioka City, Ibaraki	Real estate in trust	24,493.54	4,130	4,012
	DPL Misato	1-3-5, Inter-Minami, Misato City, Saitama	Real estate in trust	55,864.47	18,000	16,506
	DPL Fukuoka Kasuya	642-1, Aza Sanjyuroku, Oaza Uchihashi, Kasuyamachi, Kasuya District, Fukuoka	Real estate in trust	73,754.20	13,600	13,124
	DPL Kitakyushu	5-14, Sonekitamachi, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	26,672.98	3,580	3,414
	DPL Nagareyama I	1374-1, Aza Taneishita, Nishifukai, Nagareyama City, Chiba	Real estate in trust	124,489.93	33,000	32,728
	Logistics properties – Subtotal			1,871,155.49	431,250	396,608
Residential properties	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	9,420	7,407
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,510	4,110
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,460	2,382
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,350	2,297
	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	2,030	2,043
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,230	1,070

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,360	2,036
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,780	2,729
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,670	2,517
	Castalia Shinjuku Natsumezaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,660	1,768
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,790	1,627
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,210	1,323
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,590	2,316
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,380	1,668
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,660	1,465
	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,590	1,194
	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,410	1,075
	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	1,150	890
	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	1,010	801
	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	1,020	847
	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	776	643
	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	683	546
	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	568	432
	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,420	874
	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,520	968
	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo	Real estate in trust	1,308.38	1,150	836
	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,820	1,223
	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,580	1,061
	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	823	598
	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	3,400	2,557
	Castalia Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	1,110	804
	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	870	593
	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	564	461
	Castalia Shintomicho IV	3-10-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	681.00	538	386
	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,460	1,137
	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	794	607
	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	3,160	2,704
	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	3,380	2,476
	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	8,960	7,304
	Castalia Higashi Nihonbashi	9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo	Real estate	6,442.28	4,210	3,241
	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,540	2,796
	Castalia Ichigaya	14-4, Ichigaya Yakuoji-machi, Shinjuku Ward, Tokyo	Real estate in trust	1,546.34	1,400	867
	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	9,260	6,401
	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,510	1,987
	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,290	1,834
	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,720	1,383
	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,830	3,949
	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	538	570
	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,180	991
	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,350	1,303
	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,690	1,281
	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	852	696
	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	1,190	865
	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,370	958
	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,480	1,145
	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,130	911
	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	3,090	2,391
	Castalia Kaname-cho	5-26-10, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,310	1,080
	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	9,320	6,728
	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	854	817
	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	2,220	1,436
	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,250	964
	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	890	745
	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	616	466
	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	231	177
	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	1,110	778
	Castalia Wakabayashikoen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	907	738
	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	1,010	717
	Castalia Iriya	3-1-28, Shiya, Taito Ward, Tokyo	Real estate in trust	1,415.15	685	508

I. Asset Management Report

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	2,990	2,343
	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	874	598
	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,630	1,265
	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	612	511
	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,330	985
	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,170	854
	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	1,030	823
	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,870	1,941
	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,200	959
	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,540	1,110
	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,470	1,657
	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	10,400	5,830
	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,490	1,546
	Castalia Ooimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,650	1,123
	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,830	1,376
	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,360	1,793
	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,280	1,537
	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	3,040	2,219
	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,810	3,750
	Castalia Meguro Chojyamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,510	1,973
	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,950	1,730
	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,820	1,443
	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,400	1,186
	Royal Parks SEASIR	1-16-2, Nishiarai Sakae-cho, Adachi Ward, Tokyo	Real estate in trust	17,269.74	5,150	3,863
	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,880	1,488
	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	2,110	1,651
	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	774	578
	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	815	676
	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	998	727
	Castalia Nogeeyama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	744.90	329	291
	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	561	413
	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	6,620	4,715
	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	1,970	1,614
	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo	Real estate in trust	21,367.93	4,830	3,689
	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	11,500	7,951
	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa	Real estate in trust	3,009.74	2,150	1,648
	Royal Parks Musashikosugi	13-8, Aza Shinjuku-kochi, Nakamaruko, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	3,808.97	1,360	951
	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,850	1,277
	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,660	1,213
	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	5,430	3,951
	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,260	897
	Castalia Maruyama Urasando	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	1,522.89	511	352
	Castalia Maruyama Omotesando	21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	6,100.31	2,000	1,500
	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	1,060	820
	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,700	2,864
	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,560	1,037
	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	581	401
	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	967	678
	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	847	584
	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,860	1,981
	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,580	2,316
	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido	Real estate in trust	8,661.19	2,760	1,217
	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	3,250	1,896
	Castalia Meieki Minami	1-12-22, Meiekininami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	982	638

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,210	857
	Castalia Mibu	79, Mibu Aiai-cho, Nakagyo Ward, Kyoto City, Kyoto	Real estate in trust	2,828.39	1,530	1,066
	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,820	1,136
	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,740	2,468
	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	3,050	2,421
	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,160	1,533
	Castalia Kyoto Nishioji	100-1, Shichijo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto	Real estate	2,035.37	1,070	982
	Castalia Ningyocho III	1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo	Real estate in trust	2,897.06	2,640	1,963
	Royal Parks Umejima	5-25-33, Umeda, Adachi Ward, Tokyo	Real estate in trust	6,828.78	2,170	1,902
	Castalia Shinsakae II	1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	4,425.46	2,030	1,801
	Residential properties – Subtotal			472,121.87	298,470	225,126
	ACROSSMALL Shinkamagaya	2-12-1, Shin-Kamagaya, Kamagaya City, Chiba	Real estate in trust	41,742.84	8,660	7,432
	FOLEO Hirakata	1-20-10, Koyamichi, Hirakata City, Osaka	Real estate in trust	16,390.96	4,670	4,410
	QIZ GATE URAWA	3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama	Real estate in trust	9,720.49	4,450	4,158
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma	Real estate in trust	9,277.08	3,220	2,917
	ACROSSPLAZA Miyoshi (Land)	855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama	Real estate in trust	24,018.00	3,970	3,740
Retail properties	DREAM TOWN ALi	3-1-1, Hamada, Aomori City, Aomori	Real estate in trust	22,196.81	8,250	7,884
	ASOBIX (Land)	2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka	Real estate in trust	11,207.90	1,950	1,617
	FOLEO Ome Imai	3-10-9, Imai, Ome City, Tokyo	Real estate in trust	8,637.91	3,950	3,720
	FOLEO Otsu Ichiriyama	7-1-1, Ichiriyama, Otsu City, Shiga	Real estate in trust	62,917.73	8,770	7,931
	FOLEO Hakata	1-14-46, Higashinaka, Hakata Ward, Fukuoka City, Fukuoka	Real estate in trust	23,230.77 (Note 5)	3,700	3,129
	ACROSSMALL Semboku (Land)	5-456-67, Harayamadai, Minami Ward, Sakai City, Osaka	Real estate in trust	30,824.72	3,880	3,383
	iiias Tsukuba	5-19, Kenkyugakuen, Tsukuba City, Ibaraki	Real estate in trust	138,900.39	34,400	34,165
	LIFE Sagamihara Wakamatsu	5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa	Real estate in trust	2,973.44	1,850	1,646
	FOLEO Sendai Miyanomori	4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi	Real estate in trust	19,845.72	7,490	6,818
	ACROSSPLAZA Inazawa (Land)	5-1-1, Otsuka Minami, Inazawa City, Aichi	Real estate in trust	31,981.70	2,600	2,390
	Sports Depo and GOLF5 Kokurahigashi IC Store	2-18-17, Kamikuzuhara, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	8,899.89	2,400	2,143
	Hiratsuka Retail Property (Land)	1-2, Kuryozutsumi, Hiratsuka City, Kanagawa	Real estate in trust	28,002.92	6,680	5,857
	Royal Home Center Morinomiya (Land)	1-540-1, Tamatsukuri, Chuo Ward, Osaka City, Osaka	Real estate in trust	6,669.74	5,280	4,541
	Aoyama Tailor Bunkyo Sengoku Ekimae Store	2-29-21, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	1,066.95	766	768
	FOLEO Shobu	6006-1, Aza Terada, Shobu, Shobucho, Kuki City, Saitama	Real estate in trust	19,104.17	5,150	4,981
	Hapias Kaita (Land)	2-1262-11, Une, Kaita-cho, Aki District, Hiroshima	Real estate	13,415.52	1,520	1,471
Hotel properties	COMBOX310	1-107-1, Miyamachi, Mito City, Ibaraki	Real estate in trust	30,517.69	4,680	4,367
	Sports Plaza Ibaraki	6-2, Eidai-cho, Ibaraki City, Osaka (Retail Building) 9-22, Eidai-cho, Ibaraki City, Osaka (Land of Parking Garage)	Real estate in trust	9,470.27	2,720	2,714
	Retail properties – Subtotal			571,013.61	131,006	122,190
	Daiwa Roynet Hotel Yokohama Kannai	2-7-4, Hagoromocho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	7,932.37	5,030	4,735
	Super Hotel JR Nara Station Sanjo Street	500-1, Sanjo-cho, Nara City, Nara	Real estate in trust	2,637.18	1,500	1,450
	Daiwa Roynet Hotel Nagoya Shinkansenguchi	1-23, Tsubakicho, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	7,605.41	4,420	4,516
	AGORA Kanazawa	2-25-17, Katamachi, Kanazawa City, Ishikawa	Real estate in trust	7,011.58	5,490	5,167
	Hotel properties – Subtotal			25,186.54	16,440	15,870

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Other assets	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba	Real estate in trust	4,177.52	1,280	816
	Aburatsubo Marina HILLS	1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa	Real estate in trust	3,901.14	1,230	1,037
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	1-1-12, Omoromachi, Naha City, Okinawa	Real estate in trust	13,480.00	8,150	7,223
	Sharp Hiroshima Building	2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	3,064.89	1,950	1,814
	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	5-25-21, Omorinishi, Ota Ward, Tokyo	Real estate in trust	1,345.60	1,380	1,387
	GRANODE Hiroshima	3-5-7, Futabanosato, Higashi Ward, Hiroshima City, Hiroshima	Real estate in trust	14,962.23	15,250	14,442
	Other – Subtotal			40,931.38	29,240	26,721
	Total			2,980,408.89	906,406	786,517

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

2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust and the figures stated refer to the area DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building, etc. in relation to each real estate or each real estate in trust as of August 31, 2020. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.

3. "Assessed value at the end of period" is the appraisal value as of August 31, 2020 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Real Estate Institute and JLL Mori Valuation & Advisory K.K.) in accordance with the Articles of Incorporation of DHR as well as "Regulations on Accounting of Investment Corporations." The amounts are rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.

4. "Book value" is the amount recorded on the balance sheets as of August 31, 2020 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.

5. Separately from the building of this property, a part of the land of this property is leased to the lessee for the purpose of subleasing to Fukuoka Prefecture and other third parties as land for a police station, etc. Therefore, the area of such leased land is not included in the leasable area.

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

Asset class	Property name	28th period (From September 1, 2019 to February 29, 2020)			29th period (From March 1, 2020 to August 31, 2020)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Logistics properties	D Project Machida	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hachioji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Aikawa-Machi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Akanehama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Noda	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gifu (Note 4)	–	(Note 3)	(Note 3)	–	–	–
	D Project Neyagawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sapporo Minami (Note 4)	–	(Note 3)	(Note 3)	–	–	–
	D Project Morioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Minami (Note 4)	–	(Note 3)	(Note 3)	–	–	–
	D Project Tsuchiura	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gotenba (Note 4)	–	(Note 3)	(Note 3)	–	–	–
	D Project Nishi-Hiroshima (Note 4)	–	(Note 3)	(Note 3)	–	–	–
	D Project Fukuoka Umi	100.0	129,284	0.5	100.0	129,293	0.5
	D Project Tosu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe I	100.0	102,933	0.4	100.0	102,933	0.4
	D Project Kawagoe II	100.0	142,536	0.6	100.0	142,536	0.5
	DPL Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Hakozaki	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki IV	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki V	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki VI	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yashio	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishiyodogawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hibiki Nada	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kazo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kyotanabe	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Oyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sano	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tatebayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kakegawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hiroshima Seifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe IV	100.0	161,515	0.7	100.0	161,023	0.6
	D Project Kuki VII	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Chibakita	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Osaka Hirabayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kaminokawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)

Asset class	Property name	28th period (From September 1, 2019 to February 29, 2020)			29th period (From March 1, 2020 to August 31, 2020)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Logistics properties	D Project Fuji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Itabashi Shingashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sagamihara	100.0	102,828	0.4	100.0	102,828	0.4
	D Project Kuki VIII	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yokkaichi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Ibaraki Ishioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Misato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Fukuoka Kasuya	99.6	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Kitakyushu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Nagareyama I	—	—	—	100.0	(Note 3)	(Note 3)
	Logistics properties – Subtotal	100.0	10,804,776	43.7	100.0	11,684,989	43.9
Residential properties	Qiz Ebisu	98.7	238,818	1.0	92.8	231,780	0.9
	Castalia Azabujuban Shichimenzaka	98.4	123,828	0.5	94.5	119,884	0.5
	Castalia Shibakoen	94.6	73,213	0.3	93.7	71,353	0.3
	Castalia Ginza	97.5	70,480	0.3	95.1	68,812	0.3
	Castalia Hiroo	97.6	52,550	0.2	97.6	52,578	0.2
	Castalia Nihonbashi	96.7	38,917	0.2	96.7	39,325	0.1
	Castalia Hacchobori	94.4	65,950	0.3	94.7	65,351	0.2
	Castalia Azabujuban	100.0	75,074	0.3	100.0	74,846	0.3
	Castalia Azabujuban II	97.1	67,707	0.3	88.9	67,599	0.3
	Castalia Shinjuku Natsumezaka	100.0	47,792	0.2	100.0	48,993	0.2
	Castalia Ginza II	95.9	52,133	0.2	95.9	51,878	0.2
	Castalia Shibuya Sakuragaoka	100.0	36,601	0.1	88.0	35,262	0.1
	Castalia Nishi Azabu Kasumicho	100.0	69,737	0.3	100.0	76,179	0.3
	Castalia Ochanomizu	97.8	61,412	0.2	97.9	61,768	0.2
	Castalia Sangubashi	93.0	45,585	0.2	100.0	48,349	0.2
	Castalia Suitengu	98.6	46,684	0.2	98.4	47,207	0.2
	Castalia Suitengu II	100.0	41,076	0.2	96.0	41,623	0.2
	Castalia Shintomicho	100.0	34,092	0.1	98.4	33,361	0.1
	Castalia Shintomicho II	100.0	29,311	0.1	97.1	30,339	0.1
	Castalia Harajuku	95.1	26,731	0.1	95.1	27,066	0.1
	Castalia Yoyogi Uehara	100.0	22,742	0.1	92.3	22,093	0.1
	Castalia Sendagaya	100.0	20,788	0.1	100.0	20,165	0.1
	Castalia Shinjuku 7 chome	94.8	18,567	0.1	100.0	19,447	0.1
	Castalia Ningyocho	100.0	38,852	0.2	95.0	37,526	0.1
	Castalia Ningyocho II	100.0	41,172	0.2	97.4	42,231	0.2
	Castalia Shin-Ochanomizu	100.0	33,044	0.1	100.0	33,964	0.1
	Castalia Higashi Nihonbashi II	98.3	52,418	0.2	98.4	51,246	0.2
	Castalia Jinbocho	100.0	43,479	0.2	100.0	44,102	0.2
	Castalia Shintomicho III	100.0	24,619	0.1	97.7	25,114	0.1
	Castalia Shinjuku Gyoen	100.0	83,892	0.3	100.0	83,787	0.3
	Castalia Takanawadai	97.3	30,565	0.1	100.0	30,632	0.1
	Castalia Higashi Nihonbashi III	100.0	24,336	0.1	100.0	24,352	0.1
	Castalia Shinjuku Gyoen II	100.0	16,171	0.1	96.3	16,384	0.1
	Castalia Shintomicho IV	100.0	16,260	0.1	80.0	15,764	0.1
	Castalia Takanawadai II	100.0	39,154	0.2	100.0	39,654	0.1
	Castalia Minami Azabu	100.0	22,499	0.1	91.0	21,595	0.1
	Castalia Ginza III	96.6	88,028	0.4	98.2	89,484	0.3
	Castalia Kayabacho	98.7	100,123	0.4	97.1	98,945	0.4
	Castalia Takanawa	99.5	259,194	1.0	97.9	255,719	1.0
	Castalia Higashi Nihonbashi	99.4	141,291	0.6	97.8	145,250	0.5

Asset class	Property name	28th period (From September 1, 2019 to February 29, 2020)			29th period (From March 1, 2020 to August 31, 2020)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Shinjuku	100.0	92,554	0.4	100.0	92,554	0.3
	Castalia Ichigaya	96.4	41,260	0.2	96.5	42,329	0.2
	Shibaura Island Bloom Tower	98.0	397,991	1.6	96.2	397,863	1.5
	Castalia Hatsudai	97.1	70,567	0.3	98.7	71,256	0.3
	Castalia Hatsudai II	96.3	61,990	0.3	95.5	59,862	0.2
	Castalia Ebisu	97.5	43,501	0.2	100.0	43,706	0.2
	Castalia Meguro Kamurozaka	99.4	134,024	0.5	98.4	135,117	0.5
	Castalia Toritsudaigaku	90.8	19,822	0.1	100.0	20,400	0.1
	Castalia Yukigaya	100.0	36,348	0.1	98.6	36,016	0.1
	Castalia Yutenji	97.4	33,336	0.1	97.8	41,818	0.2
	Castalia Otsuka	98.7	48,265	0.2	94.2	46,990	0.2
	Castalia Kikukawa	100.0	27,787	0.1	98.0	28,365	0.1
	Castalia Meguro	100.0	33,366	0.1	100.0	32,315	0.1
	Castalia Otsuka II	95.9	38,155	0.2	98.3	39,117	0.1
	Castalia Jiyugaoka	100.0	40,238	0.2	90.5	38,408	0.1
	Castalia Mejiro	93.9	33,812	0.1	100.0	35,511	0.1
	Castalia Ikebukuro	97.6	88,338	0.4	98.8	87,138	0.3
	Castalia Kaname-cho	98.6	40,783	0.2	95.9	40,380	0.2
	Castalia Tower Shinagawa Seaside	96.2	281,730	1.1	98.5	291,300	1.1
	Castalia Yakumo	100.0	26,667	0.1	94.5	26,161	0.1
	Castalia Togoshiekimae	100.0	52,063	0.2	100.0	53,811	0.2
	Castalia Honjo Azumabashi	96.8	38,826	0.2	100.0	38,459	0.1
	Castalia Kitazawa	100.0	27,640	0.1	93.8	24,534	0.1
	Castalia Monzennakacho	100.0	17,787	0.1	100.0	17,610	0.1
	Castalia Kamiikedai	100.0	7,796	0.0	100.0	7,847	0.0
	Castalia Morishita	100.0	34,026	0.1	94.9	33,150	0.1
	Castalia Wakabayashikoen	96.5	28,445	0.1	95.4	27,793	0.1
	Castalia Asakusabashi	100.0	33,418	0.1	100.0	32,792	0.1
	Castalia Iriya	100.0	23,222	0.1	100.0	23,566	0.1
	Castalia Kita Ueno	100.0	91,665	0.4	93.8	90,973	0.3
	Castalia Morishita II	100.0	29,244	0.1	90.2	28,332	0.1
	Castalia Minowa	97.9	52,145	0.2	97.3	51,523	0.2
	Castalia Oyamadai	100.0	17,930	0.1	100.0	18,854	0.1
	Castalia Nakano	97.7	36,172	0.1	95.2	36,447	0.1
	Castalia Yoga	100.0	33,394	0.1	98.3	34,199	0.1
	Castalia Sumiyoshi	94.7	34,089	0.1	98.4	34,233	0.1
	Castalia Monzennakacho II	100.0	68,865	0.3	100.0	68,813	0.3
	Castalia Oshiage	100.0	36,831	0.1	96.3	36,420	0.1
	Castalia Kuramae	100.0	43,832	0.2	100.0	43,807	0.2
	Castalia Nakanobu	98.9	68,593	0.3	97.8	70,832	0.3
	Royal Parks Toyosu	100.0	343,363	1.4	100.0	346,366	1.3
	Castalia Togoshi	98.4	78,835	0.3	96.7	76,866	0.3
	Castalia Ooimachi	100.0	39,804	0.2	96.9	45,885	0.2
	Castalia Omori	98.0	52,704	0.2	98.0	54,466	0.2
	Castalia Mishuku	92.8	70,913	0.3	100.0	70,789	0.3
	Castalia Arakawa	98.9	68,815	0.3	100.0	68,335	0.3
	Castalia Omori II	100.0	82,546	0.3	98.0	81,528	0.3
	Castalia Nakameguro	97.4	118,362	0.5	94.9	120,262	0.5
	Castalia Meguro Chojyamaru	100.0	64,049	0.3	96.5	65,149	0.2
	Castalia Meguro Takaban	98.4	53,009	0.2	95.2	52,078	0.2
	Castalia Omori III	100.0	49,762	0.2	94.7	50,175	0.2
	Castalia Meguro Tairamachi	100.0	33,987	0.1	98.0	35,464	0.1
	Royal Parks SEASIR	100.0	248,617	1.0	100.0	248,189	0.9
	Castalia Honkomagome	100.0	50,663	0.2	95.2	53,301	0.2
	Cosmo Heim Musashikosugi	100.0	59,032	0.2	100.0	60,126	0.2
	Castalia Tsurumi	100.0	28,043	0.1	96.9	28,367	0.1

Asset class	Property name	28th period (From September 1, 2019 to February 29, 2020)			29th period (From March 1, 2020 to August 31, 2020)		
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		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Funabashi	98.9	30,932	0.1	95.5	31,425	0.1
	Castalia Nishi Funabashi	100.0	34,349	0.1	96.3	34,208	0.1
	Castalia Nozeyama	100.0	14,094	0.1	100.0	14,176	0.1
	Castalia Ichikawa	100.0	19,681	0.1	100.0	22,573	0.1
	Royal Parks Hanakoganei	100.0	246,630	1.0	100.0	246,312	0.9
	Castalia Musashikosugi	100.0	54,765	0.2	95.5	57,184	0.2
	Royal Parks Wakabadai	100.0	256,280	1.0	100.0	258,894	1.0
	Pacific Royal Court Minatomirai Urban Tower	100.0	521,100	2.1	100.0	522,693	2.0
	L-Place Shinkoyasu	100.0	57,063	0.2	100.0	57,609	0.2
	Royal Parks Musashikosugi	100.0	68,102	0.3	100.0	69,696	0.3
	Castalia Sakaisuji Honmachi	96.1	62,292	0.3	97.3	62,928	0.2
	Castalia Shin-Umeda	97.5	56,435	0.2	97.8	55,924	0.2
	Castalia Abeno	98.9	181,537	0.7	96.4	180,674	0.7
	Castalia Sakae	93.7	44,505	0.2	88.8	44,267	0.2
	Castalia Maruyama Urasando	87.5	19,540	0.1	89.0	19,557	0.1
	Castalia Maruyama Omotesando	93.2	70,730	0.3	93.8	74,526	0.3
	Castalia Higashi Hie	99.2	43,528	0.2	96.4	44,062	0.2
	Castalia Tower Nagahoribashi	100.0	161,159	0.7	90.7	162,911	0.6
	Castalia Sannomiya	99.0	52,960	0.2	98.2	54,711	0.2
	Castalia Kotodaikoen	98.3	24,871	0.1	97.6	24,221	0.1
	Castalia Ichibancho	98.4	39,480	0.2	98.4	39,456	0.1
	Castalia Omachi	95.8	32,648	0.1	97.2	33,770	0.1
	Castalia Uemachidai	94.0	89,231	0.4	95.7	92,947	0.3
	Castalia Tower Higobashi	98.7	132,411	0.5	95.2	128,653	0.5
	Big Tower Minami Sanjo	89.9	105,449	0.4	96.4	112,643	0.4
	Castalia Fushimi	96.3	100,400	0.4	95.7	104,503	0.4
	Castalia Meieki Minami	98.6	32,425	0.1	89.0	32,477	0.1
	Castalia Yakuin	99.2	42,583	0.2	99.2	42,884	0.2
	Castalia Mibu	100.0	50,263	0.2	97.5	51,095	0.2
	Castalia Tsutsujigaoka	94.0	58,305	0.2	98.1	58,235	0.2
	Castalia Ohori Bay Tower	47.3	146,444	0.6	44.6	146,928	0.6
	Royal Parks Namba	100.0	138,155	0.6	100.0	140,098	0.5
	Castalia Shigahondori	99.2	73,036	0.3	95.9	74,731	0.3
	Castalia Kyoto Nishioji	98.7	34,419	0.1	97.5	36,107	0.1
	Castalia Ningyocho III	100.0	70,663	0.3	100.0	69,893	0.3
	Royal Parks Umejima	100.0	103,307	0.4	100.0	103,357	0.4
	Castalia Shinsakae II	100.0	60,541	0.2	100.0	60,399	0.2
	Residential properties – Subtotal	97.3	9,554,287	38.7	96.4	9,615,747	36.1
Retail properties	ACROSSMALL Shinkamagaya	100.0	281,172	1.1	100.0	280,500	1.1
	FOLEO Hirakata	93.4	274,849	1.1	92.8	252,038	0.9
	QiZ GATE URAWA	99.7	212,979	0.9	100.0	215,879	0.8
	UNICUS Takasaki	100.0	129,870	0.5	100.0	129,956	0.5
	ACROSSPLAZA Miyoshi (Land)	100.0	94,284	0.4	100.0	94,284	0.4
	DREAM TOWN ALi	100.0	396,903	1.6	100.0	356,774	1.3
	ASOBOX (Land)	100.0	47,076	0.2	100.0	47,076	0.2
	FOLEO Ome Imai	100.0	129,222	0.5	100.0	128,963	0.5
	FOLEO Otsu Ichiriyama	100.0	322,620	1.3	100.0	325,748	1.2
	FOLEO Hakata	100.0	127,096	0.5	100.0	126,818	0.5
	ACROSSMALL Semboku (Land)	100.0	90,606	0.4	100.0	90,606	0.3
	iiias Tsukuba	100.0	323,333	1.3	100.0	950,305	3.6
	LIFE Sagamihara Wakamatsu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Sendai Miyanomori	100.0	239,008	1.0	100.0	238,500	0.9
	ACROSSPLAZA Inazawa (Land)	100.0	69,660	0.3	100.0	69,780	0.3
	Sports Depo and GOLF5 Kokurahigashi IC Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)

Asset class	Property name	28th period (From September 1, 2019 to February 29, 2020)			29th period (From March 1, 2020 to August 31, 2020)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Retail properties	Hiratsuka Retail Property (Land)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Royal Home Center Morinomiya (Land)	100.0	104,340	0.4	100.0	104,340	0.4
	Aoyama Tailor Bunkyo Sengoku Ekimae Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Shobu	100.0	157,623	0.6	100.0	157,200	0.6
	Hapias Kaita (Land)	100.0	16,747	0.1	100.0	38,400	0.1
	COMBOX310	100.0	148,800	0.6	100.0	148,800	0.6
	Sports Plaza Ibaraki	–	–	–	100.0	446	0.0
	Retail properties – Subtotal	99.8	3,453,661	14.0	99.8	4,043,883	15.2
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	100.0	154,187	0.6	100.0	147,284	0.6
	Super Hotel JR Nara Station Sanjo Street	100.0	51,629	0.2	100.0	46,112	0.2
	Daiwa Roynet Hotel Nagoya Shinkansenguchi	100.0	126,000	0.5	100.0	126,000	0.5
	AGORA Kanazawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Hotel properties – Subtotal	100.0	393,215	1.6	100.0	399,488	1.5
Other assets	Urban Living Inage	100.0	43,086	0.2	100.0	39,060	0.1
	Aburatsubo Marina HILLS	100.0	43,749	0.2	100.0	43,749	0.2
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	100.0	326,020	1.3	100.0	309,502	1.2
	Sharp Hiroshima Building	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	GRANODE Hiroshima	–	–	–	98.5	383,511	1.4
	Other – Subtotal	100.0	506,459	2.0	99.4	869,424	3.3
	Total	99.5	24,712,400	100.0	99.4	26,613,533	100.0

(Notes) 1. "Occupancy rate (as of the end of period)" is the leased area expressed as a percentage of the leasable area of each real estate or each real estate in trust as of February 29, 2020 and August 31, 2020, rounded to the first decimal place.
2. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of total rental revenues from the entire portfolio, rounded to the first decimal place.
3. Undisclosed as consent for disclosure has not been obtained from the lessee.
4. The sale of property was completed on September 2, 2019.

(4) Description of Renewable Energy Power Generation Facilities, etc.

Not applicable.

(5) Description of Operating Rights of Public Facilities, etc.

Not applicable.

(6) 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, 2020.

Category	Type	Contracted amount (Yen in thousands) (Note 1)		Fair value (Yen in thousands) (Note 2) (Note 3)
			Portion due after one year	
Transaction other than market transaction	Interest rate swap transaction			
	Receipt: floating interest rate	122,758,000	116,258,000	(1,245,565)
	Payment: fixed interest rate			
Total		122,758,000	116,258,000	(1,245,565)

(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. With respect to fair value amounts, the transactions for which the special treatment for interest rate swap contracts under the accounting standard for financial instruments is applied are not carried at fair value in the balance sheets.

(7) Status of Other Assets

Real estate and trust beneficiary interests in real estate are all listed in “(3) Description of Portfolio” presented earlier in this report. The following are other specified assets as of August 31, 2020.

(Yen in thousands)

Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remark
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	9,411	–	–	9,317	(94)	Deposited as business security deposit
	Total	10,000	9,411	–	–	9,317	(94)	

(8) Holding of Assets by Country and Region

Not applicable.

4. Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc. for owned properties (real estate, real estate in trust, etc.) as of August 31, 2020. 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 during the period	Total amount paid
D Project Machida (Machida City, Tokyo)	Large-scale renovations	From September 2020 to February 2021	104,159	31,247	31,247
D Project Urayasu I (Urayasu City, Chiba)	Large-scale renovations	From November 2020 to February 2021	215,490	64,647	64,647
D Project Inuyama (Inuyama City, Aichi)	Large-scale renovations	From June 2020 to November 2020	122,100	–	–
D Project Kazo (Kazo City, Saitama)	Construction to build hazardous materials storage	From June 2020 to September 2020	64,900	32,450	32,450
Castalia Shibuya Sakuragaoka (Shibuya Ward, Tokyo)	Large-scale renovations	From October 2020 to February 2021	38,907	–	–
Castalia Harajuku (Shibuya Ward, Tokyo)	Large-scale renovations	From October 2020 to February 2021	38,104	–	–
Castalia Higashi Nihonbashi II (Chuo Ward, Tokyo)	Large-scale renovations	From May 2020 to September 2020	59,697	–	–
Castalia Kikukawa (Sumida Ward, Tokyo)	Large-scale renovations	From October 2020 to February 2021	50,600	–	–
Castalia Kita Ueno (Taito Ward, Tokyo)	Large-scale renovations	From September 2020 to February 2021	105,380	–	–
Castalia Sumiyoshi (Koto Ward, Tokyo)	Large-scale renovations	From August 2020 to January 2021	54,450	–	–
Castalia Shin-Umeda (Osaka City, Osaka)	Intercom facilities renewal	From December 2020 to December 2020	19,580	–	–
Castalia Abeno (Osaka City, Osaka)	Large-scale renovations	From July 2020 to February 2021	208,670	–	–
FOLEO Otsu Ichiriyama (Otsu City, Shiga)	HVAC renewal	From November 2020 to November 2020	61,413	–	–
	Repair work of exterior walls (second phase)	From March 2020 to April 2021	212,663	–	–
Iias Tsukuba (Tsukuba City, Ibaraki)	Repair work of exterior walls, etc.	From March 2020 to January 2021	142,220	–	–
	Waterproofing renovations	From March 2020 to January 2021	95,917	–	–

(2) Capital Expenditures during the Period

For owned properties (real estate, real estate in trust, etc.), an overview of major construction work conducted during the current fiscal period that falls into DHR's capital expenditures is as follows. Capital expenditures during the current fiscal period were ¥1,416,116 thousand together with ¥862,949 thousand in repairs and maintenance expenses and ¥301,527 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥2,580,593 thousand in construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
D Project Urayasu III (Urayasu City, Chiba)	Rooftop waterproofing renovations	From April 2020 to August 2020	93,872
	Repair work of exterior walls	From June 2020 to August 2020	94,610
Castalia Shinjuku Natsumezaka (Shinjuku Ward, Tokyo)	Large-scale renovations	From November 2019 to March 2020	37,439
Castalia Takanawa (Minato Ward, Tokyo)	Large-scale renovations	From December 2019 to August 2020	203,762
Castalia Higashi Nihonbashi (Chuo Ward, Tokyo)	Large-scale renovations	From February 2020 to August 2020	73,446
Castalia Yukigaya (Ota Ward, Tokyo)	Large-scale renovations	From April 2020 to August 2020	30,036
Castalia Kaname-cho (Toshima Ward, Tokyo)	Large-scale renovations	From April 2020 to August 2020	46,853
Castalia Nakanobu (Shinagawa Ward, Tokyo)	Large-scale renovations	From April 2020 to August 2020	30,073
Castalia Ichikawa (Ichikawa City, Chiba)	Large-scale renovations	From November 2019 to March 2020	14,452
Castalia Shin-Umeda (Osaka City, Osaka)	Large-scale renovations	From April 2020 to August 2020	34,879

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

DHR sets aside the following cash reserves for repair and maintenance in order to provide for payment of funds for future maintenance of the value of assets and the renewal of facilities and equipment.

(Yen in thousands)					
Operating period	25th period From March 1, 2018 to August 31, 2018	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019	28th period From September 1, 2019 to February 29, 2020	29th period From March 1, 2020 to August 31, 2020
Balance of reserves at the beginning of period	1,470,535	1,509,615	1,548,695	1,587,775	1,464,355
Amount of reserves during period	39,080	39,080	39,080	39,080	14,080
Amount of reversal of reserves during period	—	—	—	162,500	—
Reserves carried forward	1,509,615	1,548,695	1,587,775	1,464,355	1,478,435

5. Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

Item	(Yen in thousands)	
	28th period From September 1, 2019 to February 29, 2020	29th period From March 1, 2020 to August 31, 2020
Asset management fees (Note)	1,638,098	1,764,808
Asset custody fees	36,572	38,860
Administrative service fees	96,539	95,528
Directors' remuneration	6,600	6,600
Other expenses	420,579	414,340
Total	2,198,389	2,320,138

(Note) As for the asset management fees, in addition to the amount shown above, there were a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥20,000 thousand and a management fee for sale of properties of ¥14,917 thousand for the 28th period, and a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥190,445 thousand for the 29th period.

(2) Debt Financing

The status of loans per financial institution as of August 31, 2020 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 date	Method of repayment	Use	Note
Short-term loans	Sumitomo Mitsui Trust Bank, Limited	April 1, 2020	—	—	0.26%	April 1, 2021	Bullet repayment (Note 4)	(Note 5) Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2020	—	—	0.26%	April 1, 2021	Bullet repayment (Note 4)	(Note 5) Unsecured and non-guaranteed
	MUFG Bank, Ltd.	April 1, 2020	—	—	0.26%	April 1, 2021	Bullet repayment (Note 4)	(Note 5) Unsecured and non-guaranteed
	Mizuho Bank, Ltd.	April 1, 2020	—	—	0.26%	April 1, 2021	Bullet repayment (Note 4)	(Note 5) Unsecured and non-guaranteed
	Subtotal	—	—	—	—	—	—	—
Current portion of long-term loans	Sumitomo Mitsui Trust Bank, Limited	September 30, 2016	950,000	—	0.22%	March 31, 2020	Bullet repayment	(Note 6) Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,950,000	—				
	Sumitomo Mitsui Banking Corporation		950,000	—				
	Mizuho Bank, Ltd.		950,000	—				
	Resona Bank, Limited		800,000	—				
	The Norinchukin Bank		500,000	—				
	The Chiba Bank, Ltd.		500,000	—				
	Shinsei Bank, Limited		300,000	—				
	Mitsui Sumitomo Insurance Company, Limited	April 1, 2015	1,000,000	—	0.57% (Note 3)	April 1, 2020	Bullet repayment	(Note 5) Unsecured and non-guaranteed
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.90% (Note 2)	January 31, 2021	Bullet repayment	(Note 7) Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2014	—	500,000	1.05% (Note 2)	April 1, 2021	Bullet repayment	(Note 5) Unsecured and non-guaranteed
	MUFG Bank, Ltd.		—	1,000,000				
	Mizuho Bank, Ltd.		—	1,000,000				
	Sumitomo Mitsui Trust Bank, Limited		—	500,000				

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 11, 2017	–	2,200,000	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		–	1,600,000					
Sumitomo Mitsui Trust Bank, Limited		–	1,600,000					
Mizuho Bank, Ltd.		–	1,600,000					
The Norinchukin Bank		–	1,500,000					
Nippon Life Insurance Company		–	1,000,000					
Subtotal	–	11,400,000	16,000,000	–	–	–	–	–
Sumitomo Mitsui Banking Corporation	January 30, 2015	936,000	936,000	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 7)	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					
Mizuho Bank, Ltd.		603,000	603,000					
Mizuho Trust & Banking Co., Ltd.		454,000	454,000					
MUFG Bank, Ltd.		437,000	437,000					
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 3)	January 31, 2024	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	May 1, 2015	2,030,000	2,030,000	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
The Norinchukin Bank		1,600,000	1,600,000					
Aozora Bank, Ltd.		1,192,000	1,192,000					
Mizuho Bank, Ltd.		1,017,000	1,017,000					
MUFG Bank, Ltd.		907,500	907,500					
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					
The Shizuoka Bank, Ltd.		260,000	260,000					
The Chiba Bank, Ltd.		215,000	215,000					
Sumitomo Mitsui Banking Corporation	December 28, 2015	1,800,000	1,800,000	0.59% (Note 2)	December 28, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		3,200,000	3,200,000					
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Resona Bank, Limited		1,400,000	1,400,000					
Shinsei Bank, Limited		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000,000	2,000,000	1.50% (Note 2)	March 27, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	–	1.05% (Note 2)	April 1, 2021	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	–					
Mizuho Bank, Ltd.		1,000,000	–					
Sumitomo Mitsui Trust Bank, Limited		500,000	–					

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000,000	1,000,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000,000	1,000,000	1.52% (Note 2)	April 1, 2024	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Development Bank of Japan Inc.		500,000	500,000					
Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	500,000	2.03% (Note 2)	April 1, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Development Bank of Japan Inc.		500,000	500,000					
Nippon Life Insurance Company	September 30, 2014	1,000,000	1,000,000	1.00% (Note 3)	September 29, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.87% (Note 2)	October 3, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Norinchukin Bank		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.99% (Note 2)	October 2, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	1.23% (Note 2)	October 1, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
MUFG Bank, Ltd.	April 1, 2015	3,000,000	3,000,000	1.18% (Note 3)	October 1, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 1, 2015	1,500,000	1,500,000	1.46% (Note 3)	April 1, 2027	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	September 28, 2015	1,000,000	1,000,000	0.65% (Note 2)	September 28, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Nippon Life Insurance Company	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	Bullet repayment	(Note 5)	Unsecured and non-guaranteed

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.51% (Note 2)	November 30, 2021	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
MUFG Bank, Ltd.		3,000,000	3,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.71% (Note 2)	May 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.97% (Note 2)	May 30, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	September 28, 2016	1,500,000	1,500,000	0.63% (Note 3)	September 29, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,500,000	1,500,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Mizuho Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		500,000	500,000					
Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
Development Bank of Japan Inc.	September 28, 2016	1,000,000	1,000,000	0.69% (Note 3)	September 28, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	September 30, 2016	1,700,000	1,700,000	0.41% (Note 3)	March 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,700,000	2,700,000					
Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
Mizuho Bank, Ltd.		1,700,000	1,700,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		800,000	800,000					
Shinsei Bank, Limited		300,000	300,000					

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
MUFG Bank, Ltd.	September 30, 2016	2,800,000	2,800,000	0.48% (Note 3)	March 29, 2024	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		900,000	900,000					
Shinsei Bank, Limited		400,000	400,000					
Sumitomo Mitsui Banking Corporation	November 29, 2016	3,000,000	3,000,000	0.87% (Note 3)	November 30, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		3,000,000	3,000,000					
MUFG Bank, Ltd.		5,000,000	5,000,000					
Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Development Bank of Japan Inc.	March 9, 2017	2,000,000	2,000,000	0.85% (Note 3)	March 31, 2027	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	March 9, 2017	1,000,000	1,000,000	0.55% (Note 3)	March 29, 2024	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.	March 31, 2017	4,000,000	4,000,000	0.57% (Note 3)	September 29, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		4,000,000	4,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	March 31, 2017	4,000,000	4,000,000	0.70% (Note 3)	March 31, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		2,500,000	2,500,000					
Shinkin Central Bank		2,000,000	2,000,000					
MUFG Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	April 11, 2017	2,200,000	–	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,600,000	–					
Sumitomo Mitsui Trust Bank, Limited		1,600,000	–					
Mizuho Bank, Ltd.		1,600,000	–					
The Norinchukin Bank		1,500,000	–					
Nippon Life Insurance Company		1,000,000	–					

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 11, 2017	1,800,000	1,800,000	0.76% (Note 3)	April 30, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,200,000	2,200,000					
Mizuho Bank, Ltd.		1,200,000	1,200,000					
Resona Bank, Limited		1,100,000	1,100,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Shinsei Bank, Limited		1,000,000	1,000,000					
The Bank of Fukuoka, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		700,000	700,000					
Sumitomo Mitsui Banking Corporation	April 11, 2017	2,100,000	2,100,000	1.02% (Note 3)	April 28, 2028	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		3,700,000	3,700,000					
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
Sumitomo Mitsui Trust Bank, Limited	July 31, 2017	3,400,000	3,400,000	0.89% (Note 3)	July 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		3,400,000	3,400,000					
Mizuho Bank, Ltd.		3,400,000	3,400,000					
MUFG Bank, Ltd.		1,900,000	1,900,000					
Sumitomo Mitsui Banking Corporation	November 29, 2017	2,500,000	2,500,000	0.90% (Note 3)	November 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.		3,000,000	3,000,000					
Sumitomo Mitsui Trust Bank, Limited		2,500,000	2,500,000					
Mizuho Bank, Ltd.		2,500,000	2,500,000					
The 77 Bank, Ltd.		1,000,000	1,000,000					
The Nishi-Nippon City Bank, Ltd.		1,000,000	1,000,000					
The Iyo Bank, Ltd.		500,000	500,000					
The Bank of Kyoto, Ltd.		500,000	500,000					
The Chugoku Bank, Limited		500,000	500,000					
Mitsui Sumitomo Insurance Company, Limited	March 27, 2018	1,000,000	1,000,000	0.44% (Note 3)	March 31, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.	March 27, 2018	1,500,000	1,500,000	0.75% (Note 3)	September 30, 2027	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Nippon Life Insurance Company	April 10, 2018	1,000,000	1,000,000	0.43% (Note 3)	September 9, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 10, 2018	2,000,000	2,000,000	0.65% (Note 3)	April 30, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	1,000,000	1,000,000	0.42% (Note 3)	April 28, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
The 77 Bank, Ltd.		500,000	500,000					
The Nishi-Nippon City Bank, Ltd.		500,000	500,000					
The Shizuoka Bank, Ltd.		500,000	500,000					
The Iyo Bank, Ltd.		500,000	500,000					
The Bank of Kyoto, Ltd.	April 10, 2018	500,000	500,000	0.52% (Note 3)	April 30, 2024	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
The Chugoku Bank, Limited		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Aozora Bank, Ltd.		500,000	500,000					
The Norinchukin Bank		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	500,000	500,000	0.60% (Note 3)	April 30, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000					
Mizuho Bank, Ltd.		500,000	500,000					
Aozora Bank, Ltd.		500,000	500,000					
The Norinchukin Bank		500,000	500,000					
Resona Bank, Limited		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	3,000,000	3,000,000	0.89% (Note 3)	April 28, 2028	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		3,000,000	3,000,000					
Mizuho Bank, Ltd.		2,500,000	2,500,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		500,000	500,000					
The Dai-ichi Life Insurance Company, Limited	September 27, 2018	1,000,000	1,000,000	0.43% (Note 3)	September 29, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Taiyo Life Insurance Company	September 27, 2018	1,000,000	1,000,000	0.60% (Note 3)	September 30, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	December 7, 2018	1,100,000	1,100,000	0.88% (Note 3)	December 29, 2028	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,100,000	1,100,000					
Mizuho Bank, Ltd.		1,100,000	1,100,000					
Japan Post Insurance Co., Ltd.		1,100,000	1,100,000					
MUFG Bank, Ltd.		600,000	600,000					
Sumitomo Mitsui Trust Bank, Limited	March 27, 2019	500,000	500,000	0.24%	August 31, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		500,000	500,000					
MUFG Bank, Ltd.		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited	March 29, 2019	2,200,000	2,200,000	0.43% (Note 3)	September 30, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		1,500,000	1,500,000					
The Norinchukin Bank		1,100,000	1,100,000					
Sumitomo Mitsui Banking Corporation		700,000	700,000					
The Chiba Bank, Ltd.		600,000	600,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Shizuoka Bank, Ltd.		500,000	500,000					
Mitsui Sumitomo Insurance Company, Limited	April 5, 2019	1,000,000	1,000,000	0.45% (Note 3)	April 30, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Nippon Life Insurance Company	April 5, 2019	500,000	500,000	0.50% (Note 3)	April 30, 2027	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 5, 2019	1,500,000	1,500,000	0.59% (Note 3)	April 28, 2028	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	April 10, 2019	500,000	500,000	0.29%	October 31, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
MUFG Bank, Ltd.		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Banking Corporation	April 10, 2019	1,000,000	1,000,000	0.39% (Note 3)	October 31, 2024	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
The Norinchukin Bank		1,100,000	1,100,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Shinsei Bank, Limited		1,000,000	1,000,000					
Shinkin Central Bank		1,000,000	1,000,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
The 77 Bank, Ltd.		500,000	500,000					
The Nishi-Nippon City Bank, Ltd.		500,000	500,000					
The Iyo Bank, Ltd.		500,000	500,000					
The Chugoku Bank, Limited		500,000	500,000					

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 10, 2019	2,500,000	2,500,000	0.75% (Note 2)	April 27, 2029	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		2,700,000	2,700,000					
Sumitomo Mitsui Trust Bank, Limited		2,500,000	2,500,000					
Resona Bank, Limited		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
MUFG Bank, Ltd.		700,000	700,000					
Sumitomo Mitsui Banking Corporation	November 29, 2019	2,000,000	2,000,000	0.66% (Note 2)	November 30, 2029	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		2,000,000	2,000,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Mizuho Bank, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.	January 31, 2020	2,000,000	2,000,000	0.59% (Note 3)	January 31, 2029	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Development Bank of Japan Inc.		1,500,000	1,500,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Aozora Bank, Ltd.		2,400,000	2,400,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Norinchukin Bank		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
The Yamaguchi Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Banking Corporation	January 31, 2020	2,200,000	2,200,000	0.61% (Note 2)	January 31, 2030	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		3,400,000	3,400,000					
Mizuho Trust & Banking Co., Ltd.		1,300,000	1,300,000					
MUFG Bank, Ltd.		1,200,000	1,200,000					
Mizuho Bank, Ltd.		900,000	900,000					
Sumitomo Mitsui Trust Bank, Limited	March 31, 2020	–	900,000	0.27%	September 29, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		–	1,900,000					
Sumitomo Mitsui Banking Corporation		–	900,000					
Mizuho Bank, Ltd.		–	900,000					
Resona Bank, Limited		–	800,000					
The Norinchukin Bank		–	500,000					
The Chiba Bank, Ltd.		–	500,000					
Shinsei Bank, Limited		–	300,000					
Mitsui Sumitomo Insurance Company, Limited	April 1, 2020	–	1,000,000	0.40% (Note 3)	April 30, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed

Long-term loans

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 date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Trust Bank, Limited	April 3, 2020	—	500,000	0.35% (Note 3)	October 31, 2024	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
The Norinchukin Bank		—	1,000,000					
The 77 Bank, Ltd.		—	700,000					
The Chugoku Bank, Limited		—	700,000					
Nippon Life Insurance Company		—	600,000					
Sumitomo Mitsui Banking Corporation		—	500,000					
MUFG Bank, Ltd.		—	500,000					
Mizuho Bank, Ltd.		—	500,000					
The Chiba Bank, Ltd.		—	500,000					
The Iyo Bank, Ltd.		—	500,000					
The Dai-ichi Life Insurance Company, Limited	April 3, 2020	—	500,000	0.40% (Note 3)	March 31, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	April 3, 2020	—	500,000	0.41% (Note 3)	September 30, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 3, 2020	—	1,000,000	0.51% (Note 3)	September 29, 2028	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	April 3, 2020	—	500,000	0.51% (Note 2)	April 27, 2029	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Resona Bank, Limited		—	1,000,000					
Sumitomo Mitsui Banking Corporation		—	500,000					
MUFG Bank, Ltd.		—	500,000					
Mizuho Bank, Ltd.		—	500,000					
Shinsei Bank, Limited		—	500,000					
Shinkin Central Bank		—	500,000					
The Bank of Fukuoka, Ltd.		—	500,000					
The Nishi-Nippon City Bank, Ltd.		—	500,000					
MUFG Bank, Ltd.		—	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	April 3, 2020	—	2,000,000	0.62% (Note 2)	April 30, 2030	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		—	2,000,000					
Mizuho Bank, Ltd.		—	2,000,000					
Mizuho Trust & Banking Co., Ltd.		—	1,000,000					
The Bank of Kyoto, Ltd.		—	500,000					
The Yamanashi Chuo Bank, Ltd.		—	500,000					
Subtotal	—	312,358,000	330,558,000	—	—	—	—	—
Total	—	323,758,000	346,558,000	—	—	—	—	—

(Notes) 1. Average interest rate is the loan interest rate (weighted average during the applicable term) of the corresponding lenders, and is rounded to the second decimal place.
2. DHR currently uses interest rate swaps to hedge interest rate fluctuation risk; accordingly, the indicated interest rates are the figures reflecting the effect of the interest rate swaps.
3. This loan carries a fixed interest rate.
4. The entire amount was prepaid in full on May 29, 2020.
5. To be used to purchase trust beneficiary interests in real estate and related expenses.
6. To be used for repayment of existing loans (refinancing fund).
7. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
8. To be used for redemption of investment corporation bonds.

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of August 31, 2020 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 REIT Investment Corporation 1st Unsecured Investment Corporation Bonds (Note 1)	December 24, 2014	2,000,000	2,000,000	0.826%	December 24, 2024	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
Daiwa House REIT Investment Corporation 5th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.24%	December 20, 2021	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 6th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.57%	December 18, 2026	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 7th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	2,000,000	2,000,000	0.69%	July 30, 2030	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 8th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	1,000,000	1,000,000	1.03%	July 30, 2038	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 9th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	November 25, 2019	6,000,000	6,000,000	0.53%	November 22, 2029	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 10th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	May 27, 2020	—	2,400,000	0.34%	May 27, 2025	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 11th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	May 27, 2020	—	1,600,000	0.64%	May 27, 2030	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 12th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	May 27, 2020	—	1,000,000	1.00%	May 25, 2040	Bullet repayment	(Note 4)	Unsecured
Total	—	25,000,000	30,000,000	—	—	—	—	—

(Notes) 1. The bonds have pari passu conditions among specified investment corporation bonds.
2. To be used for repayment of existing loans.
3. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
4. To be used for a part of the funds for the repayment of existing loans associated with "eligible green assets."

(4) Short-Term Investment Corporation Bonds

Not applicable.

(5) Unit Acquisition Rights

Not applicable.

6. Status of Acquisition and Sale during the Period

(1) Status of Acquisition and Sale of Properties and Asset-Backed Securities, Infrastructure Assets, and Infrastructure Related Asset

Property name	Acquisition		Sale			
	Acquisition date	Acquisition price (Yen in millions) (Note 1)	Sale date	Sale price (Yen in millions) (Note 1)	Book value (Yen in millions)	Gain or loss on sale (Yen in millions) (Note 2)
iiias Tsukuba (additional acquisition of 70% quasi co-ownership)	April 1, 2020	23,800	—	—	—	—
DPL Nagareyama I	April 3, 2020	32,600	—	—	—	—
GRANODE Hiroshima	April 3, 2020	14,400	—	—	—	—
Sports Plaza Ibaraki	August 31, 2020	2,689	—	—	—	—
Total		73,489		—	—	—

(Notes) 1. "Acquisition price" and "sale price" are the amounts that do not include the various expenses required in the acquisition or sale of the property, settlement money such as taxes and public dues, consumption taxes, and leasehold guarantee deposits, etc.
2. "Gain or loss on sale" represents the sale price less book value of sold property and any related expenses.

(2) Transaction of Other Assets

Not applicable. Other assets are mostly bank deposits or bank deposits in trust assets.

(3) Review on Value of Specified Assets

Properties, etc.

Acquisition or sale	Property name	Transaction date	Type of assets	Acquisition price or sale price (Yen in millions) (Note 1)	Appraisal value (Yen in millions) (Note 2)	Appraisal agency (Note 2)	Date of value appraised (Note 2)
Acquisition	iiias Tsukuba (additional acquisition of 70% quasi co-ownership)	April 1, 2020	Trust beneficiary interests in real estate	23,800	24,010	Japan Real Estate Institute	December 31, 2019
Acquisition	DPL Nagareyama I	April 3, 2020	Trust beneficiary interests in real estate	32,600	32,900	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2019
Acquisition	GRANODE Hiroshima	April 3, 2020	Trust beneficiary interests in real estate	14,400	14,750	Japan Real Estate Institute	December 31, 2019
Acquisition	Sports Plaza Ibaraki	August 31, 2020	Trust beneficiary interests in real estate	2,689	2,720	Daiwa Real Estate Appraisal Co., Ltd.	July 31, 2020

(Notes) 1. "Acquisition price or sale price" is the amount that does not include the various expenses required in the acquisition or sale of the property, settlement money such as taxes and public dues, consumption taxes, and leasehold guarantee deposits, etc.
2. Appraisal value shown above is based on "Real estate appraisal standards, Chapter 3, Appraisal of the value of real estate that is subject to securitization."

(4) Transactions with Interested Parties, etc.

Purchase and sale transactions, etc. with interested parties, etc. (Note 1) for the 29th period are as follows:

i) Status of Transactions

Classification	Transaction amount, etc. (Note 2)			
	Purchase		Sale	
Total	¥73,489 million		¥– million	
Breakdown of transactions with interested parties				
Daiwa House Industry Co., Ltd.	¥38,200 million	(52.0%)	¥– million	(–%)
Kabushiki Kaisha Nagareyama Kyodo Kaihatsu	¥32,600 million	(44.4%)	¥– million	(–%)
Total	¥70,800 million	(96.3%)	¥– million	(–%)

ii) Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties, etc. (Note 1)	
		Payment recipient	Amount paid (B) (Yen in thousands)
Management fees	1,414,808	Daiwa Living Co., Ltd.	527,372
		Daiwa House Property Management Co., Ltd.	254,656
		Daiwa Information Service Co., Ltd.	244,875
		Daiwa LifeNext Co., Ltd.	32,283
		Daiwa Lease Co., Ltd.	3,500
Repairs and maintenance expenses	862,949	Daiwa Living Co., Ltd.	459,527
		Daiwa Information Service Co., Ltd.	149,508
		Daiwa House Property Management Co., Ltd.	105,333
		Daiwa House Industry Co., Ltd.	7,481
		Daiwa LifeNext Co., Ltd.	5,493
		Daiwa Living Management Co., Ltd.	3,267
Restoration costs	301,527	Daiwa Lease Co., Ltd.	371
		Daiwa Living Co., Ltd.	211,464
Other rental expenses	118,081	Daiwa Living Co., Ltd.	47,935
		Daiwa House Property Management Co., Ltd.	17,674
		Daiwa Information Service Co., Ltd.	5,109
		Daiwa Lease Co., Ltd.	368
		Daiwa LifeNext Co., Ltd.	19

(Notes) 1. "Interested parties, etc." are interested parties, etc., of the Asset Manager with which DHR has concluded an asset management agreement as provided in Article 201, Paragraph 1 of the Investment Trusts Act, Article 123 of the Order for Enforcement of the Investment Trusts Act, Article 244-3 of Regulation for Enforcement of Investment Trusts Act and Article 26, Item 27 of The Investment Trusts Association, Japan's Rules on Management Reports, etc., of Investment Trusts and Investment Corporations.
2. "Transaction amount, etc." is the amount that does not include the various expenses required in the acquisition or sale of the property, settlement money such as taxes and public dues, consumption taxes, and leasehold guarantee deposits, etc.

(5) Status of Transactions with Asset Manager Pertaining to Business Operated by Asset Manager 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 Overseas Real Estate Holding Corporation and 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
May 21, 2020	Conclusion of underwriting agreement for investment corporation bond issuance, etc.	In line with a comprehensive resolution on the issuance of investment corporation bonds approved on April 16, 2020, DHR resolved that the selection of an administrator of the investment corporation bonds to be issued in the future would be at the discretion of the Executive Director. Based on this resolution, DHR entrusted SMBC Nikko Securities Inc., Mizuho Securities Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. with the relevant work for soliciting subscribers for investment corporation bonds, and entrusted Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited with issuance agent work, payment agent work, etc.

(2) Treatment of Fractions in Amounts and Rates

Unless otherwise specified, amounts 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 this report.

II. Balance Sheets

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of February 29, 2020 and August 31, 2020

	As of	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥50,427,313	¥39,382,433
Operating accounts receivable	157,160	313,256
Prepaid expenses	633,947	682,002
Consumption taxes receivable	—	3,156,408
Other current assets	1,120,663	5,334
Allowance for doubtful accounts	(996)	(1,061)
Total current assets	52,338,089	43,538,373
Investment properties (Notes 8 and 9)	710,370,832	780,843,030
Other assets:		
Goodwill (Note 7)	65,413,477	63,431,250
Leasehold rights in trust (Note 9)	5,893,101	5,845,688
Lease and guarantee deposits in trust	3,488,978	3,488,978
Guarantee deposits	99	99
Long-term prepaid expenses	2,307,557	2,282,730
Investment corporation bond issuance costs	108,702	138,915
Investment securities (Notes 4 and 5)	9,394	9,411
Trademark rights	1,502	1,224
Total other assets	77,222,813	75,198,298
Total assets	¥839,931,735	¥899,579,703

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of February 29, 2020 and August 31, 2020

	As of	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Liabilities		
Current liabilities:		
Operating accounts and other payable	¥2,278,968	¥2,300,842
Current portion of investment corporation bonds (Notes 4 and 14)	3,000,000	3,000,000
Current portion of long-term loans (Notes 4, 6 and 15)	11,400,000	16,000,000
Accrued expenses	1,546,716	1,704,215
Accrued consumption taxes	949,604	—
Advances received	3,064,259	3,209,021
Unearned revenue	221,735	214,721
Deposits received	374,359	211,758
Other	92,516	82,101
Total current liabilities	22,928,159	26,722,660
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 14)	22,000,000	27,000,000
Long-term loans (Notes 4, 6 and 15)	312,358,000	330,558,000
Long-term unearned revenue	596,544	491,779
Tenant leasehold and security deposits (Note 4)	337,990	347,135
Tenant leasehold and security deposits in trust (Note 4)	19,661,156	21,727,786
Asset retirement obligations (Note 11)	646,062	652,172
Derivative liabilities (Notes 4 and 6)	1,062,506	777,986
Total non-current liabilities	356,662,260	381,554,861
Total liabilities	379,590,420	408,277,521
Net assets (Notes 12 and 13)		
Unitholders' equity:		
Unitholders' capital	198,492,847	231,766,153
Units authorized:		
8,000,000 units as of February 29, 2020 and August 31, 2020		
Units issued and outstanding:		
2,075,000 units as of February 29, 2020 and		
2,196,000 units as of August 31, 2020		
Surplus		
Capital surplus	247,667,563	247,667,563
Voluntary reserve		
Reserve for temporary difference adjustments	3,903,449	496,382
Reserve for distribution	2,214,027	2,214,027
Total voluntary reserve	6,117,477	2,710,410
Unappropriated retained earnings	9,125,933	9,936,041
Total surplus	262,910,973	260,314,014
Total unitholders' equity	461,403,821	492,080,168
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 6)	(1,062,506)	(777,986)
Total valuation and translation adjustments	(1,062,506)	(777,986)
Total net assets	460,341,315	491,302,181
Total liabilities and net assets	¥839,931,735	¥899,579,703

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

III. Statements of Income and Retained Earnings

Daiwa House REIT Investment Corporation STATEMENTS OF INCOME AND RETAINED EARNINGS

For the fiscal periods ended February 29, 2020 and August 31, 2020

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Operating revenues:		
Rental revenues (Note 10)	¥24,712,400	¥26,613,533
Gain on sale of investment properties (Note 18)	306,069	—
Total operating revenues	25,018,469	26,613,533
Operating expenses:		
Rental expenses (Note 10)	10,278,793	10,737,121
Asset management fees	1,638,098	1,764,808
Asset custody fees	36,572	38,860
Administrative service fees	96,539	95,528
Directors' remuneration	6,600	6,600
Amortization of goodwill (Note 7)	1,982,226	1,982,226
Provision of allowance for doubtful accounts	653	213
Bad debts expenses	750	—
Other operating expenses	419,175	414,127
Total operating expenses	14,459,409	15,039,486
Operating income	10,559,060	11,574,046
Non-operating revenues:		
Interest income	212	198
Gain on forfeiture of unclaimed distributions	4,160	4,428
Gain on adjustment of liabilities	10,662	10,740
Gain on donation of non-current assets	2,306	—
Property tax adjustment at settlement	350	—
Interest on tax refund	1,685	—
Subsidy income	2,550	—
Other non-operating revenues	21	17
Total non-operating revenues	21,948	15,384
Non-operating expenses:		
Interest expense	1,090,310	1,100,321
Interest expense on investment corporation bonds	59,740	75,787
Amortization of investment corporation bond issuance costs	9,551	11,895
Investment unit issuance expenses	—	159,202
Borrowing related expenses	292,793	303,424
Other non-operating expenses	2,075	2,154
Total non-operating expenses	1,454,470	1,652,785
Ordinary income	9,126,538	9,936,646
Income before income taxes	9,126,538	9,936,646
Income taxes-current (Note 17)	605	605
Net income	¥9,125,933	¥9,936,041
Unappropriated retained earnings	¥9,125,933	¥9,936,041

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

IV. Statements of Changes in Net Assets

Daiwa House REIT Investment Corporation STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal periods ended February 29, 2020 and August 31, 2020

	Unitholders' equity							Valuation and translation adjustments	
	Surplus								
	Voluntary reserve								
	Number of units issued and out-standing	Unitholders' capital	Capital surplus	Reserve for temporary difference adjustments	Reserve for distribution	Unappropriated retained earnings	Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
	(Units)								
	(Yen in thousands)								
Balance as of August 31, 2019	2,075,000	¥198,492,847	¥247,667,563	¥6,823,576	¥2,106,789	¥9,166,085	¥464,256,863	¥(1,085,876)	¥463,170,986
Changes during the period:									
Reversal of reserve for temporary difference adjustments	—	—	—	(2,920,127)	—	2,920,127	—	—	—
Reserve for distribution	—	—	—	—	107,238	(107,238)	—	—	—
Distributions from surplus	—	—	—	—	—	(11,978,975)	(11,978,975)	—	(11,978,975)
Net income	—	—	—	—	—	9,125,933	9,125,933	—	9,125,933
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	23,370	23,370
Total changes during the period	—	—	—	(2,920,127)	107,238	(40,152)	(2,853,041)	23,370	(2,829,671)
Balance as of February 29, 2020	2,075,000	¥198,492,847	¥247,667,563	¥3,903,449	¥2,214,027	¥9,125,933	¥461,403,821	¥(1,062,506)	¥460,341,315
Changes during the period:									
Issuance of new investment units on March 2, 2020	121,000	33,273,306	—	—	—	—	33,273,306	—	33,273,306
Reversal of reserve for temporary difference adjustments	—	—	—	(3,407,066)	—	3,407,066	—	—	—
Distributions from surplus	—	—	—	—	—	(12,533,000)	(12,533,000)	—	(12,533,000)
Net income	—	—	—	—	—	9,936,041	9,936,041	—	9,936,041
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	284,519	284,519
Total changes during the period	—	33,273,306	—	(3,407,066)	—	810,107	30,676,347	284,519	30,960,866
Balance as of August 31, 2020	2,196,000	¥231,766,153	¥247,667,563	¥496,382	¥2,214,027	¥9,936,041	¥492,080,168	¥(777,986)	¥491,302,181

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

V. Statements of Cash Flows

Daiwa House REIT Investment Corporation
STATEMENTS OF CASH FLOWS
For the fiscal periods ended February 29, 2020 and August 31, 2020

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Cash flows from operating activities:		
Income before income taxes	¥9,126,538	¥9,936,646
Depreciation and amortization	4,806,206	5,174,575
Amortization of goodwill	1,982,226	1,982,226
Amortization of investment corporation bond issuance costs	9,551	11,895
Amortization of trademark rights	278	278
Amortization of software	71	—
Loss on retirement of non-current assets	18,036	20,862
Investment unit issuance expenses	—	159,202
Interest income	(212)	(198)
Interest expense	1,150,050	1,176,108
Decrease (increase) in operating accounts receivable	18,390	(156,095)
Decrease (increase) in accounts receivable	(1,118,200)	1,119,232
Decrease (increase) in consumption taxes receivable	2,149,113	(4,106,012)
Increase in prepaid expenses	(6,633)	(48,054)
Increase (decrease) in operating accounts and other payable	585,025	(471,644)
Increase (decrease) in accrued expenses	(2,045)	155,316
Increase (decrease) in deposits received	31,116	(162,600)
Increase in advances received	75,883	144,761
Decrease (increase) in long-term prepaid expenses	(123,413)	24,826
Increase in allowance for doubtful accounts	6	65
Decrease in investment properties in trust due to sales	5,638,212	—
Decrease in lease and guarantee deposits in trust	314	—
Other	(10,525)	(13,495)
Subtotal	24,329,993	14,947,894
Interest received	212	198
Interest paid	(1,256,628)	(1,285,704)
Income taxes paid	(607)	(602)
Net cash provided by operating activities	23,072,970	13,661,786
Cash flows from investing activities:		
Acquisition of investment properties	(7,754,115)	(75,133,412)
Proceeds from tenant leasehold and security deposits	85,923	36,856
Repayment of tenant leasehold and security deposits	(17,784)	(11,348)
Proceeds from tenant leasehold and security deposits in trust	355,788	2,305,688
Repayment of tenant leasehold and security deposits in trust	(568,795)	(250,154)
Net cash used in investing activities	(7,898,983)	(73,052,370)
Cash flows from financing activities:		
Proceeds from short-term loans	—	5,000,000
Repayment of short-term loans	—	(5,000,000)
Proceeds from long-term loans	28,900,000	30,700,000
Repayment of long-term loans	(34,910,000)	(7,900,000)
Proceeds from issuance of investment corporation bonds	5,964,210	4,957,891
Proceeds from issuance of investment units	—	33,114,103
Distribution payment	(11,972,804)	(12,526,291)
Net cash provided by (used in) financing activities	(12,018,593)	48,345,703
Net increase (decrease) in cash and cash equivalents	3,155,392	(11,044,880)
Cash and cash equivalents at beginning of the period	47,271,920	50,427,313
Cash and cash equivalents at end of the period (Note 3)	¥50,427,313	¥39,382,433

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

VI. Notes to Financial Statements

Daiwa House REIT Investment Corporation
Notes to Financial Statements
As of and for the fiscal periods ended February 29, 2020 and August 31, 2020

Note 1 – Organization and Basis of Presentation

Organization

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

DHR was listed on the Real Estate Investment Trust (“REIT”) Market of Tokyo Stock Exchange, Inc. (“TSE”) on March 22, 2006, and then later merged with New City Residence Investment Corporation on April 1, 2010. Subsequently on December 1, 2011, DHR changed its corporate name to Daiwa House Residential Investment Corporation, and accordingly changed its investment targets to residential properties.

The former Daiwa House REIT Investment Corporation (the Daiwa House REIT Investment Corporation, which was dissolved upon the merger with DHR as of September 1, 2016, and hereinafter referred to as the “former DHR”) was established on September 14, 2007, whose asset manager was Daiwa House REIT Management Co., Ltd., a wholly owned subsidiary of Daiwa House. The former DHR was listed on the TSE REIT Market on November 28, 2012, as a REIT that targeted investment in logistics and retail properties.

On September 1, 2016, DHR merged with 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.

After the merger, DHR shifted to a diversified portfolio strategy, targeting investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investment in the past. As of August 31, 2020, DHR’s portfolio included 228 properties at a total acquisition price of ¥819.1 billion.

During the fiscal period ended August 31, 2020, DHR issued 121,000 new investment units through a public offering with an offer price of ¥283,670 per unit (paid-in amount: ¥274,986 per unit) on March 2, 2020.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Act on Investment Trust and Investment Corporations (the “Investment Trust Act,” Act No. 198 of 1951, as amended), 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 one thousand yen have been omitted. Unless otherwise specified, amounts of less than the units indicated are truncated, while values of ratios 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 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. Depreciation is calculated on a straight-line basis over the estimated useful lives as stated below.

	Years
Buildings	2 – 69
Structures	3 – 63
Machinery and equipment	7 – 28
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

Intangible assets are amortized on a straight-line basis. The useful lives of major intangible assets are listed below.

	Years
Goodwill	20

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 periods.

(e) Investment Unit Issuance Expenses

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

(f) Investment Securities

Held-to-maturity bonds are stated at amortized cost using the straight-line method.

(g) Revenue Recognition

Rental revenues including fixed rent revenues, variable rent revenues and common area charges, are recognized on an accrual basis over the term of each lease agreement.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) Derivatives and Hedge Accounting

Deferral hedge accounting is applied for derivatives. 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 is omitted when the significant terms of the hedged item and hedging instrument, including the notional principal amount, are the same and changes in cash flows of the hedged item can be expected to be offset in full from the commencement of a hedge relationship and continuously thereafter. The assessment of hedge effectiveness is also omitted for all interest-rate swaps which meet the specific criteria under the special accounting treatment.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents shown in the statement of cash flows consist of the following balance sheet items.

	As of	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Cash and bank deposits	¥50,427,313	¥39,382,433
Cash and cash equivalents	¥50,427,313	¥39,382,433

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, 2020 and August 31, 2020 are as follows:

	As of					
	February 29, 2020			August 31, 2020		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥50,427,313	¥50,427,313	¥—	¥39,382,433	¥39,382,433	¥—
(2) Investment securities:						
Held-to-maturity bonds	9,394	9,663	268	9,411	9,317	(94)
Total	¥50,436,707	¥50,436,976	¥268	¥39,391,844	¥39,391,750	¥(94)
Liabilities						
(3) Current portion of investment corporation bonds	¥3,000,000	¥3,002,392	¥2,392	¥3,000,000	¥2,999,430	¥(569)
(4) Current portion of long-term loans	11,400,000	11,413,421	13,421	16,000,000	16,027,321	27,321
(5) Investment corporation bonds	22,000,000	22,095,460	95,460	27,000,000	26,715,071	(284,928)
(6) Long-term loans	312,358,000	317,567,708	5,209,708	330,558,000	334,513,388	3,955,388
(7) Tenant leasehold and security deposits in trust	550,551	548,684	(1,867)	513,958	504,710	(9,248)
Total	¥349,308,551	¥354,627,666	¥5,319,115	¥377,071,958	¥380,759,922	¥3,687,964
(8) Derivatives (*)	¥(1,062,506)	¥(1,062,506)	¥—	¥(777,986)	¥(777,986)	¥—

(*) Amounts arising from derivative transactions are shown on a net basis with any amounts inside parentheses () indicating a net liability position.

Notes:

1. Methods to estimate fair value of financial instruments and matters regarding derivatives

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.

(2) Investment securities

The fair value is based on reference statistical prices for OTC bond transactions.

For the book value on the balance sheet and the fair value of held-to-maturity bonds, and the difference between the two values, please refer to Note 5 – “Investment Securities” below.

Liabilities:

(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) Tenant leasehold and security deposits in trust

For tenant leasehold and security deposit in trust whose fair value is reasonably estimated, the fair value is calculated by discounting future cash flows by the interest rate assumed for the remaining period of the lease.

(8) Derivatives

Please refer to Note 6 – “Derivative Transactions” below.

2. Financial instruments whose fair value is deemed extremely difficult to determine

	As of	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Tenant leasehold and security deposits	¥337,990	¥347,135
Tenant leasehold and security deposits in trust	19,110,605	21,213,828

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

3. Redemption schedule for monetary claims after February 29, 2020 and August 31, 2020 is as follows:

	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
As of February 29, 2020	(Yen in thousands)					
Cash and bank deposits	¥50,427,313	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥50,427,313	¥—	¥—	¥—	¥—	¥10,000

	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
As of August 31, 2020	(Yen in thousands)					
Cash and bank deposits	¥39,382,433	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥39,382,433	¥—	¥—	¥—	¥—	¥10,000

4. Repayment schedule for investment corporation bonds and long-term loans after February 29, 2020 and August 31, 2020 is as follows:

	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
As of February 29, 2020	(Yen in thousands)					
Investment corporation bonds (*)	¥3,000,000	¥4,000,000	¥—	¥—	¥5,000,000	¥13,000,000
Long-term loans (*)	11,400,000	26,358,000	42,500,000	35,400,000	29,100,000	179,000,000
Total	¥14,400,000	¥30,358,000	¥42,500,000	¥35,400,000	¥34,100,000	¥192,000,000

	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
As of August 31, 2020	(Yen in thousands)					
Investment corporation bonds (*)	¥3,000,000	¥4,000,000	¥—	¥—	¥7,400,000	¥15,600,000
Long-term loans (*)	16,000,000	35,858,000	37,900,000	44,700,000	35,100,000	177,000,000
Total	¥19,000,000	¥39,858,000	¥37,900,000	¥44,700,000	¥42,500,000	¥192,600,000

(*) The figures above include the current portion.

Note 5 – Investment Securities

Investment securities held by DHR are Japanese government bonds deposited with the Tokyo Legal Affairs Bureau as business security deposits in accordance with the Building Lots and Building Transaction Business Act.

Book value on the balance sheet, fair value and the difference as of February 29, 2020 and August 31, 2020 are as follows:

	As of					
	February 29, 2020			August 31, 2020		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Fair value exceeding the book value						
Held-to-maturity bonds:						
Government bonds	¥9,394	¥9,663	¥268	¥—	¥—	¥—
Subtotal	9,394	9,663	268	—	—	—
Fair value not exceeding the book value						
Held-to-maturity bonds:						
Government bonds	—	—	—	9,411	9,317	(94)
Subtotal	—	—	—	9,411	9,317	(94)
Total	¥9,394	¥9,663	¥268	¥9,411	¥9,317	¥(94)

Note 6 – 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:

		As of					
		February 29, 2020			August 31, 2020		
		(Yen in thousands)					
Type of derivative transaction	Hedged item	Contract amount		Fair value	Contract amount		Fair value
		Total	Due after one year		Total	Due after one year	
<u>Principle method</u>							
Interest-rate swap	Long-term loan						
Receive floating/		¥47,500,000	¥47,500,000	¥(1,062,506)	¥47,500,000	¥44,500,000	¥(777,986)
Pay fixed				(Note 1)			(Note 1)
<u>Special treatment for interest-rate swaps</u>							
Interest-rate swap	Long-term loan						
Receive floating/		60,258,000	56,758,000	(Note 2)	75,258,000	71,758,000	(Note 2)
Pay fixed							
Total		¥107,758,000	¥104,258,000	¥(1,062,506)	¥122,758,000	¥116,258,000	¥(777,986)

Notes:

1. Fair value is quoted by counterparties based on the prevailing market interest rates.
2. 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 7 – Goodwill

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.

On the business combination date, consideration given for the acquisition was ¥219,425,976 thousand, which was the amount equivalent to the fair value of DHR investment units allotted, while the fair value of the net assets acquired from the former DHR was ¥140,136,912 thousand. The excess of the acquisition cost over the fair value of the net assets acquired, in the amount of ¥79,289,063 thousand, was recognized as goodwill upon the Merger. The amount of goodwill is amortized over 20 years using the straight-line method. As of February 29, 2020 and August 31, 2020, the unamortized balances of goodwill from the Merger were ¥65,413,477 thousand and ¥63,431,250 thousand, respectively.

Note 8 – Investment Properties

As of February 29, 2020 and August 31, 2020, investment properties consist of the following property and equipment and property and equipment in trust.

	As of					
	February 29, 2020			August 31, 2020		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥22,345,895	¥—	¥22,345,895	¥22,350,209	¥—	¥22,350,209
Buildings	26,483,438	5,144,627	21,338,810	26,599,067	5,413,936	21,185,130
Structures	248,426	51,006	197,419	249,240	53,848	195,392
Machinery and equipment	490,934	160,912	330,021	494,771	172,287	322,484
Tools, furniture and fixtures	728,750	426,339	302,411	748,522	455,107	293,414
Property and equipment in trust:						
Land	348,200,560	—	348,200,560	385,966,267	—	385,966,267
Buildings	347,339,442	39,166,299	308,173,142	383,510,185	43,610,290	339,899,895
Structures	8,323,696	991,617	7,332,078	9,339,802	1,171,751	8,168,051
Machinery and equipment	2,550,564	1,192,094	1,358,470	2,722,078	1,285,302	1,436,775
Tools, furniture and fixtures	1,271,176	532,144	739,032	1,470,419	615,802	854,617
Construction in progress	52,988	—	52,988	170,792	—	170,792
Total	¥758,035,874	¥47,665,041	¥710,370,832	¥833,621,357	¥52,778,326	¥780,843,030

Note 9 – Fair Value of Investment Properties

DHR owns logistics, residential, retail and hotel properties, and other assets for lease in the Tokyo metropolitan area 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 fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Book value:		
Balance at beginning of the period	¥718,796,927	¥716,263,934
Net change during the period	(2,532,993)	70,424,785
Balance at end of the period	¥716,263,934	¥786,688,719
Fair value at end of the period	¥830,171,000	¥906,406,000

Notes:

1. The book value above includes leasehold rights in trust of ¥5,893,101 thousand and ¥5,845,688 thousand as of February 29, 2020 and August 31, 2020, respectively.
2. For the period ended February 29, 2020, the increase is mainly due to acquisitions of two properties including AGORA Kanazawa (¥6,689,535 thousand), while the decrease is mainly attributable to the sale of five properties including D Project Sendai Minami (¥5,638,212 thousand) and depreciation. For the period ended August 31, 2020, the increase is mainly due to acquisitions of four properties including DPL Nagareyama I (¥74,081,988 thousand), while the decrease is mainly attributable to depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

Note 10 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended February 29, 2020 and August 31, 2020 are as follows:

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Rental revenues:		
Rental revenues	¥23,160,308	¥24,961,747
Common area charges	495,490	537,592
Subtotal	23,655,798	25,499,339
Other revenues related to property leasing:		
Facility charges	393,687	424,316
Incidental revenues	264,610	266,029
Other revenues	398,303	423,847
Subtotal	1,056,601	1,114,193
Total rental revenues	¥24,712,400	¥26,613,533

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Rental expenses:		
Management fees	¥1,308,420	¥1,414,808
Utilities	319,454	299,940
Taxes and public dues	1,774,783	1,978,238
Repairs	1,121,106	862,949
Restoration costs	254,194	301,527
Insurance premiums	29,784	32,211
Custodian fees	64,083	57,050
Depreciation and amortization	4,806,206	5,174,575
Other operating expenses	600,760	615,819
Total rental expenses	¥10,278,793	¥10,737,121
Operating income from property leasing activities	¥14,433,606	¥15,876,411

Note 11 – Asset Retirement Obligations

DHR recognizes asset retirement obligations associated with restoration obligations upon expiration of the fixed-term land lease agreements with some landowners and those associated with contractual and legal obligations for asbestos removal.

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (46 – 60 years), and uses 1.0 – 2.4% discount rates for the calculation of asset retirement obligations. For buildings containing asbestos, DHR estimates the useful life to be 35 years, and uses a 0.6% discount rate. Changes in asset retirement obligations for the periods ended February 29, 2020 and August 31, 2020 are as follows:

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Balance at beginning of the period	¥640,015	¥646,062
Increase due to acquisitions of property and equipment	—	—
Accretion expense	6,047	6,110
Balance at end of the period	¥646,062	¥652,172

Note 12 – 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 13 – 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 (the “Measures”), which allows the REITs to deduct the amount of cash distributions from taxable income to avoid double taxation if certain requirements are met.

Adopting the transitional measure stipulated in the paragraph 3 of supplementary provision of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), subsequent to February 28, 2017, DHR transferred the reserve for distribution of ¥14,748,347,148, which was the balance retained from gain on negative goodwill recognized in the past, to the reserve for temporary difference adjustments account. The Ordinance prescribes that, from the fiscal period following the period in which the amount is reserved, a minimum of 1% of the remaining balance shall be appropriated from reserve for temporary difference adjustments for cash distributions. Instead of appropriating the minimum amounts as set forth by the Ordinance, DHR appropriated the amounts equivalent to goodwill amortization expenses, which are greater than those minimum amounts, from voluntary reserve (reserve for temporary difference adjustments and reserve for distribution) from the fiscal period ended August 31, 2017. After distributing all of voluntary reserve, DHR will make distributions in excess of earnings (distribution of allowance for temporary difference adjustments and other distribution in excess of earnings) to distribute amounts equivalent to goodwill amortization.

For the fiscal period ended February 29, 2020, DHR sold five properties and realized excess taxable income over accounting income, while recognizing damages from Typhoon Faxai (No.15) at D Project Urayasu II. In order to distribute more than 90% of income available for distribution, DHR appropriated the amount equivalent to the tax-accounting mismatch, in addition to the amount equivalent to goodwill amortization expenses. DHR also appropriated part of the amount of the damages. Total amount appropriated was distributed as distribution of earnings.

For the fiscal period ended August 31, 2020, DHR determined the distribution amounts by totaling net income and the amount equivalent to goodwill amortization expenses and adjusting the fractional parts of amounts less than ¥1 per investment unit. The amount is appropriated by reversing voluntary reserve accounts and deducting ¥50,508,000 from capital surplus as allowance for temporary difference adjustments in the following fiscal period. In principle, DHR will not reverse the allowance for temporary difference adjustments provided for amortization of goodwill.

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

	For the fiscal periods ended			
	February 29, 2020		August 31, 2020	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥9,125,933,145		¥9,936,041,002	
Reversal of voluntary reserve:				
Reserve for temporary difference adjustments	3,407,066,855		496,382,622	
Reserve for distribution	—		2,214,027,723	
Deduction from capital surplus:				
Allowance for temporary difference adjustments	—		50,508,000	
	¥12,533,000,000		¥12,696,959,347	
Cash distributions:				
Distribution of earnings	¥12,533,000,000	¥6,040	¥11,867,184,000	¥5,404
Distribution in excess of earnings	—	—	50,508,000	23
Total cash distributions	¥12,533,000,000	¥6,040	¥11,917,692,000	¥5,427
Retained earnings carried forward	¥—		¥779,267,347	

Note 14 – 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, 2020 and August 31, 2020. The bonds are to be repaid on a lump-sum basis on the maturity date.

Bond series	Issue date	Maturity date	Interest rate	As of	
				February 29, 2020	August 31, 2020
				(Yen in thousands)	
Daiwa House REIT Investment Corporation 1st Unsecured Bonds	December 24, 2014	December 24, 2024	0.826%	¥2,000,000	¥2,000,000
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
Daiwa House REIT Investment Corporation 5th Unsecured Bonds	December 20, 2016	December 20, 2021	0.24%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 6th Unsecured Bonds	December 20, 2016	December 18, 2026	0.57%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 7th Unsecured Bonds	July 30, 2018	July 30, 2030	0.69%	2,000,000	2,000,000
Daiwa House REIT Investment Corporation 8th Unsecured Bonds	July 30, 2018	July 30, 2038	1.03%	1,000,000	1,000,000
Daiwa House REIT Investment Corporation 9th Unsecured Bonds (Green Bonds)	November 25, 2019	November 22, 2029	0.53%	6,000,000	6,000,000
Daiwa House REIT Investment Corporation 10th Unsecured Bonds (Green Bonds)	May 27, 2020	May 27, 2025	0.34%	—	2,400,000
Daiwa House REIT Investment Corporation 11th Unsecured Bonds (Green Bonds)	May 27, 2020	May 27, 2030	0.64%	—	1,600,000
Daiwa House REIT Investment Corporation 12th Unsecured Bonds (Green Bonds)	May 27, 2020	May 25, 2040	1.00%	—	1,000,000
Total				¥25,000,000	¥30,000,000

Note 15 – Long-Term Loans

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 long-term loans as of February 29, 2020 and August 31, 2020.

	Due date	As of			
		February 29, 2020		August 31, 2020	
		(Yen in thousands)	Interest rate	(Yen in thousands)	Interest rate
Long-term loans:					
Fixed-rate loan	April 1, 2020	¥1,000,000	0.57%	¥—	—%
Floating-rate loan	March 31, 2020	6,900,000	0.22	—	—
Floating-rate loan (*)	January 31, 2021	3,500,000	0.90	3,500,000	0.90
Floating-rate loan (*)	April 1, 2021	3,000,000	1.05	3,000,000	1.05
Floating-rate loan (*)	November 30, 2021	7,000,000	0.51	7,000,000	0.51
Fixed-rate loan	April 30, 2021	9,500,000	0.40	9,500,000	0.40
Floating-rate loan (*)	January 31, 2022	6,858,000	0.61	6,858,000	0.61
Floating-rate loan (*)	April 28, 2022	10,000,000	0.66	10,000,000	0.66
Floating-rate loan (*)	December 28, 2022	10,500,000	0.59	10,500,000	0.59
Floating-rate loan (*)	April 1, 2022	3,500,000	1.21	3,500,000	1.21
Floating-rate loan (*)	October 3, 2022	3,000,000	0.87	3,000,000	0.87
Floating-rate loan (*)	September 28, 2022	4,000,000	0.65	4,000,000	0.65
Fixed-rate loan	September 9, 2022	1,000,000	0.43	1,000,000	0.43
Fixed-rate loan	April 28, 2022	6,500,000	0.42	6,500,000	0.42
Floating-rate loan	August 31, 2022	2,000,000	0.25	2,000,000	0.24
Floating-rate loan	October 31, 2022	2,000,000	0.30	2,000,000	0.29
Floating-rate loan (*)	March 27, 2023	2,000,000	1.50	2,000,000	1.50
Fixed-rate loan	September 29, 2023	1,000,000	1.00	1,000,000	1.00
Floating-rate loan (*)	October 2, 2023	4,000,000	0.99	4,000,000	0.99
Floating-rate loan (*)	May 31, 2023	4,000,000	0.71	4,000,000	0.71
Fixed-rate loan	March 31, 2023	10,400,000	0.41	10,400,000	0.41
Fixed-rate loan	September 29, 2023	10,000,000	0.57	10,000,000	0.57
Fixed-rate loan	March 31, 2023	1,000,000	0.44	1,000,000	0.44
Fixed-rate loan	September 29, 2023	1,000,000	0.43	1,000,000	0.43
Floating-rate loan	September 29, 2023	—	—	6,700,000	0.27
Fixed-rate loan	January 31, 2024	2,000,000	0.88	2,000,000	0.88
Floating-rate loan (*)	April 1, 2024	3,000,000	1.52	3,000,000	1.52
Fixed-rate loan	September 30, 2024	1,000,000	0.73	1,000,000	0.73
Fixed-rate loan	March 29, 2024	11,000,000	0.48	11,000,000	0.48
Fixed-rate loan	March 29, 2024	1,000,000	0.55	1,000,000	0.55
Fixed-rate loan	April 30, 2024	5,000,000	0.52	5,000,000	0.52
Fixed-rate loan	October 31, 2024	8,100,000	0.39	8,100,000	0.39
Fixed-rate loan	October 31, 2024	—	—	6,000,000	0.35
Floating-rate loan (*)	October 1, 2025	4,000,000	1.23	4,000,000	1.23
Fixed-rate loan	October 1, 2025	3,000,000	1.18	3,000,000	1.18
Floating-rate loan (*)	May 30, 2025	4,000,000	0.97	4,000,000	0.97

	Due date	As of			
		February 29, 2020		August 31, 2020	
		(Yen in thousands)	Interest rate	(Yen in thousands)	Interest rate
Fixed-rate loan	September 29, 2025	9,000,000	0.63	9,000,000	0.63
Fixed-rate loan	March 31, 2025	11,000,000	0.70	11,000,000	0.70
Fixed-rate loan	April 30, 2025	5,000,000	0.60	5,000,000	0.60
Fixed-rate loan	September 30, 2025	1,000,000	0.60	1,000,000	0.60
Fixed-rate loan	September 30, 2025	7,600,000	0.43	7,600,000	0.43
Floating-rate loan (*)	April 1, 2026	2,000,000	2.03	2,000,000	2.03
Floating-rate loan (*)	May 29, 2026	4,000,000	1.09	4,000,000	1.09
Fixed-rate loan	September 28, 2026	1,000,000	0.69	1,000,000	0.69
Fixed-rate loan	November 30, 2026	15,000,000	0.87	15,000,000	0.87
Fixed-rate loan	April 30, 2026	10,000,000	0.76	10,000,000	0.76
Fixed-rate loan	April 30, 2026	2,000,000	0.65	2,000,000	0.65
Fixed-rate loan	April 30, 2026	1,000,000	0.45	1,000,000	0.45
Fixed-rate loan	April 30, 2026	—	—	1,000,000	0.40
Fixed-rate loan	March 31, 2026	—	—	500,000	0.40
Fixed-rate loan	September 30, 2026	—	—	500,000	0.41
Fixed-rate loan	April 1, 2027	1,500,000	1.46	1,500,000	1.46
Fixed-rate loan	March 31, 2027	2,000,000	0.85	2,000,000	0.85
Fixed-rate loan	July 30, 2027	12,100,000	0.89	12,100,000	0.89
Fixed-rate loan	November 30, 2027	16,000,000	0.90	16,000,000	0.90
Fixed-rate loan	September 30, 2027	1,500,000	0.75	1,500,000	0.75
Fixed-rate loan	April 30, 2027	500,000	0.50	500,000	0.50
Fixed-rate loan	July 30, 2027	8,400,000	0.46	8,400,000	0.46
Fixed-rate loan	April 28, 2028	10,000,000	1.02	10,000,000	1.02
Fixed-rate loan	April 28, 2028	10,000,000	0.89	10,000,000	0.89
Fixed-rate loan	December 29, 2028	5,000,000	0.88	5,000,000	0.88
Fixed-rate loan	April 28, 2028	1,500,000	0.59	1,500,000	0.59
Fixed-rate loan	September 29, 2028	—	—	1,000,000	0.51
Floating-rate loan (*)	April 27, 2029	10,400,000	0.75	10,400,000	0.75
Floating-rate loan (*)	November 30, 2029	10,000,000	0.66	10,000,000	0.66
Fixed-rate loan	January 31, 2029	1,500,000	0.59	1,500,000	0.59
Floating-rate loan (*)	April 27, 2029	—	—	5,000,000	0.51
Floating-rate loan (*)	January 31, 2030	9,000,000	0.61	9,000,000	0.61
Floating-rate loan (*)	April 30, 2030	—	—	10,000,000	0.62
Total long-term loans		323,758,000		346,558,000	
Less: current portion		(11,400,000)		(16,000,000)	
Long-term loans, less current portion		¥312,358,000		¥330,558,000	

(*) DHR entered into an interest-rate swap contract to hedge its exposure to 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 for the applicable fiscal period and is rounded to the second decimal place.

The repayment schedule for long-term loans subsequent to February 29, 2020 and August 31, 2020 is 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, 2020 and August 31, 2020 is as follows:

	As of	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Total amount of commitment line	¥25,000,000	¥25,000,000
Balance executed as loans	—	—
Unused line of credit	¥25,000,000	¥25,000,000

Note 16 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of February 29, 2020 and August 31, 2020 are as follows:

	As of	
	February 29, 2020	August 31, 2020
	(Yen in thousands)	
Due within one year	¥24,788,675	¥28,359,709
Due after one year	168,106,007	197,790,715
Total	¥192,894,683	¥226,150,425

Note 17 – 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 Measures. If DHR does not satisfy all of the requirements as specified in the Measures, 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, 2020	August 31, 2020
	(Yen in thousands)	
Deferred tax assets:		
Excess provision of allowance for doubtful accounts	¥314	¥333
Deferred interest income	258,494	222,265
Valuation difference at the time of merger (Land and Buildings)	2,490,381	2,405,915
Loss carryforward assumed at the time of merger	21,975	—
Asset retirement obligations	204,091	205,173
Deferred gains or losses on hedges	335,645	244,754
Amortization of fixed-term land lease rights	152,326	166,616
Other	8,666	9,505
Subtotal	3,471,896	3,254,564
Valuation reserve	(3,471,896)	(3,254,564)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference at the time of merger (Investment securities)	(700)	(677)
Valuation difference at the time of merger (Land and Buildings)	(13,513,784)	(13,421,536)
Asset retirement costs	(176,769)	(176,025)
Subtotal	(13,691,254)	(13,598,239)
Valuation reserve	13,691,254	13,598,239
Total deferred tax liabilities	—	—
Net deferred tax assets	¥—	¥—

Based on the cash distribution policy set forth in Article 37 of the Articles of Incorporation, DHR may distribute an amount of cash that exceeds profit in order to minimize taxable income. DHR does not assume corporate income tax payments in future accounting periods; therefore, deferred tax liabilities are not recorded.

(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 differences between the statutory tax rate and DHR's effective tax rate for financial statement purposes.

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
Statutory tax rate	31.51%	31.46%
Adjustments:		
Tax-deductible cash distributions paid	(42.53)	(37.19)
Amortization of goodwill	6.84	6.28
Change in valuation allowance	4.16	(0.55)
Other	0.02	0.02
Effective tax rate	0.01%	0.01%

Note 18 – Gain on Sale of Investment Properties

For the period ended February 29, 2020, DHR sold five investment properties and reported gains as follows:

	For the fiscal period ended
	February 29, 2020 (Yen in thousands)
D Project Gifu	
Proceeds from sale of investment properties	¥1,171,000
Cost of investment properties sold	1,065,888
Other sales expenses	4,227
Gain on sale of investment properties	¥100,883
D Project Sapporo Minami	
Proceeds from sale of investment properties	¥863,000
Cost of investment properties sold	781,613
Other sales expenses	3,457
Gain on sale of investment properties	¥77,929
D Project Sendai Minami	
Proceeds from sale of investment properties	¥1,581,000
Cost of investment properties sold	1,509,983
Other sales expenses	5,252
Gain on sale of investment properties	¥65,763
D Project Gotenba	
Proceeds from sale of investment properties	¥1,141,000
Cost of investment properties sold	1,107,701
Other sales expenses	4,152
Gain on sale of investment properties	¥29,146
D Project Nishi-Hiroshima	
Proceeds from sale of investment properties	¥1,211,000
Cost of investment properties sold	1,173,026
Other sales expenses	5,627
Gain on sale of investment properties	¥32,346

For the period ended August 31, 2020, DHR did not sell any investment property.

Note 19 – Per Unit Information

Earnings per unit for the periods ended February 29, 2020 and August 31, 2020 and net assets per unit as of February 29, 2020 and August 31, 2020 are as follows:

	For the fiscal periods ended	
	February 29, 2020	August 31, 2020
	(Yen)	
Earnings per unit:		
Net income per unit	¥4,398	¥4,525
Weighted average number of units outstanding (units)	2,075,000	2,195,342
	As of	
	February 29, 2020	August 31, 2020
	(Yen)	
Net assets per unit	¥221,851	¥223,725

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 20 – Related-Party Transactions

Related-party transactions for the periods ended February 29, 2020 and August 31, 2020 are as follows:

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

(b) *Affiliates* — None

(c) *Transactions under Common Control* — None

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

Note 21 – 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, 2020 and August 31, 2020, 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, 2020 and August 31, 2020, 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, 2020 and August 31, 2020, are located within Japan, information about geographic areas on such investment properties has been omitted.

Information about major customers

Since there is not any customer accounting for 10% or more of total operating revenues in DHR’s statements of income and retained earnings for the periods ended February 29, 2020 and August 31, 2020, information about major customers has been omitted.

Note 22 – Accounting Standards Issued But Not Yet Applied

As of August 31, 2020, DHR has not yet applied the following accounting standards and their implementation guidance.

(a) *Accounting Standard for Revenue Recognition and its Implementation Guidance*

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

Conducting a joint project to clarify the comprehensive principles for recognizing revenues, the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the U.S. issued “Revenue from Contracts with Customers” (IFRS 15 by IASB and Topic 606 by FASB) in May 2014. IFRS 15 became effective from fiscal periods beginning on or after January 1, 2018 and Topic 606 became effective from fiscal periods beginning after December 15, 2017. Under these circumstances, ASBJ also developed a comprehensive accounting standard for revenue recognition and issued a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, ASBJ determined to adopt the core principles of IFRS 15 in order to enhance comparability of financial statements, which is one of the benefits of consistency with IFRS 15. In addition, for any item to be considered arising from business practices in Japan, alternative treatments shall be added to the extent that comparability is not impaired.

(2) Scheduled date of application

DHR will apply the aforementioned standard and guidance from the beginning of the fiscal period ending February 28, 2022.

(3) Effect of application of the new accounting standard

The effect of application of the aforementioned standard on DHR’s financial statements is currently under evaluation.

(b) Accounting Standard for Fair Value Measurement and its Implementation Guidance

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

Developing accounting standards for fair value measurement, IASB and FASB issued new common fair value measurement in May 2011 (IFRS 13 by IASB and update to Topic 820 by FASB). IFRS 13 became effective from fiscal periods beginning on or after January 1, 2013 and Topic 820 became effective from fiscal periods beginning after December 15, 2011. Under these circumstances, ASBJ also developed an accounting standard for fair value measurement and issued a new standard together with its implementation guidance.

As a basic policy for the development of the new standard, ASBJ determined to generally adopt all the principles of IFRS 13 in order to enhance comparability of financial statements among domestic and overseas companies, by applying the consistent measurement methods. However, for any item to be considered arising from business practices in Japan, other treatment for the item shall be determined to the extent that comparability is not impaired.

(2) Scheduled date of application

DHR will apply the aforementioned standard and guidance from the beginning of the fiscal period ending February 28, 2022.

(3) Effect of application of the new accounting standard

The effect of application of the aforementioned standard on DHR’s financial statements has not yet been evaluated.

(c) Accounting Standard for Disclosure of Accounting Estimates

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The ASBJ issued this accounting standard in response to requests to develop an accounting standard which requires a footnote information similar to the disclosure requirement as to “key sources of estimation uncertainty” prescribed in Paragraph 125 of the International Accounting Standard (“IAS”) 1 “Presentation of Financial Statements” issued in 2003, since it is very useful information for users of financial statements.

The basic policy of the ASBJ in developing this accounting standard is not to expand the number of individual notes, but to set out the disclosure principles. Thus, the entity shall judge the specific content of disclosure details based on the purpose of disclosure. In developing this standard, the ASBJ referred to the provisions of Paragraph 125 of IAS 1.

(2) Scheduled date of application

DHR will apply the aforementioned standard from the end of the fiscal period ending August 31, 2021.

(d) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

This accounting standard was developed to enhance the footnote information as to the accounting principles and procedures adopted in cases where related provisions of accounting standards are not clear. The accounting standard requires to take over the provisions of the explanatory paragraph of Corporate Accounting Principles (Note 1-2) in order not to affect the current practice when related provisions of accounting standards are clear.

(2) Scheduled date of application

DHR will apply the aforementioned standard from the end of the fiscal period ending August 31, 2021.

Note 23 – Subsequent Events

Not applicable.

VII. Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Daiwa House REIT Investment Corporation

Opinion

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation (the Company), which comprise the balance sheets as at August 31, 2020 and February 29, 2020, and the statements of income, changes in net assets, and cash flows for the six-month periods then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and February 29, 2020, and its financial performance and its cash flows for the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Supervisory Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Ernst & Young ShinNihon LLC
Tokyo, Japan

November 24, 2020

吉村 基 

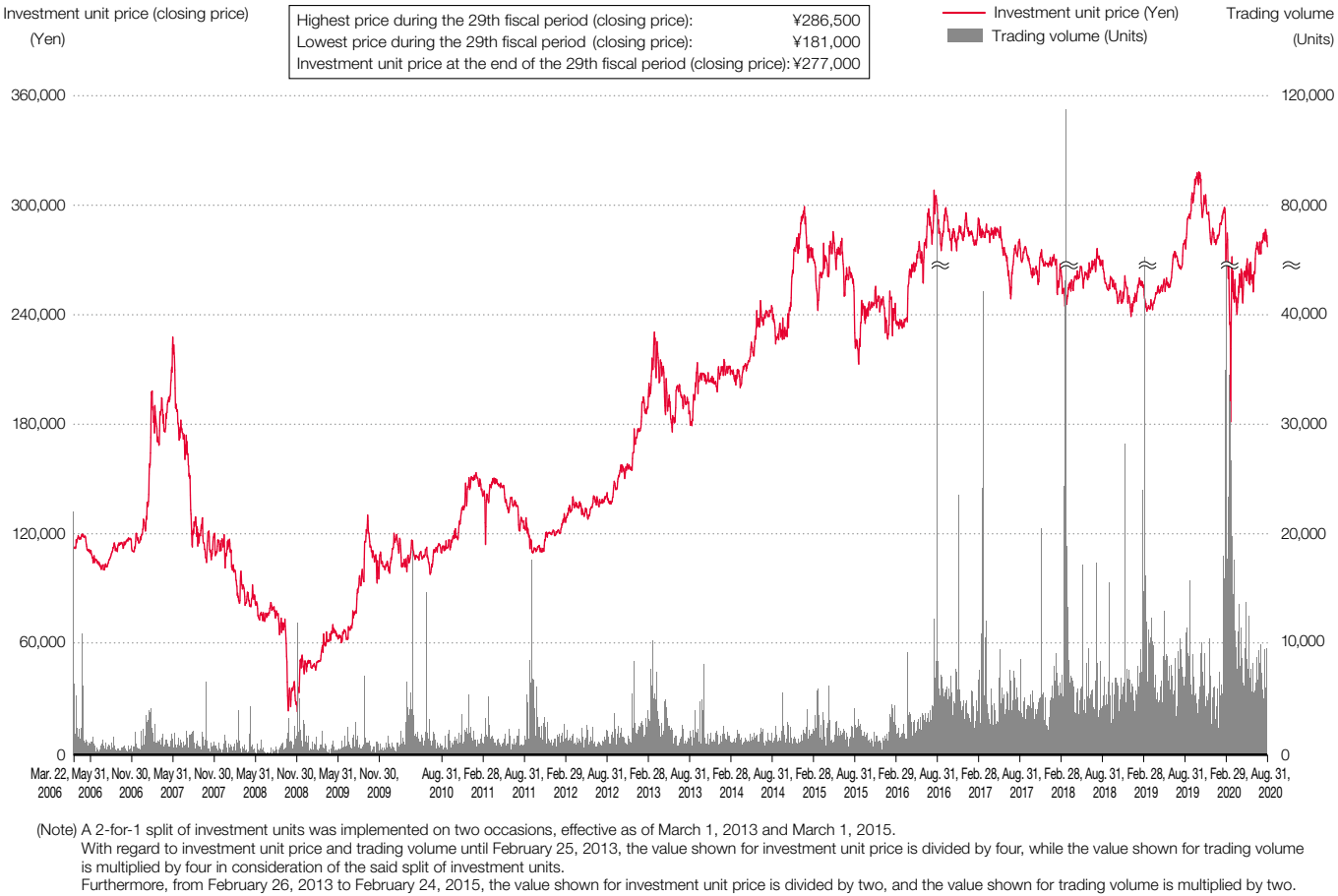
Motoki Yoshimura
Designated Engagement Partner
Certified Public Accountant

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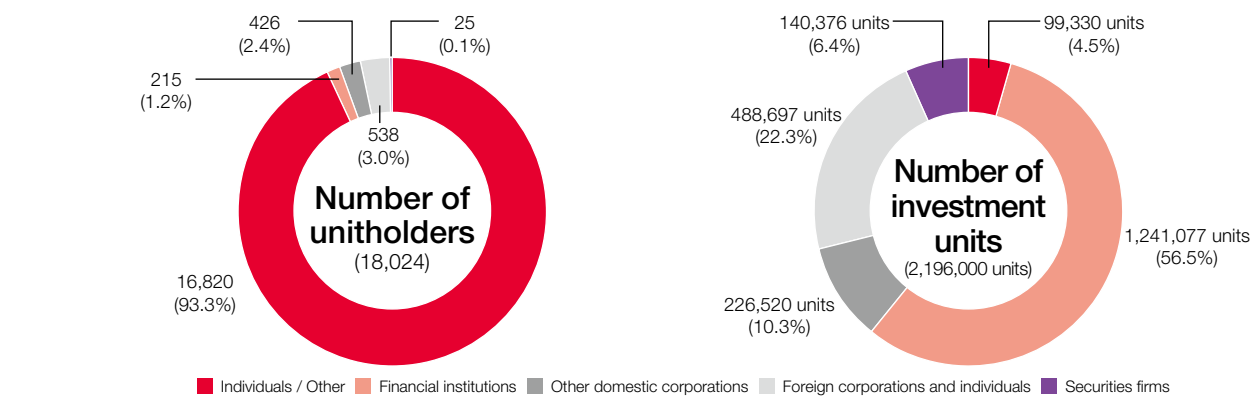
Satoshi Abe
Designated Engagement Partner
Certified Public Accountant

Investor Information

Investment Unit Price



Unitholders Data (as of August 31, 2020)



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

Outline of the Asset Manager

Corporate Name : Daiwa House Asset Management Co., Ltd.

Location : 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%)

Procedures for Changes of Address, etc.

Please submit changes of address, name, etc., to your securities company, etc. 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, please contact the transfer agent 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, etc.

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 receive your distributions 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. However, for unitholders who have selected the system of dividend allotment to securities company accounts in proportion to the number of shares held, the amount of withholding tax will be calculated by your securities company, etc. For supporting documents when declaring income for tax purposes please confirm with your securities company, etc. 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, etc.

■ 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	Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, JAPAN TEL: 0120-782-031 (toll-free, available within Japan only) Weekdays 9 a.m. to 5 p.m.