

Presentation Material for the 16th fiscal Period
(September 1, 2013 — February 28, 2014)

(Asset Management Company)

DAIWA HOUSE
ASSET MANAGEMENT Co., Ltd.

Financial Instruments Dealer, Kanto Financial Bureau
Director (Kin-sho) No. 409
Member of The Investment Trusts Association, Japan



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*) All photos used in this material are photos of properties managed by Daiwa House Residential Investment Corporation ("DHI") except for the property photos on pages 10 and 24.

- ① DHI is a residential-focus J-REIT that mainly invests in **residential properties** with stable rent and occupancy rate.
- ② DHI closely works in cooperation with our sponsor, **Daiwa House Group** to secure stable revenue in the medium to long-term and steadily increase our assets under management. In addition to investing in rental residences, DHI will also invest in housing for elderly people (Note), an area of the market where a certain amount of demand is expected.
- ③ The **merger** with New City Residence Investment Corporation in April 2010 and expanding asset size enabled DHI to **stabilize distributions by utilizing retained earnings**.
- ④ DHI implemented its third **capital increase through public offerings** in October 2013 (**¥8.5 billion**) and is realizing steady external growth.

(Note) Rental residences, care facilities or others scheduled to be occupied exclusively by elderly people living alone or elderly couples with the provision of nursing services, etc., including serviced housing for elderly people and private nursing homes.

As of February 28, 2014 (16th Fiscal Period)

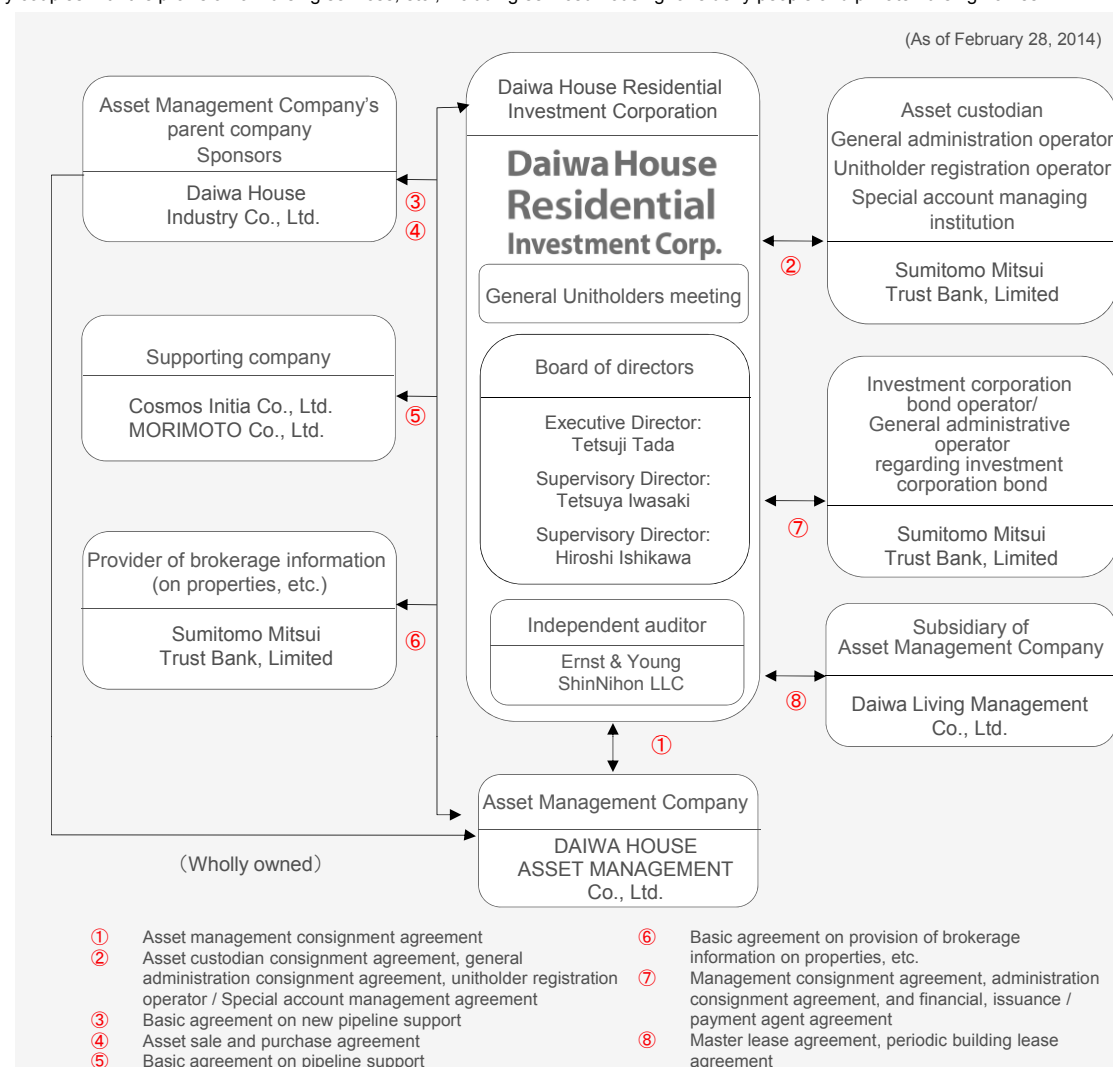
Fiscal Periods	6 months through February and August
Number of Owned Properties	132 Properties
Leasable units	10,170 units
Total Assets	237,934 million yen
Portfolio Size *1	229,981 million yen
Net Assets	117,789 million yen
Number of Units	373,870
Net Assets per Unit (NAV)	299 thousand yen
LTV *2	51.1%
Listing Date	March 22, 2006
Sponsor	Daiwa House Industry

*1) Purchase price basis, figures rounded down to the nearest million yen; same as below

*2) LTV (total interest-bearing liability ratio) = interest-bearing liabilities at end of fiscal period / total assets at end of fiscal period × 100

Ratings

Rating Agency	Type	Rating
Rating and Investment Information, Inc. (R&I)	Issuer rating	A+ (Stable)
Japan Credit Rating Agency, Ltd. (JCR)	Long-Term Senior Debt Rating	AA- (Stable)



Steady external growth

■ External growth achievements

In the 16th fiscal period (ended February 2014), DHI acquired six properties with a total value of ¥10,300 million (acquisition price) and disposed of one property worth ¥990 million.

DHI raised funds through a public offering in October 2013 (¥8.5 billion) and expanded its portfolio size to ¥229.9 billion (as of February 28, 2014).

The details are on pages 8–9

	14th Fiscal Period (as of Feb. 28, 2013)	15th Fiscal Period (as of Aug. 31, 2013)	16th Fiscal Period (as of Feb. 28, 2014)
Number of properties	123 properties	127 properties	132 properties
Portfolio size	¥212.6 billion	¥221.0 billion	¥229.9 billion

Boosting profitability

■ In the 16th fiscal period (ended February 2014), portfolio NOI yield improved to 5.59%, supported by a high occupancy rate (average occupancy rate in the fiscal period of 96.5%), stable rents and a decline in expenses related to rent business.

The details are on pages 12–14

	9th Fiscal Period (as of Aug. 31, 2010)	15th Fiscal Period (as of Aug. 31, 2013)	16th Fiscal Period (as of Feb. 28, 2014)
NOI yield	4.99%	5.42%	5.59%

Reduction of LTV and enhancement of capacity for acquiring properties

■ DHI achieved a reduction of LTV through a public offering (¥8.5 billion).

Capacity for acquiring properties increased to ¥20.4 billion.

	14th Fiscal Period (as of Feb. 28, 2013)	15th Fiscal Period (as of Aug. 31, 2013)	16th Fiscal Period (as of Feb. 28, 2014)
LTV	56.6%	53.0%	51.1%
Acquisition capacity up to LTV of 55%			¥20.4 billion

Changes to distribution policy

■ New distribution policy introduced

DHI has introduced a new distribution policy, whereby the equivalent of 10% of depreciation and amortization is reversed from retained earnings (¥18.5 billion* as of February 28, 2014) to increase net income and fund distributions. *) The amount of retained earnings indicates after a reversal of internal reserves. The amount before a reversal is ¥19.1 billion.

For the 16th fiscal period (ended February 2014), DHI will increase the distribution by ¥425 per unit.

The details are on pages 18–21

	15th Fiscal Period Actual (A) (ended Aug. 2013)	16th Fiscal Period Forecast (B) (ended Feb. 2014)	16th Fiscal Period Actual (C) (ended Feb. 2014)	Difference (C) - (A)	Difference (C) - (B)
Net income per unit	¥7,899	¥8,043	¥7,232	¥(667)	¥(811)
Net income per unit excluding gain and loss from disposition of properties	¥7,889	¥8,043	¥8,263	+¥374	+¥220
Distribution per unit	¥8,300	¥8,470	¥8,688	+¥388	+¥218

Sixteenth and Fifteenth Fiscal Period Results

(unit: million yen)

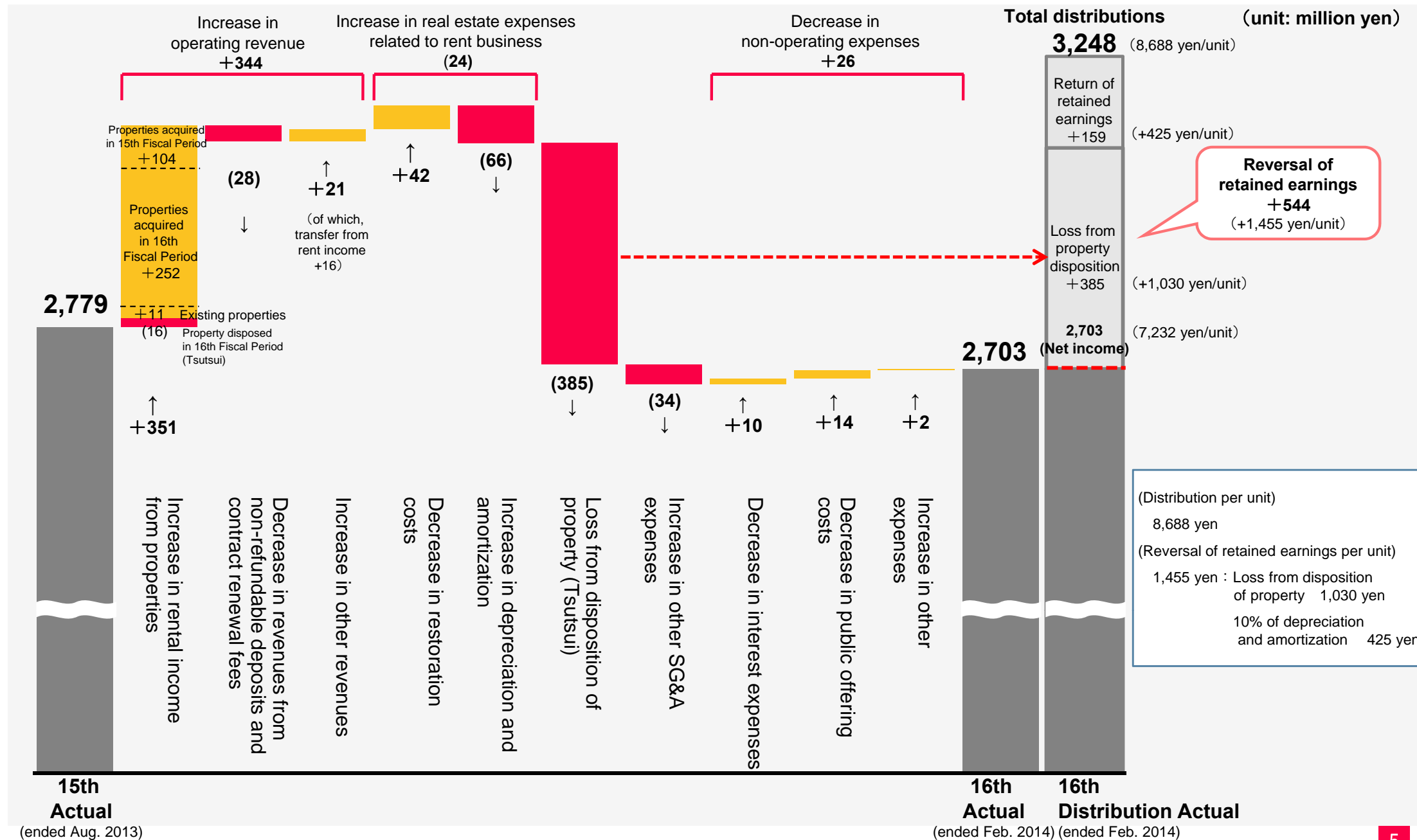
	15th Actual (ended Aug. 2013)	16th Forecast (*1) (ended Feb. 2014)	16th Actual (ended Feb. 2014)	Differences between 16th Fiscal Period and 15th Fiscal Period	
Management Period	184 days	181 days	181 days	—	
Operating Revenue (a)	7,971	8,316	8,316	344	4.3% increase
Lease business revenue (b)	7,968	8,316	8,316	348	4.4% increase
Lease business revenue	7,431	7,792	7,782	350	Properties acquired in 15th, 16th: +355, Properties disposed in 16th: (15)
Other lease business revenue	537	523	534	(2)	Income from parking lot: +26, non-refundable deposits: (11), contract renewal income: (17)
Gain from disposal of properties	3	—	—	(3)	Decrease of gain from disposition of property (part of land, FOLEO TOWN Tsutsui)
Operating Expenses (c)	4,309	4,431	4,756	446	
Expenses related to rent business (d)	4,309	4,431	4,371	61	
Expenses related to rent business	3,520	3,567	3,545	24	Depreciation and amortization :+66, restoration cost: (42)
Other expenses related to rent business	789	863	826	36	
Loss from disposal of properties	—	—	385	385	Loss from property disposition (FOLEO TOWN Tsutsui)
Operating Income excl. gain and loss from disposition of properties (b)-(d)	3,658	3,885	3,945	286	7.8% increase
Operating Income (a)-(c)	3,661	3,885	3,559	(101)	2.8% decrease
Non-operating Income	5	0	7	1	
Non-operating Expenses	887	878	862	(25)	
Interest expenses	672	668	667	(5)	
Borrowing related expenses	160	158	154	(6)	
Other non-operating expenses	53	51	40	(13)	Decrease in public offering costs
Ordinary Income	2,780	3,007	2,704	(75)	2.7% decrease (11.3% increase on an ongoing basis *2)
Extraordinary Income and Loss	—	—	—	—	
Net Income	2,779	3,007	2,703	(75)	2.7% decrease (11.3% increase on an ongoing basis *2)
Reversal of Retained Earnings	(141)	(159)	(544)	(403)	
Total Distributions	2,920	3,166	3,248	327	
Net Income per Unit	7,899 yen	8,043 yen	7,232 yen	(667 yen)	
Net Income per Unit excl. gains and loss from property disposal	7,889 yen	8,043 yen	8,263 yen	374 yen	
Reversal of Retained Earnings per Unit	(400 yen)	(426 yen)	* (1,455 yen)	(1,055 yen)	(*) Breakdown: Loss from property disposition (1,030) yen, 10% of Depreciation and amortization (425) yen
Distributions per Unit	8,300 yen	8,470 yen	8,688 yen	388 yen	
[outstanding units issued at end of fiscal period :after split]	[351,870 units]	[373,870 units]	[373,870 units]	22,000 units	

*1) Revised forecasts for the 16th fiscal period announced on October 10, 2013.

*2) "Ongoing basis" indicates figures obtained by excluding extraordinary income and losses such as gains and losses from disposition of properties and impairment losses on noncurrent assets.

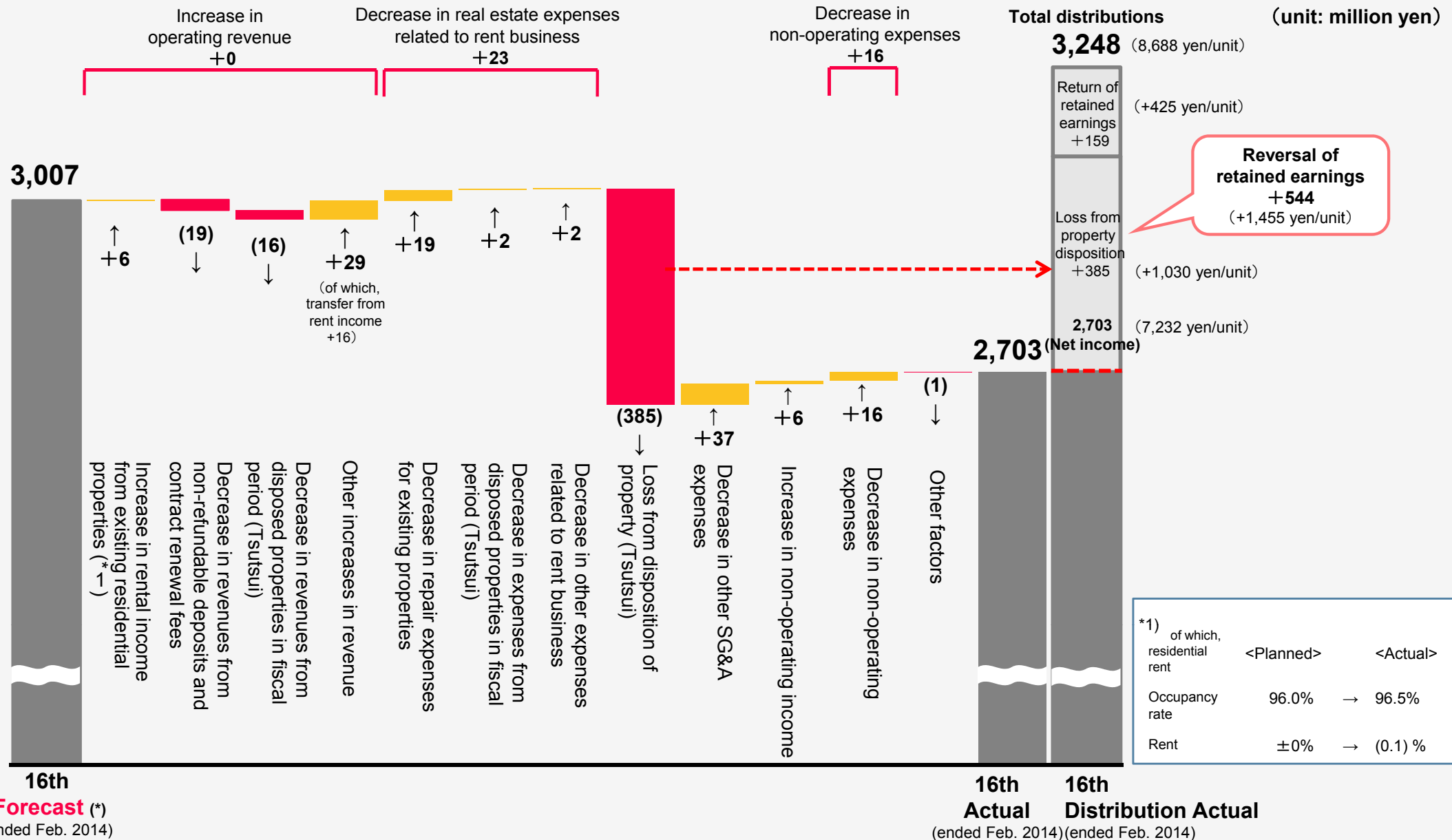
Sixteenth Fiscal Period (ended February 2014) Term-on-Term Breakdown of Net Income Change

Analysis of Breakdown of Net Income (comparison with previous fiscal period)



Difference Between Actual Net Income in Sixteenth Fiscal Period (ended Feb. 2014) and Initial Forecast

Variance Analysis Against Forecast for Net Income

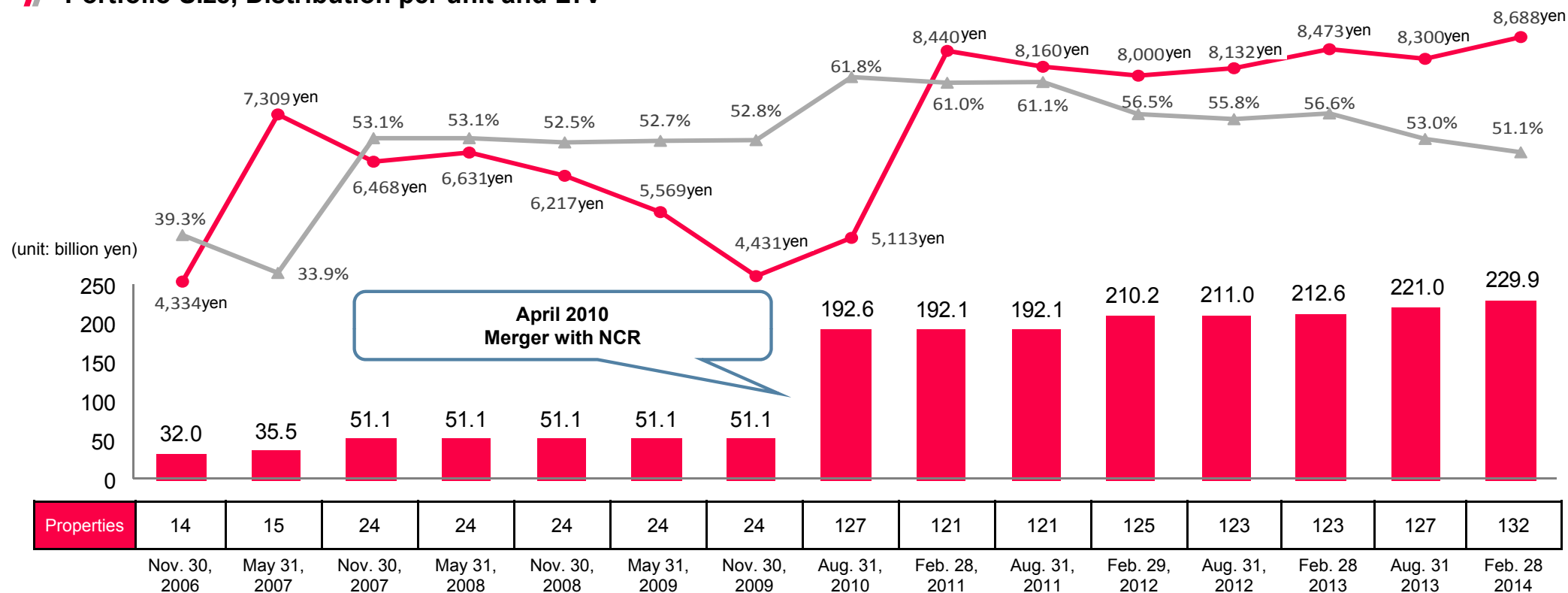


*) 16th Fiscal Period forecast announced on October 10, 2013

// Overview of Capital Increase through Public Offering

	3rd Capital Increase through Public Offering		
Resolution date of issuance	October 10, 2013		
Total issuance price (proceeds from issuance)	¥8.5 billion		
Number of units issued	22,000 units		
New properties acquired through capital increase	6 properties (repayment of the loans)	Castalia Hatsudai II Castalia Meguro Chojyamaru Castalia Omori III	Castalia Ebisu Castalia Meguro Takaban Castalia Musashikosugi
Impact of lowering LTV by capital increase	53.0% (15th Fiscal Period: ended August 2013) ⇒ 51.1% (16th Fiscal Period: ended February 2014)		

// Portfolio Size, Distribution per unit and LTV



// Property Acquired in 16th Fiscal Period (ended Feb. 2014)



< Castalia Hatsudai II >



< Castalia Ebisu >



< Castalia Meguro Chojyamaru >



< Castalia Meguro Takaban >

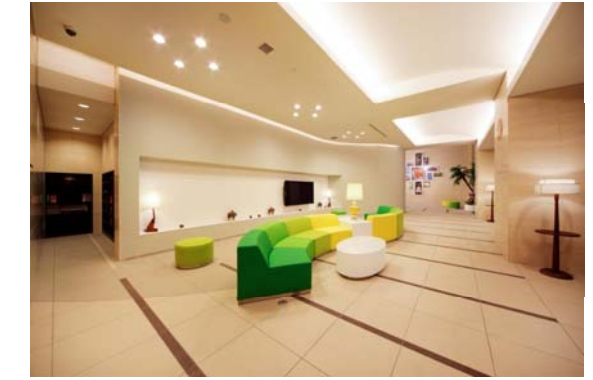


< Castalia Omori III >



< Castalia Musashikosugi >

// Property Acquired in 17th Fiscal Period (ending Aug. 2014)



< Royal Parks Wakabadai >

Property Name	Castalia Hatsudai II	Castalia Ebisu	Castalia Meguro Chojyamaru	Castalia Meguro Takaban	Castalia Omori III	Castalia Musashikosugi
Location	Shibuya, Tokyo	Shibuya, Tokyo	Shinagawa, Tokyo	Meguro, Tokyo	Shinagawa, Tokyo	Kawasaki, Kanagawa
Structure · Floor	RC, 5F / B1F	RC, 9F / B1F	RC, 3F / B1F	RC, 6F	RC, 8F	RC, 7F
Completion Date	January, 2008	October, 2007	February, 2008	September, 1969 (*2)	February, 2008	November, 2007
NOI yield (*1)	5.3%	5.2%	5.1%	5.3%	5.5%	5.6%
Acquisition Date	September 27, 2013	September 27, 2013	September 27, 2013	September 27, 2013	September 27, 2013	September 27, 2013
Acquisition Price	1,900 million yen	1,420 million yen	2,030 million yen	1,750 million yen	1,520 million yen	1,680 million yen
Seller	Limited liability company in Japan					

Property Name	Royal Parks Wakabadai
Location	Inagi city, Tokyo
Structure · Floor	RC, 14F(Residential tower) S, 3F (Retail tower)
Completion Date	November, 2009
NOI yield (*1)	7.0%
Acquisition Date	March 28, 2014
Acquisition Price	4,360 millionyen
Seller	Daiwa House Industry Co., Ltd.

*1) Net rental income shown in the real estate appraisal report at the time of purchase / acquisition price

*2) Renovation construction date: August, 2007

// Asset Replacement Results since April 2010

- Of the 30 properties acquired, 11 properties (total acquisition price of ¥36.8 billion) were acquired from the Daiwa House Group (red text) (52.4% based on an acquisition price).

Fiscal Period	Property Acquired	Acquisition Date	Acquisition Price ① (million yen)	Appraisal Value ② (million yen)	②-① (million yen)	NOI Yield (%) (*1)	Age of Property (years) (*2)	Total Units
9th Fiscal Period (ended Aug. 2010)	Castalia Ichigaya	2010/ 6/29	940	1,210	270	6.9	1.8	50
	Castalia Nakanobu	2010/ 6/29	1,790	2,170	380	6.5	2.1	83
10th Fiscal Period (ended Feb. 2011)	Royal Parks Toyosu	2010/11/ 1	7,360	7,550	190	6.4	3.7	276
	Castalia Togoshi	2010/11/ 1	1,770	2,130	360	6.8	2.7	120
	Big Tower Minami Sanjo	2010/11/ 1	1,740	2,130	390	7.9	3.2	179
	Castalia Fushimi	2011/ 1/14	2,260	2,490	230	7.1	4.3	123
11th Fiscal Period (ended Aug. 2011)	Castalia Ooimachi	2011/ 6/30	1,181	1,200	19	5.6	0.3	65
	Castalia Meieki Minami	2011/ 8/ 1	720	757	37	6.5	4.6	70
	Castalia Omori	2011/ 8/ 2	1,500	1,600	100	6.0	4.4	60
12th Fiscal Period (ended Feb. 2012)	Castalia Yakuin	2011/ 9/26	930	951	21	6.5	5.6	118
	Royal Parks Hanakoganei	2011/10/ 7	5,300	5,560	260	6.7	5.6	279
	Castalia Mishuku	2011/10/ 7	1,900	2,050	150	5.9	4.6	53
	Shibaura Island Bloom Tower	2011/10/18	7,580	7,880	300	6.7	3.1	213
	Castalia Hatsudai	2011/12/19	2,030	2,180	150	5.6	5.1	81
	Castalia Mibu	2011/12/22	1,193	1,210	16	6.1	3.8	78
13th Fiscal Period (ended Aug. 2012)	Castalia Arakawa	2012/ 3/28	1,660	1,830	170	6.5	5.1	70
	Castalia Omori II	2012/ 3/29	2,370	2,460	90	5.4	3.1	112
14th Fiscal Period (ended Feb. 2013)	Castalia Tsutsujigaoka	2012/ 9/ 3	1,209	1,320	111	6.9	3.6	84
	Castalia Nakameguro	2012/11/29	3,800	4,000	200	5.2	4.8	101
15th Fiscal Period (ended Aug. 2013)	Castalia Ohori Bay Tower	2013/ 3/25	2,910	3,520	610	7.5	6.5	215
	Royal Parks Namba	2013/ 3/29	2,830	2,940	110	7.1	7.1	162
	Urban Living Inage	2013/ 6/24	930	978	48	7.4	4.3	(*4) 1
	Castalia Shigahondori	2013/ 6/26	1,730	1,860	130	6.6	5.4	128
16th Fiscal Period (ending Feb. 2014)	Castalia Hatsudai II	2013/ 9/27	1,900	2,030	130	5.3	5.7	56
	Castalia Ebisu	2013/ 9/27	1,420	1,520	100	5.2	5.9	36
	Castalia Meguro Choijamaru	2013/ 9/27	2,030	2,150	120	5.1	5.6	61
	Castalia Meguro Takaban	2013/ 9/27	1,750	1,790	40	5.3	44.1	55
	Castalia Omori III	2013/ 9/27	1,520	1,660	140	5.5	5.6	74
	Castalia Musashikosugi	2013/ 9/27	1,680	1,750	70	5.6	5.8	85
17th Fiscal Period (ending Aug. 2014)	Royal Parks Wakabadaï	2014/ 3/28	4,360	4,550	190	7.0	4.4	192
Total/ Average of 30 properties (*3)			70,292	75,426	5,133	6.4	5.4	3,280

*1) (Net rental income shown in the real estate appraisal report at the time of purchase / acquisition price)

*2) Age of property as of the acquisition date rounded off to one decimal place.

*3) Weighted average NOI yield and age of property by acquisition price of each property.

*4) Although DHI owns 100 units, all of them are leased to a tenant collectively and listed as one unit.

Increased
profitability

Reduced
property age

■ Results of properties disposed

9th – 16th Fiscal Period		Book Value ① (*5) (million yen)	Disposition Price ② (*6) (million yen)	②-① (million yen)	NOI Yield (%) (*7)	Age of Property (*8)	Total Units
Total / Average of 26 Properties		26,282	26,325	43	5.9	9.4	1,042

*5) Book value as of the end of the fiscal period previous to the period in which the disposition occurred.

*7) (Total of NOI over the last two fiscal periods / acquisition price)

*9) Partial dispose of land at Aprile Tarumi and Foleo Town Tsutsui is not included.

*6) Disposition-related expenses are not taken into account.

*8) Weighted average age of property as of the acquisition date by acquisition price of each property, rounded off to one decimal place

// Properties in sponsor pipeline

■ Expanding DHI's asset portfolio through property developed by the Daiwa House Group

Developed properties currently in operation	
■ Rental residences ⇒ ¥46.3 billion (Based on book value as of December 31, 2013)	
Property liquidation ⇒ ¥19.4 billion	
Profit-generating properties ⇒ ¥26.9 billion	
■ Housing for Elderly People ⇒ 2 facilities (as of December 31, 2013)	

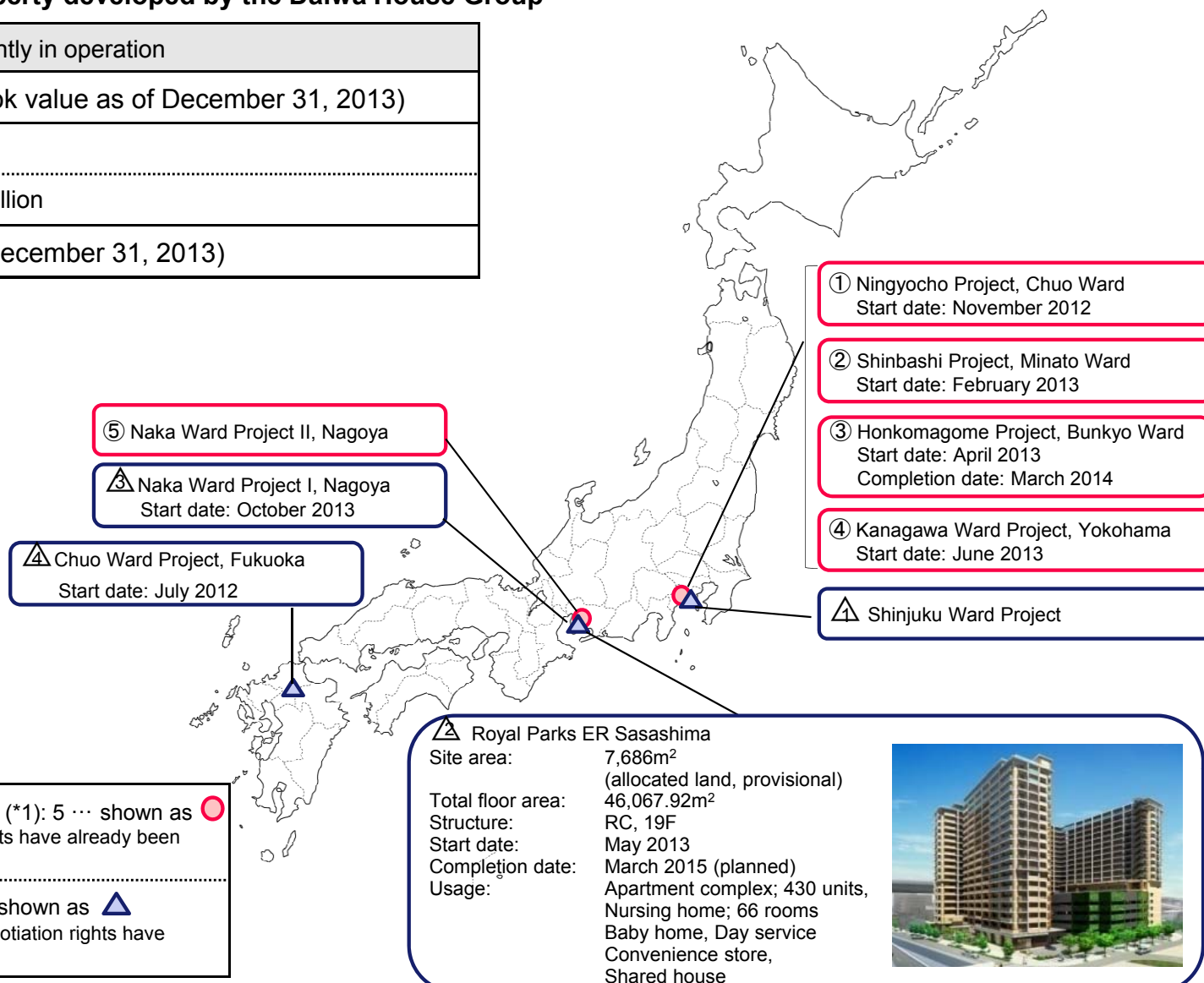
Source: "Financial Highlights for FY2013 3Q" of Daiwa House Industry



【Housing for elderly people developed by Daiwa House Industry】

- Number of properties under development specifically for DHI (*1): 5 ... shown as ○ (Properties under development for which preferential negotiation rights have already been secured from Daiwa House Industry)
- Number of properties that DHI is aiming to acquire (*2): 4 ... shown as ▲ (Properties under development for which requests for preferential negotiation rights have already been submitted to Daiwa House Industry)

【Properties under development by the Daiwa House Industry】



*1) "Number of properties under development specifically for DHI" are properties that have been planned and are currently being developed by Daiwa House Industry reflecting the asset management company's requests and proposals; DHI has been granted preferential negotiation rights for these properties.

*2) "Number of properties that DHI is aiming to acquire" are properties that have been planned and are currently being developed by Daiwa House Industry reflecting the asset management company's requests and proposals; DHI has submitted requests for preferential negotiation rights for these properties.

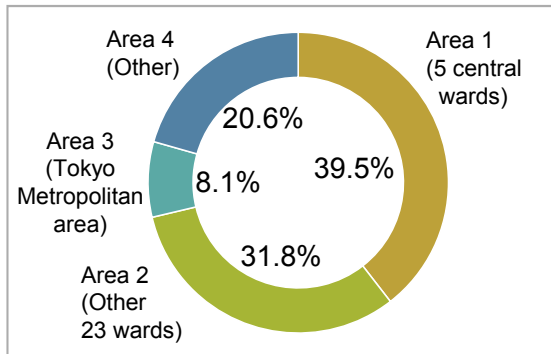
*3) As of the date of this document, no decision had been reached by DHI regarding the above properties.

Portfolio Distribution

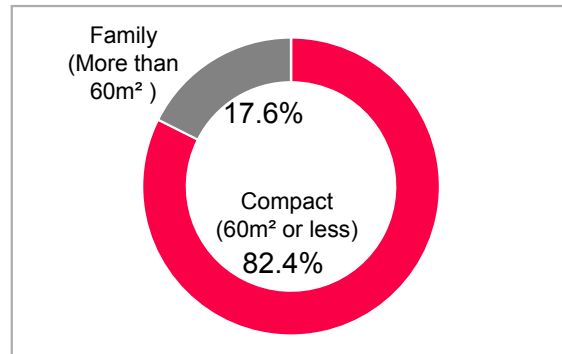
Portfolio Distribution (as of April 11, 2014)

- Continued investment particularly in Tokyo Metropolitan area, where population growth is expected, and a certain level of investment in major regional cities, where populations are expected to be concentrated
- Investment primarily in compact types (60m² or less:82%) with monthly rents of less than ¥200,000 (88%), with relatively low total rents and more stable occupancy rates and rent levels

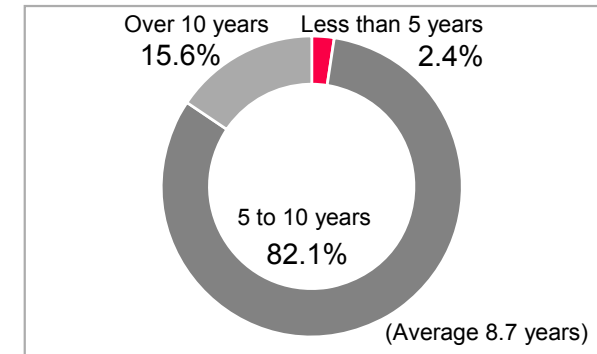
By Area



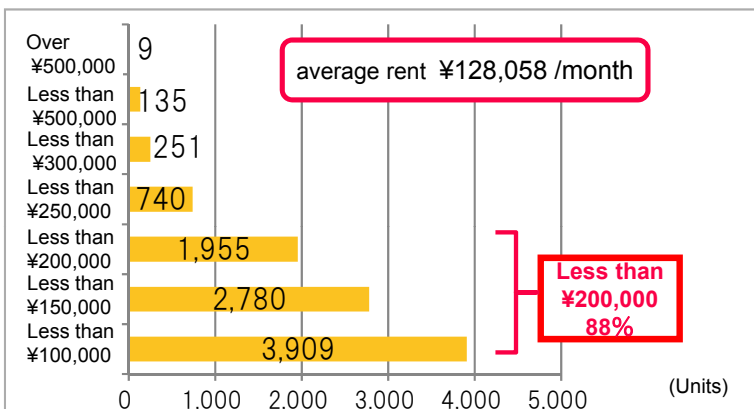
By Type (Residence)



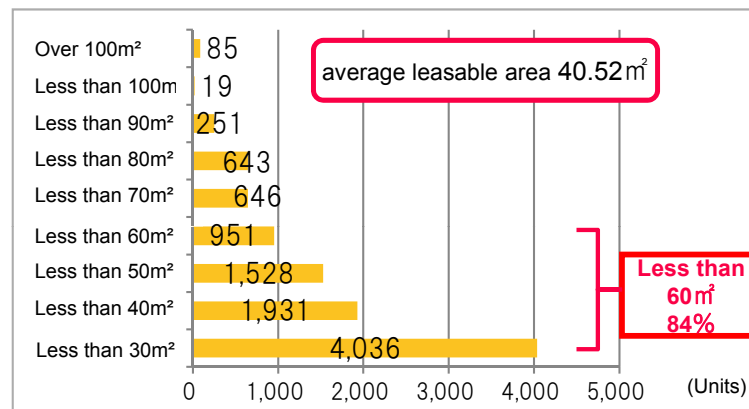
By Age of Property



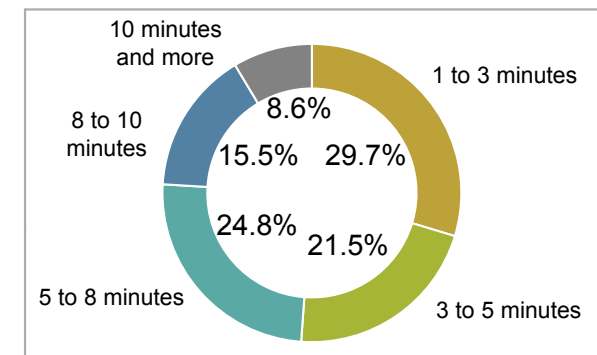
Monthly Rent Range (Residence) (as of February 28, 2014)



Leasable Area Range (Residence) (as of February 28, 2014)



Access from station (Residence)



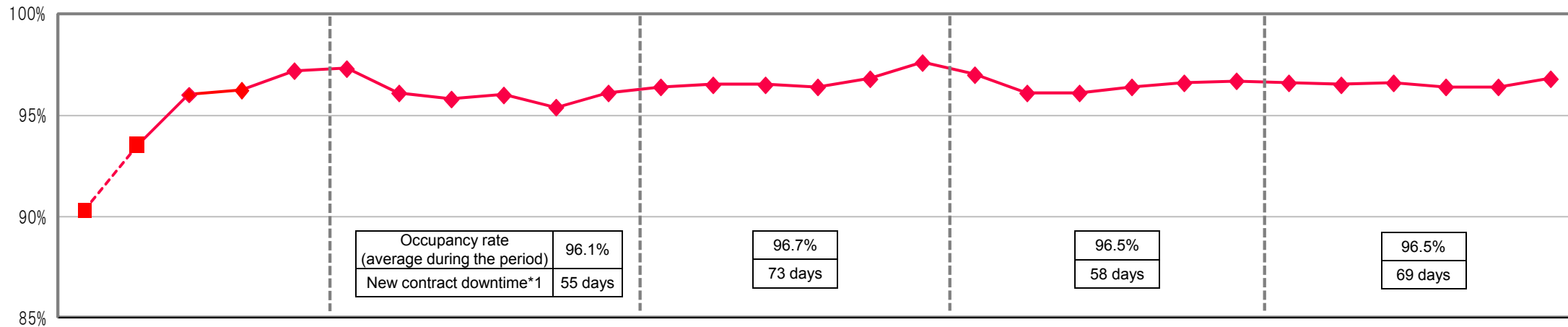
*1) Value by area and by age of property is calculated based on acquisition prices. Value by type is calculated based on the number of residential units in each classification.

*2) Areas are defined as follows: (1) 5 central wards (Area 1): Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward, (2) Other 23 wards (Area 2): 23 wards of Tokyo excluding Area 1, (3) Tokyo Metropolitan area (Area 3): Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture, and (4) Other (Area 4): Other cities with populations of more than approx. 100,000

*3) Types are defined as follows: Compact: leasable area of less than 60m² / Family: leasable area of over 60m²

*4) "Monthly rents" is defined as monthly rents for 132 residential units (excluding Urban Living Inage, stores) described on lease agreements concluded with end tenants and in force as of February 28, 2014 (including common service fees, but not usage fees for attached facilities such as monthly parking bays and storage rooms, and consumption taxes); for rent guarantee properties with master leases, monthly rent for each unit is calculated by equally apportioning the monthly master rent to each unit based on floor area.

// Portfolio Occupancy Rate since 2009



*1) "New contract downtime" relates to new contract residential units (including stores) of residential properties in each period and is measured by the average number of days during the period beginning from the cancellation date of the former contract and ending when lease of the new contract commenced.

		8th	9th	10th	11th	12th	13th Fiscal Period (Aug. 2012)					14th Fiscal Period (Feb. 2013)						15th Fiscal Period (Aug. 2013)						16th Fiscal Period (Feb. 2014)						
		Nov. 2009	Aug. 2010	Feb. 2011	Aug. 2011	Feb. 2012	Mar. 2012	Apr. 2012	May 2012	June 2012	July 2012	Aug. 2012	Sep. 2012	Oct. 2012	Nov. 2012	Dec. 2012	Jan. 2013	Feb. 2013	Mar. 2013	Apr. 2013	May 2013	June 2013	July 2013	Aug. 2013	Sep. 2013	Oct. 2013	Nov. 2013	Dec. 2013	Jan. 2014	Feb. 2014
Total		90.3%	93.5%	96.0%	96.2%	97.2%	97.3%	96.1%	95.8%	96.0%	95.4%	96.1%	96.4%	96.5%	96.5%	96.4%	96.8%	97.6%	97.0%	96.1%	96.1%	96.4%	96.6%	96.7%	96.6%	96.5%	96.6%	96.4%	96.4%	96.8%
Residential	Area1	87.9%	90.4%	94.3%	94.1%	96.3%	96.5%	94.7%	94.9%	95.1%	93.8%	94.8%	95.4%	95.7%	95.5%	95.1%	95.8%	96.9%	96.1%	95.0%	95.3%	96.1%	96.3%	96.6%	95.7%	95.9%	96.7%	96.6%	96.2%	96.3%
	Area2	91.7%	93.6%	96.6%	96.5%	97.5%	97.1%	96.0%	95.3%	96.1%	96.3%	96.9%	96.6%	96.4%	96.1%	96.4%	96.9%	97.9%	97.0%	96.6%	96.5%	96.5%	96.2%	96.3%	96.9%	96.6%	96.4%	96.1%	96.5%	96.8%
	Area3	96.9%	96.3%	97.0%	97.6%	99.1%	99.6%	98.7%	98.8%	98.8%	98.7%	98.6%	99.0%	99.3%	99.6%	99.4%	99.6%	99.5%	99.6%	99.1%	99.5%	99.3%	99.6%	99.9%	99.3%	99.2%	99.0%	98.2%	98.5%	98.5%
	Area4	96.2%	95.8%	96.6%	97.2%	97.1%	97.5%	96.7%	96.1%	95.8%	95.3%	95.8%	96.3%	96.5%	96.7%	96.7%	97.0%	97.5%	97.1%	95.9%	95.6%	95.7%	96.1%	96.2%	96.1%	96.0%	95.9%	96.0%	96.0%	96.8%
Retail		100%	100%	100%	100%	100%	100%	100%	100%	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%	98.2%	97.1%	97.1%	97.1%	97.1%	97.1%	100%	100%	100%	100%	100%	100%	-	-	-

Rents at Tenant Replacement

Number and Ratio of Units with Rent Increases / Reductions and Rent Levels at the time of Tenant Replacement

Fiscal Period		13th Fiscal Period (ended Aug. 2012)			14th Fiscal Period (ended Feb. 2013)			15th Fiscal Period (ended Aug. 2013)			16th Fiscal Period (ended Feb. 2014)		
Area		Units	Ratio	Amount (thousand yen)	Units	Ratio	Amount (thousand yen)	Units	Ratio	Amount (thousand yen)	Units	Ratio	Amount (thousand yen)
All properties	Rent increase	366	38.6%	2,102	347	39.2%	2,310	385	38.2%	2,353	432	47.9%	2,529
	Rent reduction	426	45.0%	(4,703)	429	48.5%	(4,135)	427	42.4%	(4,552)	259	28.7%	(2,389)
	No change	155	16.4%	—	109	12.3%	—	196	19.4%	—	211	23.4%	—
	Not determined *1	15	—	—	17	—	—	47	—	—	29	—	—
	Total	962	100.0%	(2,601)	902	100.0%	(1,825)	1,055	100.0%	(2,198)	931	100.0%	140
Area 1	Rent increase	99	29.6%	696	113	35.3%	811	99	29.5%	765	125	43.0%	885
	Rent reduction	169	50.4%	(2,859)	167	52.2%	(1,900)	181	53.9%	(2,613)	80	27.5%	(781)
	No change	67	20.0%	—	40	12.5%	—	56	16.7%	—	86	29.6%	—
	Not determined *1	13	—	—	3	—	—	32	—	—	7	—	—
	Total	348	100.0%	(2,162)	323	100.0%	(1,089)	368	100.0%	(1,848)	298	100.0%	104
Area 2	Rent increase	84	36.8%	423	91	33.6%	378	77	30.7%	405	106	39.8%	543
	Rent reduction	107	46.9%	(806)	136	50.2%	(1,119)	119	47.4%	(1,047)	102	38.3%	(967)
	No change	37	16.2%	—	44	16.2%	—	55	21.9%	—	58	21.8%	—
	Not determined *1	2	—	—	12	—	—	7	—	—	13	—	—
	Total	230	100.0%	(383)	283	100.0%	(741)	258	100.0%	(642)	279	100.0%	(423)
Area 3	Rent increase	8	23.5%	26	2	5.4%	4	5	12.2%	9	11	30.6%	40
	Rent reduction	20	58.8%	(169)	29	78.4%	(254)	26	63.4%	(136)	18	50.0%	(184)
	No change	6	17.6%	—	6	16.2%	—	10	24.4%	—	7	19.4%	—
	Not determined *1	0	—	—	0	—	—	1	—	—	4	—	—
	Total	34	100.0%	(143)	37	100.0%	(250)	42	100.0%	(127)	40	100.0%	(144)
Area 4	Rent increase	175	50.0%	956	141	54.9%	1,117	204	53.7%	1,174	190	61.5%	1061
	Rent reduction	130	37.1%	(869)	97	37.7%	(862)	101	26.6%	(756)	59	19.1%	(457)
	No change	45	12.9%	—	19	7.4%	—	75	19.7%	—	60	19.4%	—
	Not determined *1	0	—	—	2	—	—	7	—	—	5	—	—
	Total	350	100.0%	87	259	100.0%	255	387	100.0%	418	314	100.0%	603

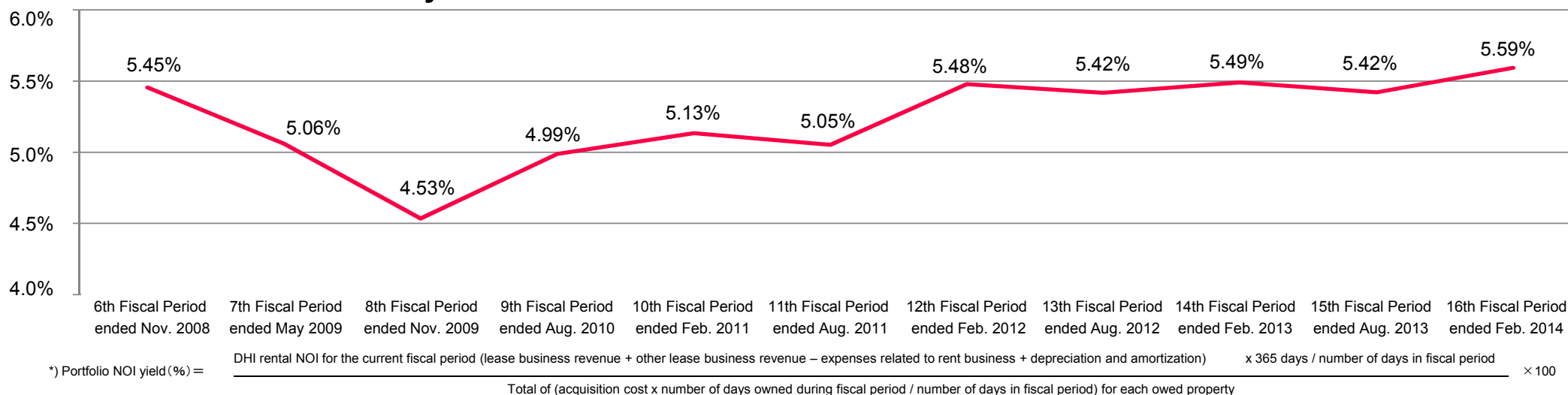
*1) "Not determined" refers to contracts where comparisons are problematic due to changes in contract type (normal contracts, fixed-lease contracts), and contracts for properties previously owned by NCR or for newly acquired properties where comparisons are problematic because previous rents are unknown. *2) Retail facilities are excluded.

Rent per Tsubo of Properties at the end of Each Fiscal Period

(yen / month·tsubo)	End of 10th (Feb. 2011)	End of 11th (Aug. 2011)	End of 12th (Feb. 2012)	End of 13th (Aug. 2012)	End of 14th (Feb. 2013)	End of 15th (Aug. 2013)	End of 16th (Feb. 2014)
Rent per Tsubo	11,074	10,986	10,833	10,826	10,813	10,509	10,623
Term on term	—	(88)	(153)	(7)	(13)	(304)	114
	—	(0.8%)	(1.4%)	(0.1%)	(0.1%)	(2.8%)	1.1%

*) Based on the rent roll at the end of each month excluding retail facilities.

// Transition of Portfolio NOI yield



// Dealing with Aging Properties (Action of Construction Technology Group)

- Reasons for establishing the group:
Boosting the competitiveness of portfolio properties by large-scale preventive repair works, Ensuring stable management of property assets by carrying out repair plans, Rationalize restoration costs and repair expenses
- Track record and planned repair work
 - 1) Building inspections and development of long-term repair plans
The group is inspecting all properties in the portfolio and establishing more appropriate repair plans to rationalize repair costs and ensure stable management of assets (plans to complete this process by the 18th fiscal period, ending February 2015); at the end of the 16th fiscal period, inspections and repair plans had been completed for 52 properties.
 - 2) Implement strategic upgrade work
Completed for five properties, including the case shown on the right (Castalia Nakameguro), contributing to an increase in property value through greater earnings and brand power
 - 3) Constantly review facility maintenance and management operations
Achieve the best possible outcomes in terms of costs, aesthetics and function by modeling restoration work, repair work and other works

// Implementing Upgrade Work

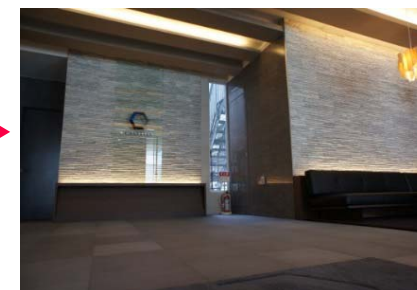
- Castalia Nakameguro: refurbishment of entrance area (cost: ¥8.6 million)

< Details of main refurbishment >
Refurbishment of entrance hall (Upgrade work to boost brand value)

< Before refurbishment >



< After refurbishment >



// Financial Strategy

- Establish a bank formation centered on financial institutions that have close relationships with Daiwa House
- Control LTV within a conservative range of around 50% to 55%
- Focus on extending loan terms and reducing debt costs, and use a ¥10 billion commitment line to support a flexible property acquisition stance

// Improvements to the Financial Position during the 16th Fiscal Period (ended February 2014)

- LTV improved to 51.1% as of the end of the 16th fiscal period due to the capital increase through a public offering in October 2013.
End of 15th 53.0 % → End of 16th 51.1 % [(1.9)% term on term]
- In January 2014, rehabilitation obligations (former loans and former bonds) totaling ¥3.5 billion were refinanced, resulting in longer loan terms, lower spreads and fixed interest rates.

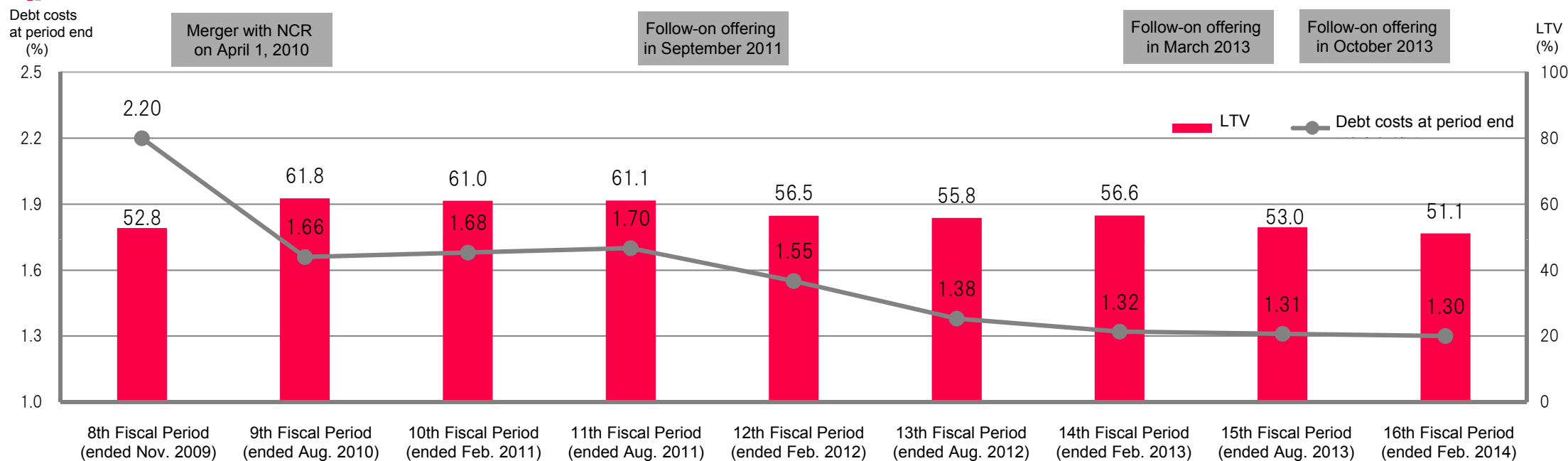
// Progress Reducing Debt Costs

Date of refinancing	Amount refinanced (billion yen)	Change in debt costs (*1)	Debt costs per unit change (¥/ fiscal period) (*2)
December 2010	10.5	1.47% ▶ 1.79%	53
September 2011	31.8	1.93% ▶ 1.34%	(294)
March 2012	18.0	1.48% ▶ 1.31%	(47)
July 2012	12.4	2.24% ▶ 0.93%	(254)
January and February 2013	26.5	1.32% ▶ 1.04%	(119)
January 2014	3.5	1.28% ▶ 1.04%	(11)

*1) Base rate + spread + other financing related expenses

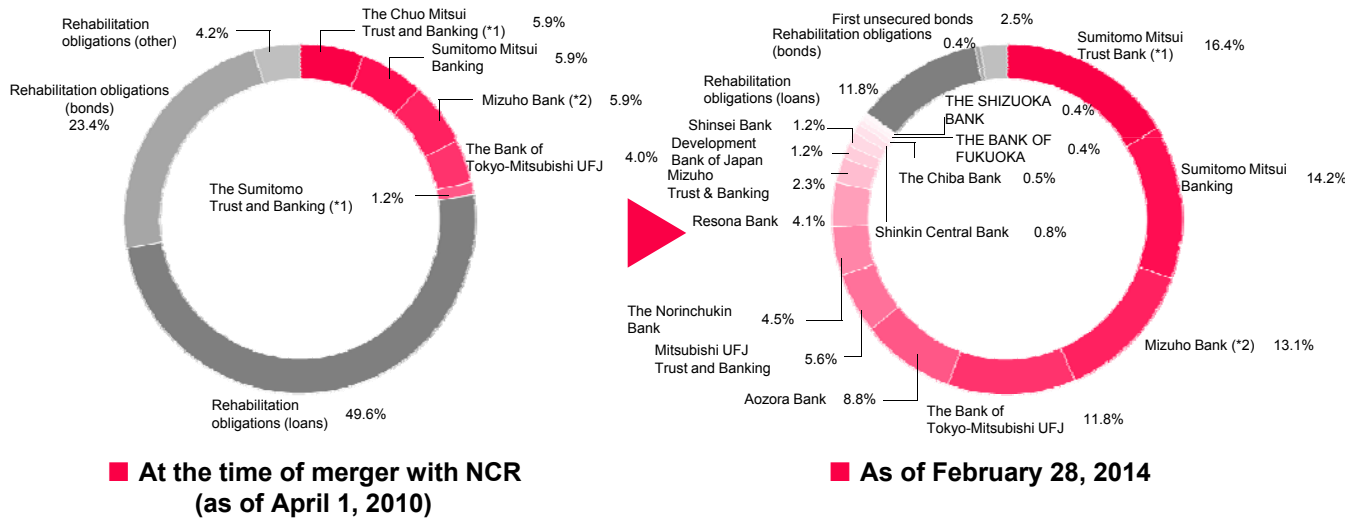
*2) Based on number of units outstanding at date of refinancing, taking into account the 2-for-1 split of investment units on March 1, 2013.

// Transition of Debt Costs and LTV at the End of the Fiscal Period



*3) Excluding commitment line I

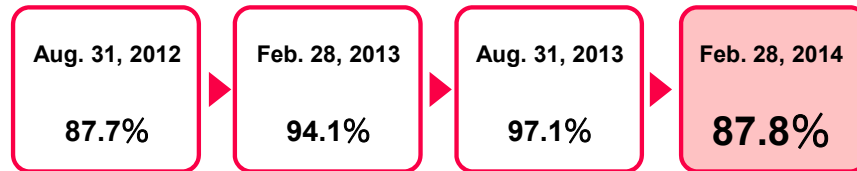
// Diversifying Sources of Financing



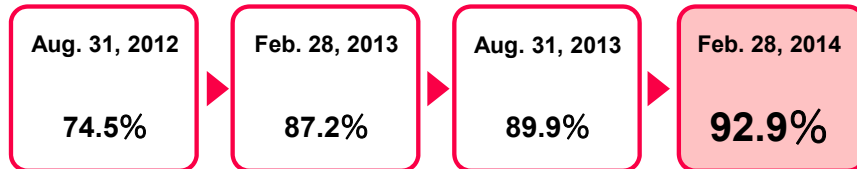
*1) The Chuo Mitsui Trust and Banking Co., Ltd., the Sumitomo Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Co., Ltd. merged effective April 1, 2012 to form Sumitomo Mitsui Trust Bank, Limited.
*2) Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. merged effective July 1, 2013 to form Mizuho Bank, Ltd.

// Breakdown of interest-bearing debt

Increase in ratio of long-term debt

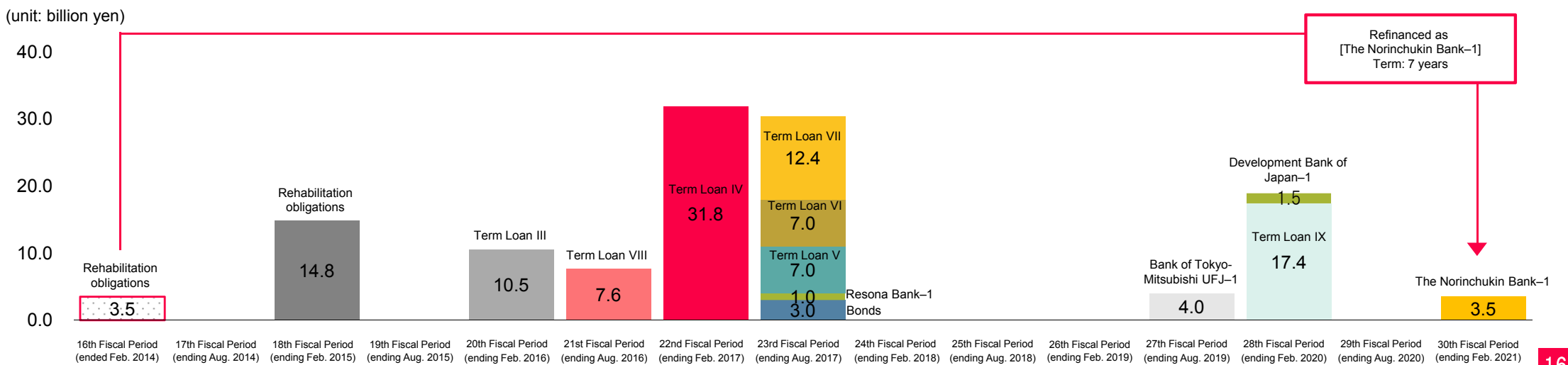


Increase in ratio of loans with fixed rates



// Debt Maturity

Average remaining term: (End of 15th) 3.46 years ▶ (End of 16th) 3.17 years



// Status of Interest-bearing Debt

(unit: million yen)

	Lenders	Balance as of March 31, 2014	Interest Rate	Loan Date	Due date	Duration	Description
Term Loan III	7 financial institutions	10,500	1.40% *1 (Fixed) < Spread 0.8% >	December 28, 2010	December 28, 2015	5 years	Unsecured
Term Loan IV	8 financial institutions	31,800	1.096% *1 (Fixed) < Spread 0.65% >	September 30, 2011	September 30, 2016	5 years	Unsecured
Term Loan V	4 financial institutions	7,000	1.025% *1 (Fixed) < Spread 0.6% >	March 27, 2012	March 31, 2017	5 years	Unsecured
Term Loan VI	3 financial institutions	7,000	1.025% *1 (Fixed) < Spread 0.6% >	March 27, 2012	March 31, 2017	5 years	Unsecured
Term Loan VII	4 financial institutions	12,400	0.69536% *1 (Fixed) < Spread 0.45% >	July 31, 2012	July 31, 2017	5 years	Unsecured
Term Loan VIII	8 financial institutions	7,600	0.44636% (Variable) < Spread 0.3% >	January 31, 2013	March 31, 2016	3.2 years	Unsecured
Term Loan IX	8 financial institutions	17,410	0.9585% *1 (Fixed) < Spread 0.5% >	January 31, 2013 February 28, 2013	January 31, 2020	6.11 years 7 years	Unsecured
Resona Bank-1	Resona Bank, Ltd.	1,095	0.81182% (Variable) < Spread 0.6% >	March 26, 2012	March 31, 2017	5 years	Unsecured
Bank of Tokyo-Mitsubishi UFJ-1	Bank of Tokyo-Mitsubishi UFJ	4,000	1.07% (Fixed)	March 27, 2012	March 27, 2019	7 years	Unsecured
Development Bank of Japan Inc-1	Development Bank of Japan Inc.	1,500	0.96375% (Fixed)	January 31, 2013	January 31, 2020	7 years	Unsecured
Norinchukin Bank-1	Norinchukin Bank	3,500	0.89825% *1 (Fixed) < Spread 0.4% >	January 31, 2014	January 31, 2021	7 years	Unsecured
Bonds	First Series Unsecured Bonds	3,000	1.12% (Fixed)	March 9, 2012	March 9, 2017	5 years	Unsecured

Rehabilitation Obligations	14,861	1.72553% (Fixed) < Spread 1.1% >	January 5, 2010	January 30, 2015	5 years	Unsecured
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Total Interest-bearing Debt	121,666
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*1) The interest rate fixed in effect by the interest rate swap agreements.

Utilizing of Tax-Loss Carry Forwards
¥44.5 billion
(as of February 28, 2014)



Utilizing of Retained Earnings
¥18.5 billion (*)
(as of February 28, 2014)

*) The amount of retained earnings indicates after a reversal of internal reserves. The amount before a reversal is ¥19.1 billion.

// Accumulate Retained Earnings by Utilizing ¥44.5 billion Tax-Loss Carry Forwards

- DHI succeeded tax-loss carry forwards through a merger with NCR, which filed for civil rehabilitation
- J-REITs must distribute over 90% of their distributable income and include distributions paid in expenses (J-REIT conduit requirement)
- With the tax-loss carry forwards, there will be no tax profit until the fiscal period ending August 2018. As a result, DHI will not be taxed, even if it doesn't distribute over 90% of distributable income
- **DHI is able to distribute retained earnings by utilizing tax-loss carry forwards when it realizes gain from property disposition**
⇒ **Increase distributions through reinvestment of gain from property disposition**

// Retained Earnings (Reserve for Distribution)

- Total retained earnings (reserve for distribution) of ¥18.5 billion (amount after reversal of retained earnings in current fiscal period) currently held is accrued on top of the ¥19.0 billion gain on negative goodwill on the merger with NCR
- Because the amount is accumulated on the balance sheet as reserve for distribution, so it can be used flexibly for future distributions, Retained earnings **¥49,740 per unit (*)**

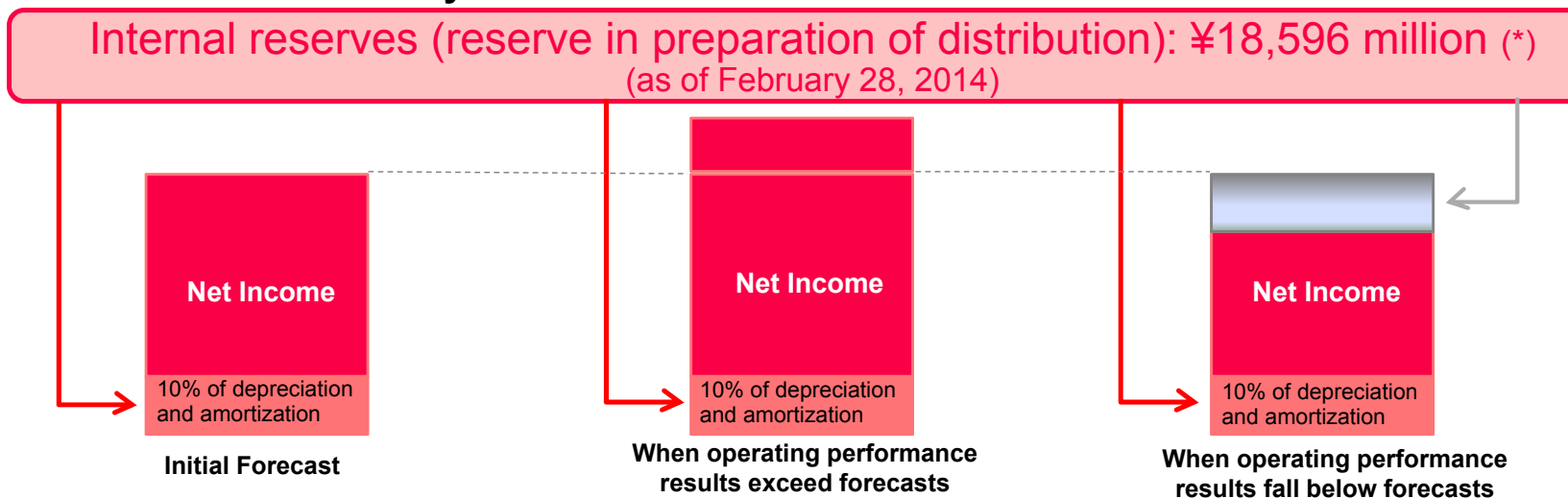
// Utilization of Retained Earnings

- DHI plans to reverse the equivalent of 10% of depreciation and amortization (*) from retained earnings to increase net income each fiscal period
⇒ **Increasing distributions**
- DHI shall reverse retained earnings for distributions in the event of extraordinary loss caused by loss from property disposition or other factors, or dilution of distribution due to a capital increase through public offering ⇒ **Stabilizing distributions**
- Retained earnings shall be reversed for distributions to cover any shortfall in track record versus DHI's forecasts ⇒ **Stabilizing distributions**

DHI's reversals of retained earnings are the reversal of the reserve for distribution, which does not correspond to the distribution of excess earnings (repayment of unitholders' capital)

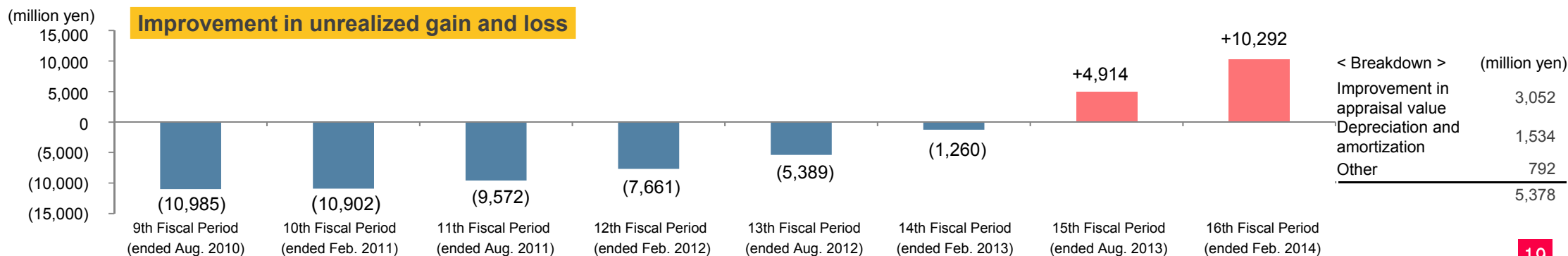
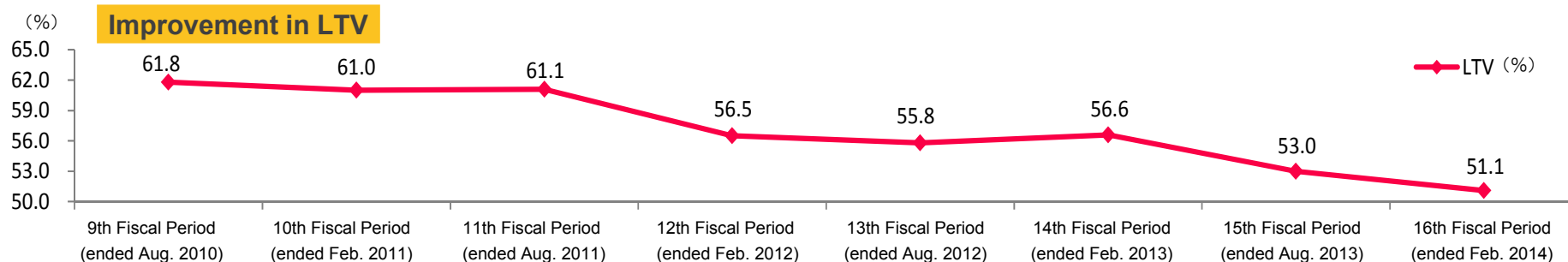
*) The maximum amount shall be equivalent to depreciation and amortization after the deduction of capital expenditure.

// Image of New Distribution Policy



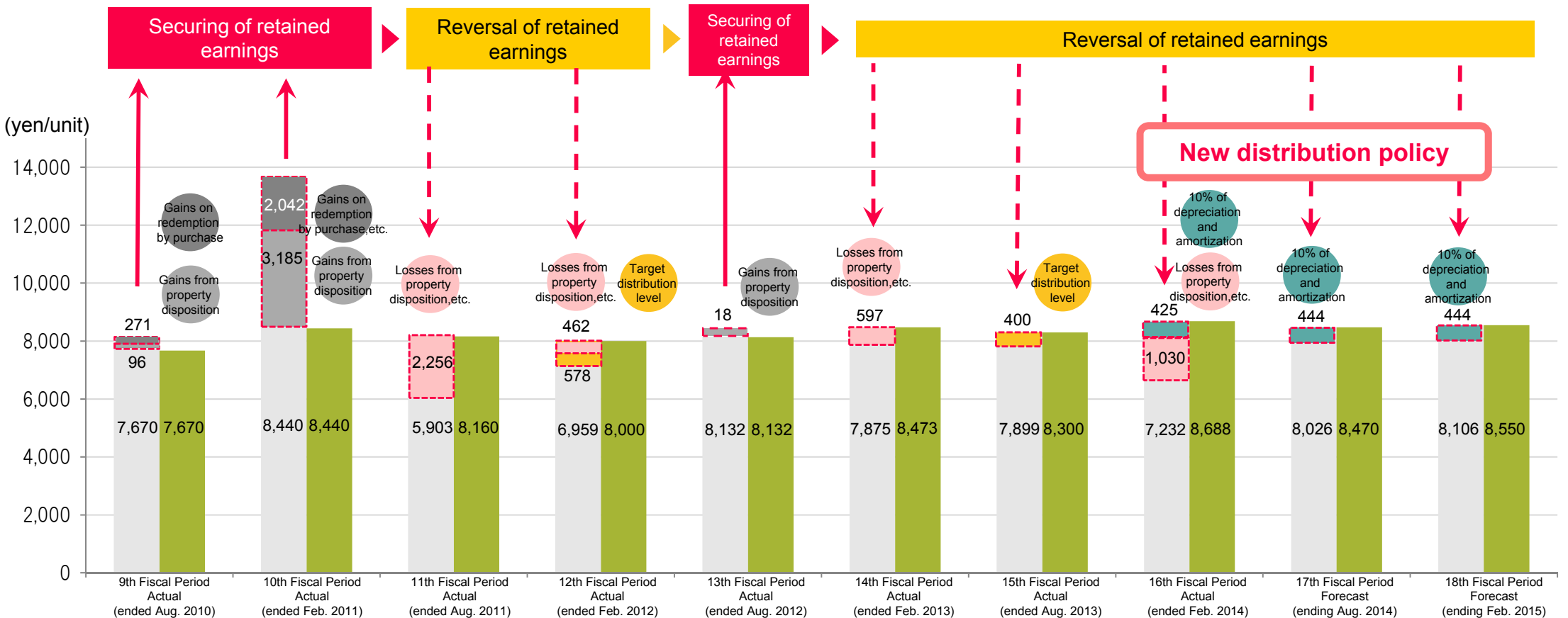
*) The amount indicates after a reversal of internal reserves. The amount before a reversal is 19,140 million yen.

// Background of change in distribution policy



// Efforts to Stabilize Distributions

■ Net income per unit (excluding gains on redemption by purchase, gains from property disposition and gain on negative goodwill) (*2) ■ Distribution per unit (*2) □ Securing / reversal of retained earnings per unit (*2)



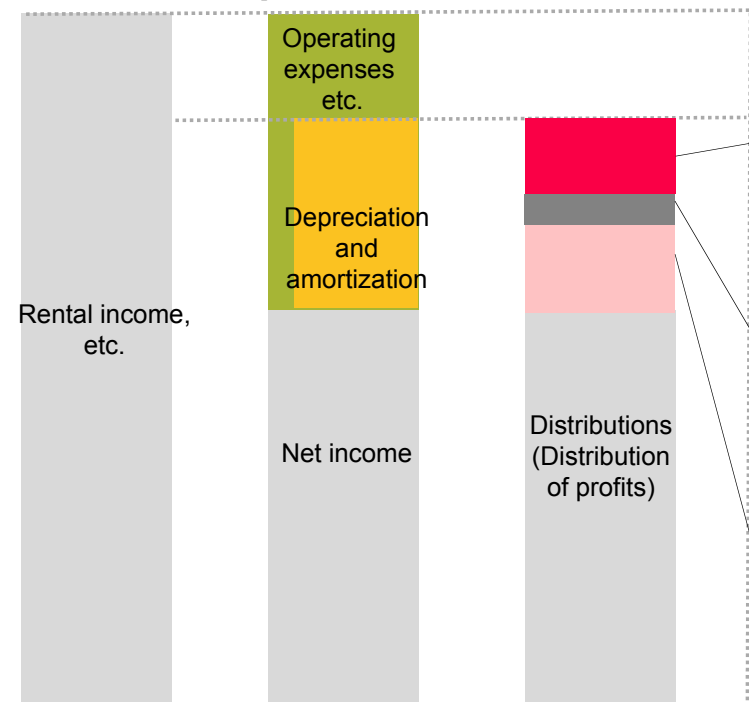
	9th Fiscal Period Actual (ended Aug. 2010)	10th Fiscal Period Actual (ended Feb. 2011)	11th Fiscal Period Actual (ended Aug. 2011)	12th Fiscal Period Actual (ended Feb. 2012)	13th Fiscal Period Actual (ended Aug. 2012)	14th Fiscal Period Actual (ended Feb. 2013)	15th Fiscal Period Actual (ended Aug. 2013)	16th Fiscal Period Forecast (ended Feb. 2014)	17th Fiscal Period Forecast (ending Aug. 2014)	18th Fiscal Period Forecast (ending Feb. 2015)
Net income	*3) ¥1,909 million	¥3,245 million	¥1,401 million	¥2,234 million	¥2,616 million	¥2,528 million	¥2,779 million	¥2,703 million	¥3,000 million	¥3,030 million
Securing (reversal) of retained earnings	¥87 million	¥1,241 million	¥(535) million	¥(334) million	¥5 million	¥(191) million	¥(141) million	¥(544) million	¥(165) million	¥(165) million
Total distributions	¥1,821 million	¥2,004 million	¥1,937 million	¥2,568 million	¥2,610 million	¥2,720 million	¥2,920 million	¥3,248 million	¥3,166 million	¥3,196 million

*1) The above graph shows net income per unit, distribution per unit, and securing / reversal of retained earnings per unit.

*2) DHI implemented a 2-for-1 split of investment units on March 1, 2013. In order to factor in the impact of this split, net income per unit, distribution per unit, and securing / reversal of retained earnings per unit for the 9th fiscal period through to the 14th fiscal period have been divided by two. The 9th fiscal period (ended Aug. 2010) is the nine-month period from December 1, 2009 to August 31, 2010 due to a change in fiscal period-end.

*3) Net income for the 9th fiscal period (ended Aug. 2010) was ¥20,918 million. However, for the purpose of comparison, the figure of ¥1,909 million, which excludes a gain of ¥19,009 million on negative goodwill, is presented, and net income per unit above is based on this amount.

// Reuse of Depreciation and amortization



Aging Properties

Distribution Management

Increase distributions

// Utilization of Depreciation and Amortization

■ Maintenance and improvement of asset value using CAPEX

Maintain and improve asset values through large-scale repair plans and upgrade works

■ Stabilizing and increase distributions

Utilizing ¥18.5 billion (*) in retained earnings, boost distributions with an amount equivalent to 10% of depreciation and amortization
Mitigate downside risk to distributions
(loss from property disposition, dilution from capital increase)

*) The amount of retained earnings indicates after a reversal of internal reserves.
The amount before a reversal is ¥19.1 billion.

■ Increase distributions by acquiring new properties

Target upside to distributions by using around ¥2.5 billion in free cash each year to acquire properties

// Utilization of Depreciation and Amortization

(unit: million yen)

		10th	11th	12th	13th	14th	15th	16th	Total	17th (Forecast)
Depreciation and amortization		1,146	1,176	1,363	1,411	1,422	1,523	1,589	9,635	1,661
Use	Enhance value of portfolio properties	198	85	92	80	105	127	85	774	160
	Stabilizing distributions	—	535	334	—	191	141	385	1,588	—
	Increasing distributions	—	—	—	—	—	—	158	158	165
	Reinvestment (incl. planned amounts)	948	554	937	1,331	1,125	1,255	960	7,112	1,335
Total		1,146	1,176	1,363	1,411	1,422	1,523	1,589	9,635	1,661

Depreciation and amortization reinvestment example

Royal Parks Wakabadai

Acquisition price 4,360 million yen
Acquisition funds Cash on hands
Acquisition date March 28, 2014

- DHI plans to increase net income by an amount equivalent to 10% of depreciation and amortization (¥165 million for both the 17th and 18th fiscal periods (¥444 per unit)) in order to boost distributions.
- DHI will also target further upside to distributions by using free cash to acquire new properties.

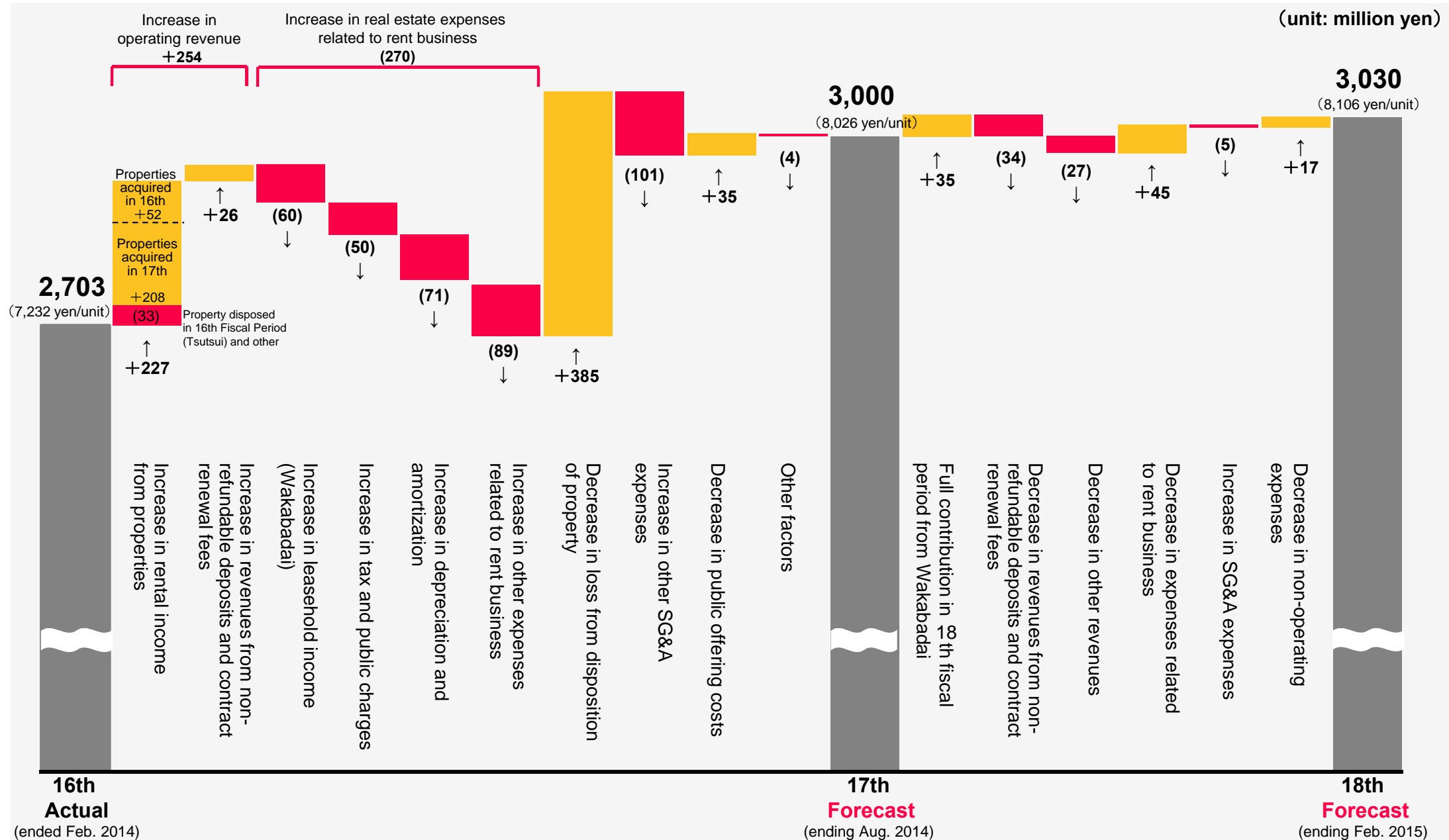
(unit: million yen)

		16th Fiscal Period Actual (ended Feb. 2014)	17th Fiscal Period Forecast (ending Aug. 2014)		18th Fiscal Period Forecast (ending Feb. 2015)	
				Term on term		Term on term
	Operating Revenue	8,316	8,570	+254	8,543	(26)
	Lease business revenue	8,316	8,570	+254	8,543	(26)
	Gain from disposition of properties	—	—	—	—	—
	Operating Expense	4,756	4,745	(11)	4,705	(39)
	Lease business expense	4,371	4,745	+374	4,705	(39)
	Loss from disposition of properties	385	—	(385)	—	—
	Operating Income	3,559	3,825	+265	3,838	+12
	Excl. gain and loss from disposition of properties	3,945	3,825	(119)	3,838	+12
	Ordinary Income	2,704	3,001	+296	3,031	+29
	Excl. gain and loss from disposition of properties	3,089	3,001	(88)	3,031	+29
Extraordinary Income / Losses		—	—	—	—	—
	Net Income	2,703	3,000	+296	3,030	+29
	Excl. extraordinary income / losses	3,089	3,000	(88)	3,030	+29
Retained Earnings (Reversal)		(544)	(165)	+378	(165)	—
Total Distributions		3,248	3,166	(81)	3,196	+29

Net Income per Unit	(A)	7,232 yen	8,026 yen	+794 yen	8,106 yen	+80 yen
Net Income per Unit excl. extraordinary income / losses		8,263 yen	8,026 yen	(237) yen	8,106 yen	+80 yen
Reversal of Retained Earnings per Unit	(B)	(1,455) yen	(444) yen	+1,011 yen	(444) yen	—
Distribution per Unit	(A) - (B)	8,688 yen	8,470 yen	(218) yen	8,550 yen	+80 yen

(Note) Forecasts for the 17th and 18th fiscal periods assume 373,870 units outstanding at the end of each period.

// Analysis of Breakdown of Forecast Net Income



Initiatives with a Focus on Unitholders

// Questionnaire for Unitholders

- From the 10th fiscal period, DHI started sending out a questionnaire to all unitholders with the Asset Management Report. In response to requests raised by many respondents, we implemented a split of investment units and launched a unitholder special benefit program.

// Implementing Split of Investment Units

- DHI implemented a 2-for-1 split of investment units effective March 1, 2013.
- The purpose of this split is to reduce investment cost per unit and create an environment that encourages investment by investors, in order to expand the investor base and increase the liquidity of DHI's investment units.

// Introducing a Unitholder Special Benefit Program

- From the 15th fiscal period (ended August 2013), DHI launched a unitholder special benefit program.
- Targeting unitholders who are listed or recorded on the list of unitholders of DHI at the end of each fiscal period (the end of February and August of each year)
- Regardless of the number of units held, all eligible unitholders shall receive one hotel discount ticket which allow them to stay at the 26 Daiwa Royal Hotels (for two or more persons per room), which are operated all over the country by Daiwa Resort Co., Ltd. (a wholly-owned subsidiary of Daiwa House Industry Co., Ltd.) without limitation during the term of validity (The ticket will be included in the Asset Management Report and is scheduled to be sent to eligible unitholders in mid-May and mid-November each year.).

*) DHI may make changes to implementation of the unitholder special benefit program or its content in the future.

Period	Price list (two or more persons per room) (room rates per person)	
	One night's stay with breakfast	One night's stay with breakfast and dinner
June 1, 2014 – November 30, 2014	¥7,780	¥12,500

In response to requests raised by many respondents, we added an option for one night's stay with breakfast and dinner from the 16th fiscal period (ended Feb. 2014).

(Exclusion periods) August 9 – 16, 2014 and other periods specified by each of the hotels.



[Minamiboso-Tomiura Royal Hotel]

// Deciding Introduction of Cumulative Investment Program for Officers and Employees

- Daiwa House Asset Management Co., Ltd. will launch a cumulative investment program for officers and employees starting December 2013.
- The purpose of this launch is to encourage officers and employees of Daiwa House Asset management Co., Ltd. to closely watch the trends in DHI's investment unit price and raise their awareness of its earnings through the cumulative investment program, thus incentivizing them to make efforts to increase DHI's investment unit price, drive further growth for DHI, and enhance unitholders' value in the medium and long term.

*) Cumulative investment program allows officers and employees of the asset investment company to acquire DHI's investment units at the fixed time in a fixed amount on a continuous basis through securities companies.

// Future Policies of Growth Strategy

Implementation of Distribution Management

Implementation of distribution management utilizing retained earnings of ¥18.5 billion and tax-loss carry forwards of ¥44.5 billion (as of February 28, 2014)

*) The amount of retained earnings indicates after a reversal of internal reserves.
The amount before a reversal is ¥19.1 billion.

Leverage Comprehensive Strengths of the Daiwa House Group

Leverage the comprehensive strengths of the Daiwa House Group, which can offer total operations of rental residences from planning and development to administration, management and tenant leasing



Daiwa House Residential Investment Corporation

Realizing Sustained External Growth and Stabilized Distribution

Enhancement of Portfolio Quality

DHI will replace its relatively less competitive management assets, so as to enhance profitability and reduce administrative and management costs

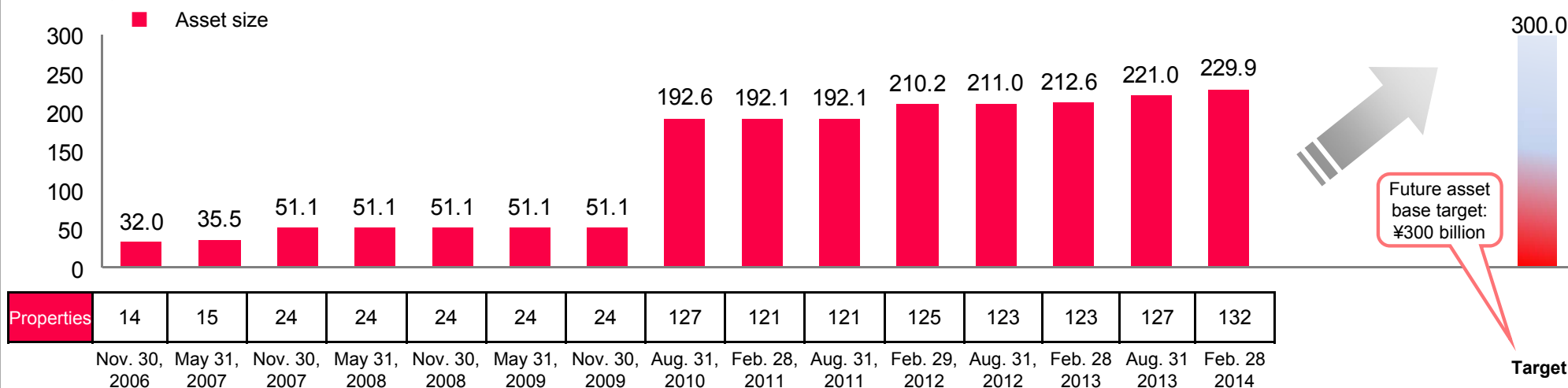
Expansion of Portfolio Size

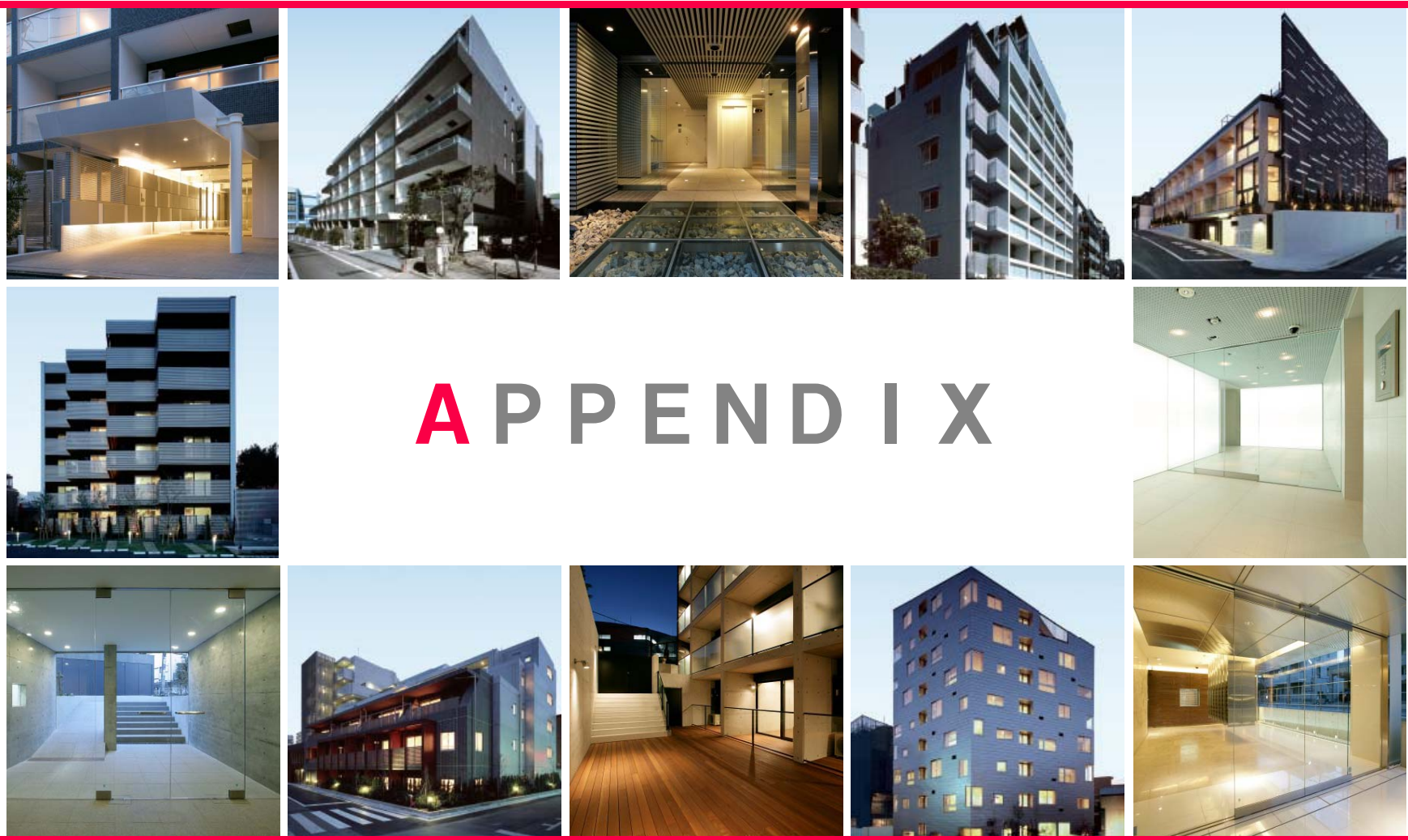
Aiming to expand portfolio size, mainly in properties to be developed by Daiwa House Industry, Investment in housing for elderly people

Enhancement of Financial Position

Building a strong banking structure backed by the creditworthiness of the Daiwa House Group, Reducing debt costs

(unit: billion yen)





APPENDIX

Daiwa House
Residential
Investment Corp.







Daiwa House Asset Mgt.™
Daiwa House Group

Investment Strategy on Residential Properties by Area

// By Area



Area		Area 1	Area 2	Area 3	Area 4
Current	Definition	5 major wards of Tokyo (Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward)	Wards of Tokyo excluding Area 1	Tokyo Metropolitan area (Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture)	Other cities with populations of more than approx. 100,000
	Investment Policy	60% or more		30% or less	30% or less
	DHI's Portfolio (as of February 28, 2014)	72.7%		6.3%	21.0%
		(40.2%)	(32.5%)		

Future	Target Portfolio				
	Rationale	<p><Area 1></p> <ul style="list-style-type: none"> Currently high proportion of investment in this area, but offers the potential for strong rent rises once the economy recovers No plan to sell properties, but planning to reduce or maintain relative weighting of investment in this area by acquiring properties in other areas <p><Area 2></p> <ul style="list-style-type: none"> Area 2 rents are very stable while occupancy rates are stable. Aim to increase the investment ratio of this area The strengths of Daiwa House Group can be best utilized in this area 		<ul style="list-style-type: none"> A supply of high-quality properties is expected from Daiwa House Study prospect of investing in properties for which Daiwa House Group function as a master lessee 	<ul style="list-style-type: none"> Consider purchasing attractive properties in this area based on property competitiveness, size, and yields

Investment Strategy on Residential Properties by Type

// By Type

	Type	Compact	Family
Current	Overview	<ul style="list-style-type: none"> Residences aimed mainly at singles, double income no kids (DINKS) and designed in for their life styles 	<ul style="list-style-type: none"> Residences aimed mainly at families and designed for their life styles
	Dedicated Area	60m ² or less	More than 60m ²
	Investment Policy	70% or more	30% or less
	DHI's Portfolio (Unit basis) (as of February 28, 2014)	83.7%	16.3%

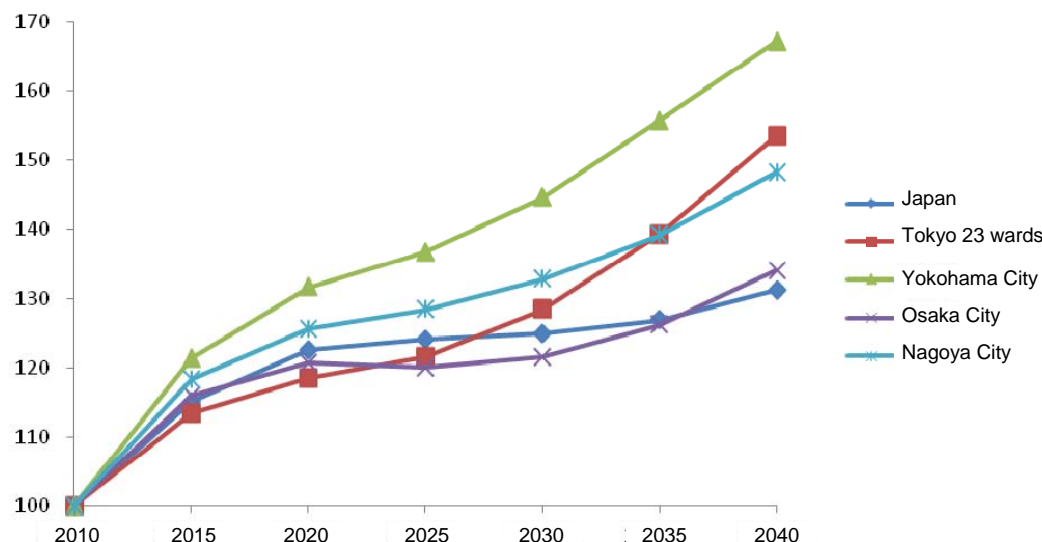
Future	Target Portfolio		
	Rationale	<ul style="list-style-type: none"> Rents are currently low however downward rigidity of occupancy rates and rent is strong 	<ul style="list-style-type: none"> A supply of excellent properties is expected from Daiwa House Study prospect of investing in properties for which Daiwa House Group function as an muster lessee

// Investment Policy for Housing for Elderly People

DHI invests up to 5% of total acquired assets in housing for elderly people (rental residences, care facilities or other facilities scheduled to be occupied exclusively by elderly people living alone or by elderly couples with the provision of nursing services, etc., including serviced housing for elderly people and private nursing homes), with limited operational risk; in principle, these properties are leased to a single operator deemed by DHI to have the necessary management capabilities and reliability, or are properties that are likely to receive management support from the Daiwa House Group.

*) Housing for elderly people is not included in calculations of investment ratio by area or type.

// Future population trends for people aged 65 and older (including forecasts)



Source: National Institute of Population and Social Security Research, "Population Projections for Japan" (January 2012) and "Population Projections for Japan: Medium-fertility Assumption and Medium-mortality Assumption" (January 2012)

*) Source: Daiwa House Asset Management Co., Ltd., based on "Regional Population Projections for Japan (Prefecture, Municipality)" (March 2013) Population aged 65+ in 2010 indexed to 100

【 Support from Daiwa House Industry 】

Daiwa House Industry provides support in managing and operating the property as the property management company. Stable revenue over the long term will be secure with a rent-guaranteed-type master lease agreement.

// Property Acquired in 15th Fiscal Period (ended Aug. 2013)

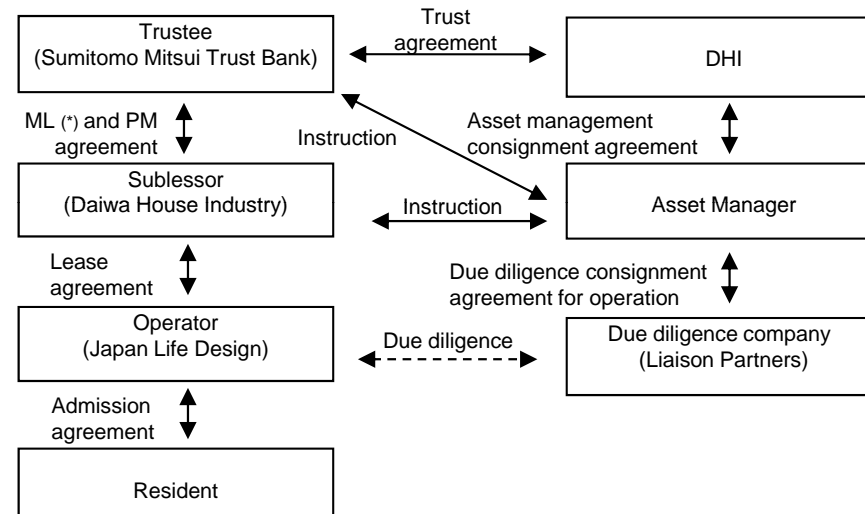
- DHI acquired an assisted-living pay nursing home (Urban Living Inage) as its first portfolio property of housing for elderly people.

Property supported by Daiwa House Group	
Urban Living Inage	
Location	Inage Ward, Chiba City, Chiba
Structure · Floor	S, 4F
Completion Date	March, 2009
Establish Date	May, 2009
Leasable Units	100 units
Acquisition Date	June 24, 2013
Acquisition Price	930 million yen
Seller	Daiwa House Industry Co., Ltd.
NOI yield (*)	7.4%



*) Net rental income shown in the real estate appraisal report at the time of purchase / acquisition price

【 Flow Chart of Scheme of Urban Living Inage 】

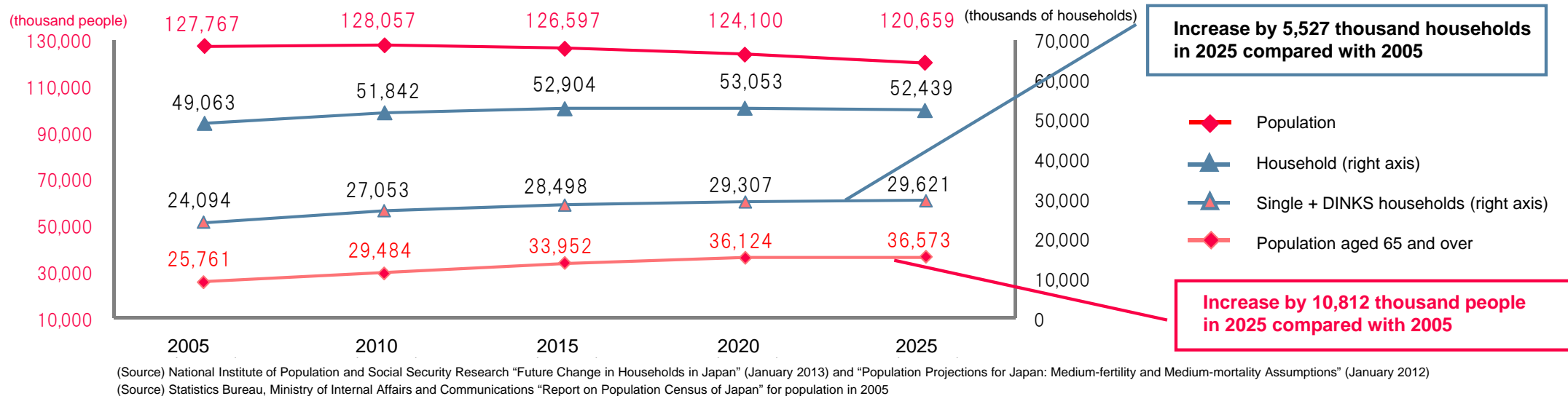


*) Daiwa House Industry covers against operator's credit risk by concluding a rent guarantee contract for the first ten years.

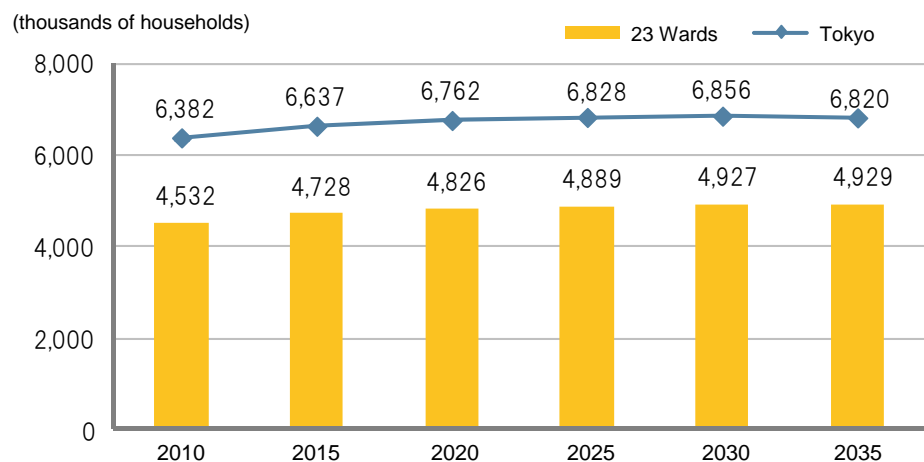
Building Portfolio: Strengths of DHI Portfolio

- Investment strategy focused on the Tokyo Metropolitan area where continuous population growth is expected, with a certain level of investment in major regional cities where local populations are expected to be concentrated for portfolio diversification
- By type, investment strategy focused on properties targeting compact types, of which the number of households is expected to increase
- Investment to a certain extent in housing for elderly people in reaction to the aging of society

Estimated Population and Number of Households (including forecasts)

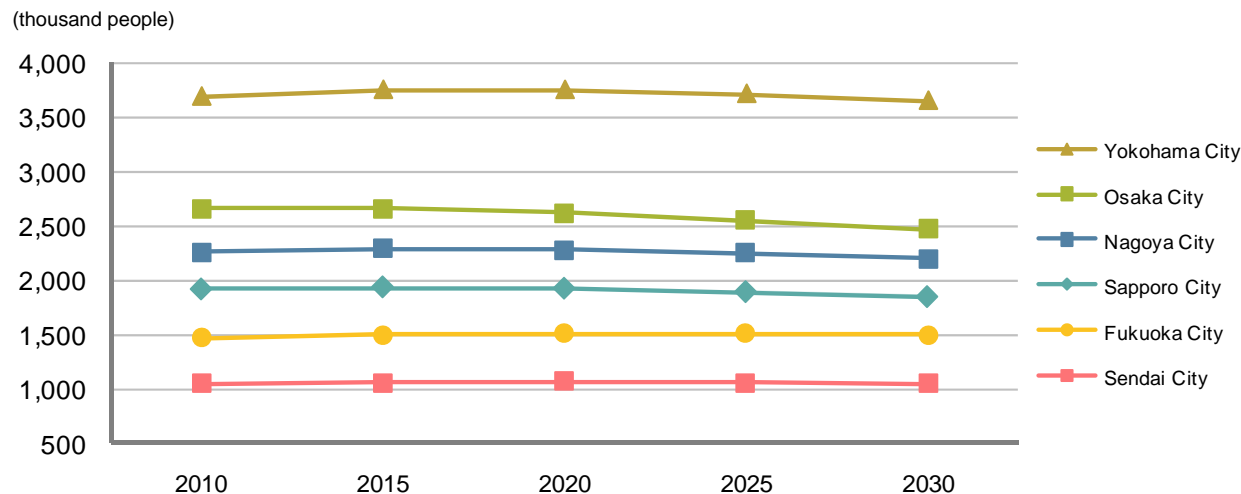


Estimated Number of Households in Tokyo (including forecasts)



(Source) Tokyo Metropolitan Government, "Forecast of Number of Households in Tokyo" statistical data (March 2014)

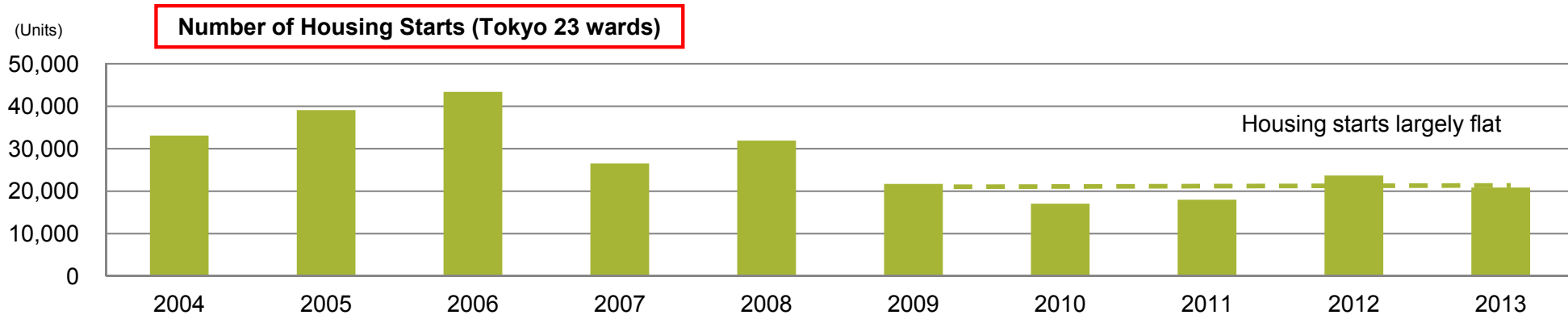
Estimated Population Changes by City (including forecasts)



(Source) National Institute of Population and Social Security Research "Estimated Population Changes by City, Town or Village" (March 2013)

// Number of Housing Starts Trend

- Number of housing starts for rental condominiums in Tokyo 23 wards totaled 20,863 units in 2013 (down 12.0% from a year earlier).
- After peaking in 2006, housing starts declined due to the impact of the revised Building Standards Act (2007) and the collapse of emerging small-medium condominium developers during the financial crisis post Lehman Shock (2008). However, housing starts have been largely flat over the last few years.

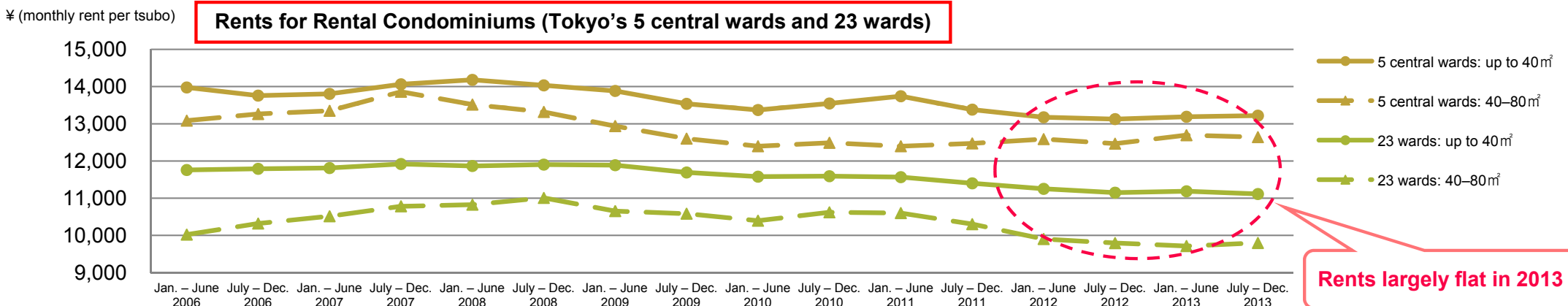


*1) Source: Daiwa House Asset Management Co., Ltd., based on Statistics on Building Starts, published by Ministry of Land, Infrastructure, Transport and Tourism

*2) Shows the number of new building starts in Tokyo's 23 wards under "by Owner Occupant Relation: Rented," "by Structure: Steel-frame reinforced concrete or reinforced concrete," and "by Construction Method: Joint project."

// Trends in Condominium Rents

- Condominium rents in Tokyo's 5 central wards saw a slight rise for 40 m² and smaller properties, but a slight decline for 40–80 m² properties. Rents in Tokyo's 23 wards saw a slight decline for 40 m² and smaller properties, but a slight rise for 40–80 m² properties.



*1) Source: Daiwa House Asset Management Co., Ltd., based on Survey Results of Housing Market Index 2013 H2, published by the Japan Real Estate Institute (JREI) on March 12, 2014

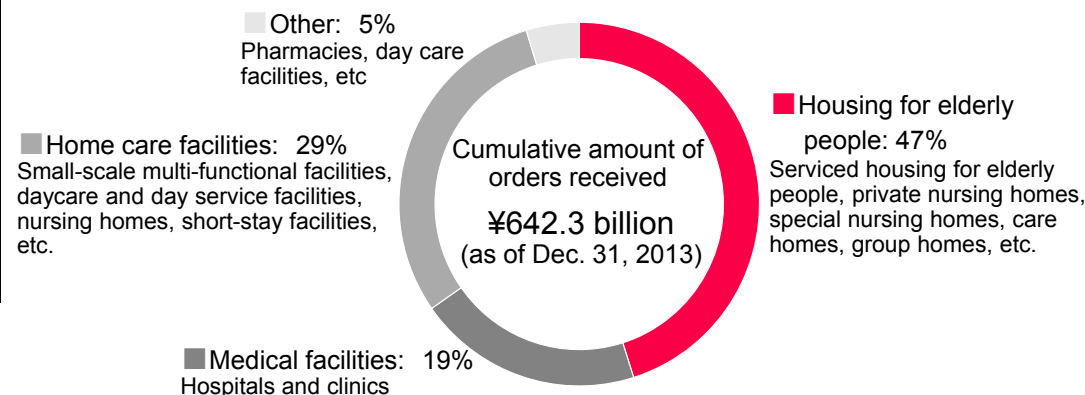
*2) Adjusted by JREI using base data to show rents for 10-year old condominiums; rents are the amounts paid by tenants excluding management fees and common service fees.

// Profile of Daiwa House Industry

Company Name	Daiwa House Industry Co., Ltd.		
Head Office	3-3-5, Umeda, Kita Ward, Osaka City		
Established	April 5, 1955 (Founded: March 4, 1947)		
Paid-in Capital	¥161,699 million (as of August 19, 2013)		
Ratings	Japan Credit Rating Agency, Ltd. (JCR)	:	AA (Stable)
	Rating and Investment Information, Inc. (R&I)	:	AA- (Stable)

// Results of Daiwa House Group's Healthcare Business

Amount of orders received by Daiwa House Industry for housing for elderly people, medical treatment and nursing, and welfare facilities



// Selected Financial Data of Rental Housing Business of Daiwa House

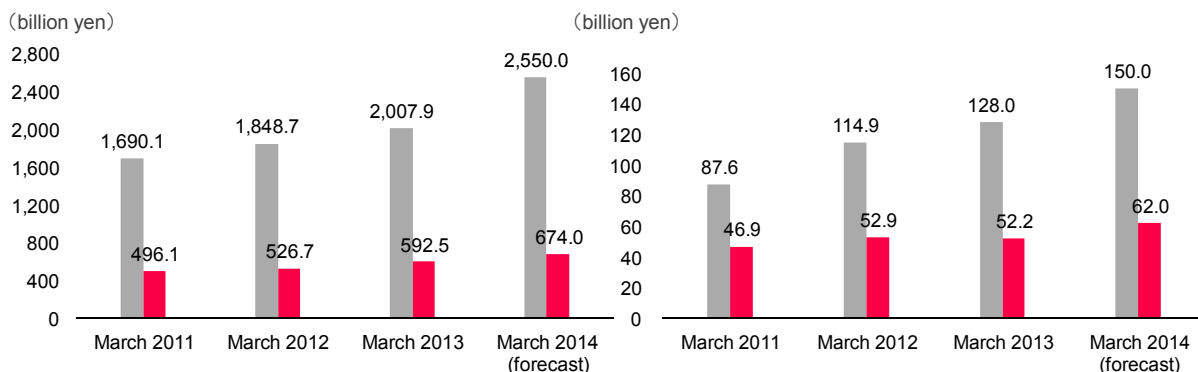
- Using its extensive property planning and development expertise in providing a grand total of around 870,000 rental residences, Daiwa House Industry is developing products that anticipate the needs of residents and landowners
- Daiwa House Industry shows a steady growth in net sales and operating income of the Rental Housing Business

Net Sales (consolidated basis)

- Consolidated net sales
- Of which, sales of Rental Housing Business

Operating Income (consolidated basis)

- Consolidated operating income
- Of which, sales of Rental Housing Business



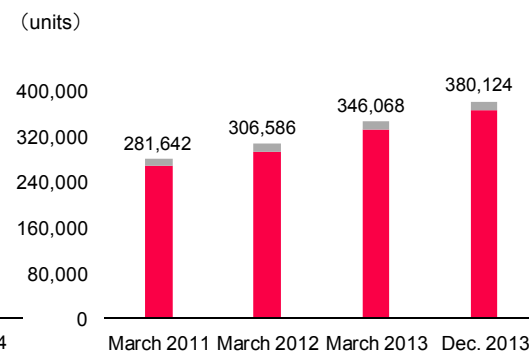
(Source) "Financial Factbook" and "Financial Highlights for FY2013 3Q" of Daiwa House Industry.

// Number of Rental Residences Managed

- The Daiwa House Group is increasing steadily the number of rental residences managed

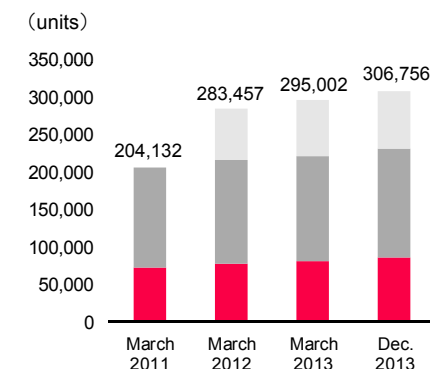
Rental Residences Managed

- Daiwa Living Co., Ltd.
- Daiwa Living Management Co., Ltd.
- Nihon Jyutaku Ryutu Co., Ltd.



Condominiums Managed

- Daiwa Service Co., Ltd.
- Daiwa Lifenext Co., Ltd.
- Global Community Co., Ltd.

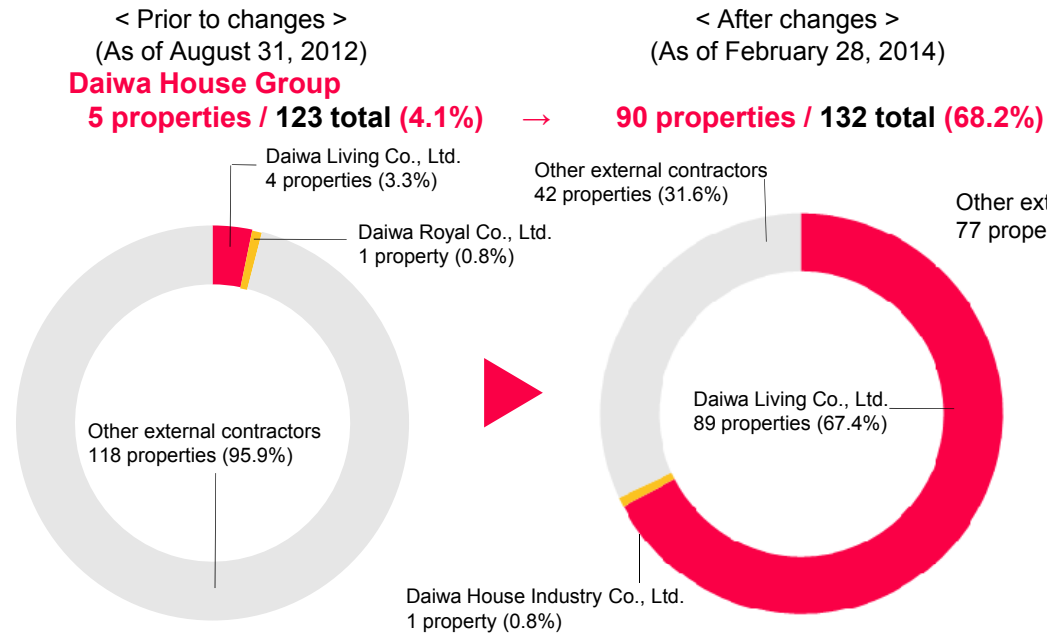


// Consolidating Management Operations within Daiwa House Group

■ Changes of property management (PM), building maintenance (BM), and ML companies

Work currently outsourced to external PM, BM and ML companies was consolidated within the Daiwa House Group in order to improve resident satisfaction by raising the quality of property management, while at the same time increasing management efficiency and reducing costs

Changes of PM companies

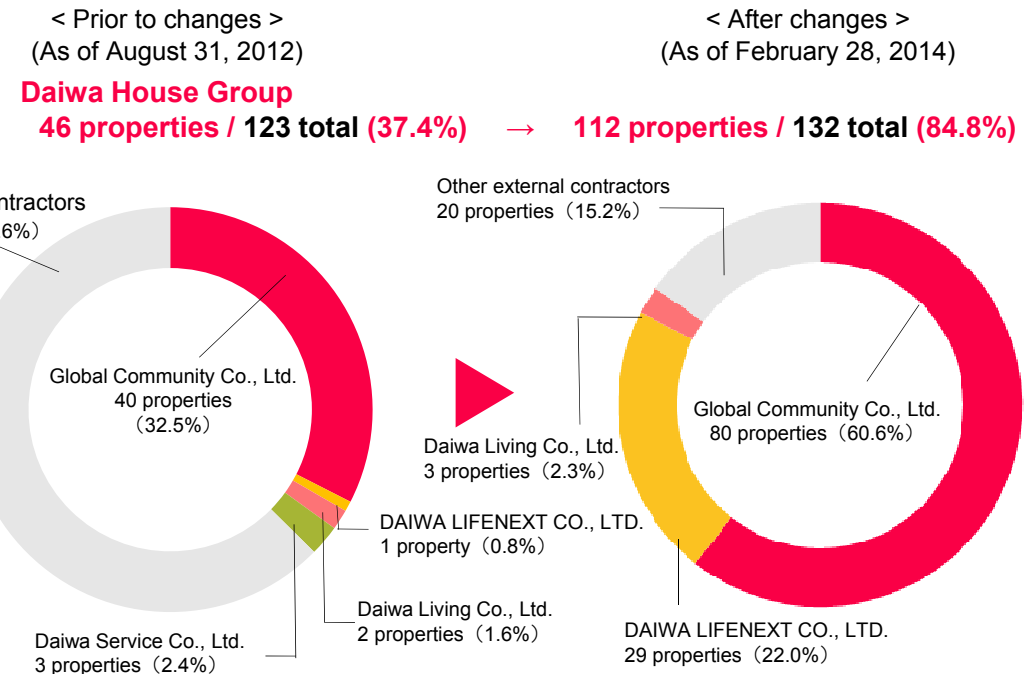


Projected annual cost savings of ¥7,513 thousand (*1)

Changes of ML companies

- 1) Daiwa Living Management Co., Ltd. took over the management of six properties handled by an external ML contractor
- 2) As part of organizational restructuring of the Daiwa House Group, DH Leasing LLC, which serves as a ML company for 71 of DHI's properties, was absorbed and merged with Daiwa Living Management Co., Ltd., effective on March 29, 2013, **reducing ML outsourcing costs by ¥3,111 thousand per year (*2)**

Changes of BM companies



Projected annual cost savings of ¥17,195 thousand (*1)

Consolidation of PM, BM and ML services within the Daiwa House Group is expected to reduce costs by ¥27,819 thousand per year

*1) Using track record for properties in DHI's portfolio in the 16th fiscal period, the asset management company has calculated the difference in costs compared with if no review of outsourcing costs was implemented; amounts have been rounded down to the nearest unit.

*2) Master lease fees in the 14th fiscal periods; amounts have been rounded down to the nearest unit.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of February 28, 2014)	Appraiser *1	Acquisition Price	Book Value at Feb. 28, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Aug. 31, 2013			Appraisal at Feb. 28, 2014			End of Previous Fiscal Period Comparison		
						At Aug. 31, 2013	At Feb. 28, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
						①	②	③	④	④-①	④-②	④-③	CR	DR	TCR	CR	DR	TCR	CR
Area1	1001	Qiz Ebisu	Tanizawa	7,650	7,421	7,800	7,970	320	548	170	4.8	4.9	5.0	4.7	4.8	4.9	(0.1)	(0.1)	(0.1)
	1002	Castalia Azabujuban Shichimenzaka	Chuo	4,500	4,326	3,950	3,970	(530)	(356)	20	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	1003	Castalia Shibakoen	Tanizawa	2,630	2,507	1,950	1,960	(670)	(547)	10	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	1004	Castalia Ginza	Tanizawa	2,520	2,429	1,980	2,010	(510)	(419)	30	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1005	Castalia Hiroo	Tanizawa	2,220	2,152	1,610	1,730	(490)	(422)	120	4.9	5.0	5.1	4.8	4.9	5.0	(0.1)	(0.1)	(0.1)
	1006	Castalia Nihonbashi	Tanizawa	1,200	1,128	1,050	1,070	(130)	(58)	20	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1007	Castalia Hacchobori	Tanizawa	2,300	2,208	2,000	2,040	(260)	(168)	40	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1008	Castalia Azabujuban	Chuo	2,910	2,861	2,430	2,430	(480)	(431)	0	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1009	Castalia Azabujuban II	Chuo	2,690	2,617	2,280	2,290	(400)	(327)	10	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1010	Castalia Shinjuku Natsumezaka	Chuo	1,865	1,821	1,580	1,580	(285)	(241)	0	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1011	Castalia Ginza II	Tanizawa	1,800	1,737	1,540	1,560	(240)	(177)	20	5.2	5.0	5.4	5.2	5.0	5.4	0.0	0.0	0.0
	1012	Castalia Shibuya Sakuragaoka	Tanizawa	1,400	1,375	1,020	1,040	(360)	(335)	20	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1015	Castalia Nishi Azabu Kasumicho	Tanizawa	2,143	2,128	1,940	2,010	(133)	(118)	70	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1016	Castalia Ochanomizu	JREI	1,770	1,717	1,840	1,860	90	142	20	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1017	Castalia Sangubashi	Tanizawa	1,393	1,393	1,320	1,380	(13)	(13)	60	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1018	Castalia Suitengu	Tanizawa	1,279	1,235	1,260	1,290	11	54	30	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1019	Castalia Suitengu II	Tanizawa	1,138	1,097	1,120	1,140	2	42	20	5.0	4.7	5.3	5.0	4.7	5.3	0.0	0.0	0.0
	1020	Castalia Shintomicho	Tanizawa	932	892	919	939	7	46	20	4.8	4.9	5.0	4.7	4.8	4.9	(0.1)	(0.1)	(0.1)
	1021	Castalia Shintomicho II	Tanizawa	825	789	790	807	(18)	17	17	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	1022	Castalia Harajuku	JREI	887	873	803	828	(59)	(45)	25	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	1023	Castalia Yoyogi Uehara	JREI	608	595	599	634	26	38	35	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1024	Castalia Sendagaya	JREI	555	553	540	552	(3)	(1)	12	4.9	5.0	5.1	4.8	4.9	5.0	(0.1)	(0.1)	(0.1)
	1025	Castalia Shinjuku 7 chome	JREI	464	451	464	470	6	18	6	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1027	Castalia Ningyocho	JREI	947	903	1,020	1,030	83	126	10	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1028	Castalia Ningyocho II	JREI	1,070	1,021	1,160	1,160	90	138	0	4.8	4.6	5.0	4.7	4.5	4.9	(0.1)	(0.1)	(0.1)
	1029	Castalia Shin-Ochanomizu	JREI	914	883	930	932	18	48	2	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1030	Castalia Higashi Nihonbashi II	JREI	1,370	1,313	1,450	1,460	90	146	10	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	1031	Castalia Jinbocho	JREI	1,160	1,117	1,240	1,240	80	122	0	5.2	5.0	5.4	5.2	5.0	5.4	0.0	0.0	0.0
	1032	Castalia Shintomicho III	JREI	675	641	660	660	(15)	18	0	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1033	Castalia Shinjuku Gyoen	Tanizawa	2,720	2,629	2,710	2,760	40	130	50	4.9	(*2)	5.1	4.8	(*8)	5.0	(0.1)	—	(0.1)
	1034	Castalia Takanawadai	JREI	860	835	889	904	44	68	15	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of February 28, 2014)	Appraiser *1	Acquisition Price	Book Value at Feb. 28, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Aug. 31, 2013			Appraisal at Feb. 28, 2014			End of Previous Fiscal Period Comparison		
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												③	④		④-①	④-②		④-③	CR
Area1	1035	Castalia Higashi Nihonbashi III	Daiwa	666	637	668	685	19	47	17	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	1036	Castalia Shinjuku Gyoen II	Tanizawa	486	466	476	478	(8)	11	2	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	1037	Castalia Shintomicho IV	Daiwa	400	383	389	397	(3)	13	8	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	1038	Castalia Takanawadai II	JREI	1,190	1,155	1,210	1,210	20	54	0	4.8	4.6	5.0	4.8	4.6	5.0	0.0	0.0	0.0
	1039	Castalia Minami Azabu	JREI	642	622	597	598	(44)	(24)	1	4.8	4.6	5.0	4.8	4.6	5.0	0.0	0.0	0.0
	1040	Castalia Ginza III	Tanizawa	2,880	2,787	2,680	2,720	(160)	(67)	40	4.8	4.9	5.0	4.7	4.8	4.9	(0.1)	(0.1)	(0.1)
	1041	Castalia Kayabacho	Tanizawa	2,707	2,612	2,680	2,730	23	117	50	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	1042	Castalia Takanawa	Tanizawa	7,430	7,255	7,060	7,180	(250)	(75)	120	4.9	5.2	5.1	4.8	5.1	5.0	(0.1)	(0.1)	(0.1)
	1043	Castalia Higashi Nihonbashi	Chuo	3,520	3,383	3,500	3,530	10	146	30	5.2	4.9	5.4	5.2	4.9	5.4	0.0	0.0	0.0
	1045	Castalia Shinjuku	Tanizawa	2,950	2,881	2,930	3,010	60	128	80	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	1046	Castalia Ichigaya	Chuo	940	924	1,240	1,240	300	315	0	5.0	4.7	5.2	5.0	4.7	5.2	0.0	0.0	0.0
	1047	Shibaura Island Bloom Tower	JREI	7,580	7,525	7,880	7,940	360	414	60	—	4.8	6.9	—	4.7	6.8	—	(0.1)	(0.1)
	1048	Castalia Hatsudai	Daiwa	2,030	2,079	2,200	2,200	170	120	0	4.9	4.7	5.1	4.9	4.7	5.1	0.0	0.0	0.0
	1049	Castalia Hatsudai II (*15)	Morii	1,900	1,947	2,030	2,080	180	132	50	4.8	4.5	5.1	4.7	4.5	4.9	(0.1)	0.0	(0.2)
	1050	Castalia Ebisu (*15)	Morii	1,420	1,455	1,520	1,550	130	94	30	4.7	4.4	5.0	4.6	4.4	4.8	(0.1)	0.0	(0.2)
Residential Area 1 Subtotal				92,136	89,783	87,904	89,254	(2,882)	(529)	1,350									
Area2	2001	Castalia Meguro Kamurozaka	Daiwa	4,500	4,236	3,770	3,850	(650)	(386)	80	4.9	4.7	5.1	4.8	4.6	5.0	(0.1)	(0.1)	(0.1)
	2002	Castalia Toritsudaigaku	Chuo	648	609	509	524	(124)	(85)	15	5.8	5.5	6.1	5.8	5.5	6.1	0.0	0.0	0.0
	2004	Castalia Yukigaya	Tanizawa	1,110	1,056	1,060	1,080	(30)	23	20	5.0	5.1	5.2	4.9	5.0	5.1	(0.1)	(0.1)	(0.1)
	2005	Castalia Yutenji	Chuo	1,450	1,390	1,200	1,190	(260)	(200)	(10)	4.9	4.6	5.1	4.9	4.6	5.1	0.0	0.0	0.0
	2006	Castalia Otsuka	Chuo	1,480	1,400	1,410	1,410	(70)	9	0	5.1	4.8	5.3	5.1	4.8	5.3	0.0	0.0	0.0
	2007	Castalia Kikukawa	Tanizawa	817	772	761	766	(51)	(6)	5	5.1	5.2	5.3	5.0	5.1	5.2	(0.1)	(0.1)	(0.1)
	2008	Castalia Meguro	JREI	844	824	831	865	21	40	34	5.1	4.8	5.3	5.0	4.7	5.2	(0.1)	(0.1)	(0.1)
	2009	Castalia Otsuka II	JREI	1,040	989	1,020	1,020	(20)	30	0	5.1	4.9	5.3	5.1	4.9	5.3	0.0	0.0	0.0
	2010	Castalia Jiyugaoka	JREI	1,200	1,168	1,240	1,240	40	71	0	4.8	4.6	5.0	4.8	4.6	5.0	0.0	0.0	0.0
	2011	Castalia Mejiro	Chuo	988	951	949	947	(41)	(4)	(2)	5.3	5.0	5.5	5.3	5.0	5.5	0.0	0.0	0.0
	2012	Castalia Ikebukuro	Daiwa	2,570	2,476	2,370	2,420	(150)	(56)	50	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	2013	Castalia Kaname-cho	Tanizawa	1,140	1,098	1,090	1,110	(30)	11	20	5.0	5.2	5.2	4.9	5.1	5.1	(0.1)	(0.1)	(0.1)
	2014	Castalia Tower Shinagawa Seaside	Tanizawa	7,380	7,075	7,430	7,590	210	514	160	5.0	5.0	5.2	4.9	4.9	5.1	(0.1)	(0.1)	(0.1)
	2015	Castalia Yakumo	Tanizawa	857	836	718	721	(136)	(115)	3	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	2016	Castalia Togoshiekimae	JREI	1,560	1,514	1,690	1,720	160	205	30	5.1	4.9	5.3	5.0	4.8	5.2	(0.1)	(0.1)	(0.1)
	2018	Castalia Honjo Azumabashi	Tanizawa	996	952	985	1,010	14	57	25	5.2	5.3	5.4	5.1	5.2	5.3	(0.1)	(0.1)	(0.1)
	2019	Castalia Kitazawa	JREI	742	718	712	744	2	25	32	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of February 28, 2014)	Appraiser *1	Acquisition Price	Book Value at Feb. 28, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Aug. 31, 2013			Appraisal at Feb. 28, 2014			End of Previous Fiscal Period Comparison		
						At Aug. 31, 2013	At Feb. 28, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
												③	④		④-①	④-②		④-③	CR
Area2	2020	Castalia Monzennakacho	Tanizawa	503	479	432	476	(27)	(3)	44	5.4	5.5	5.6	5.3	5.4	5.5	(0.1)	(0.1)	(0.1)
	2023	Castalia Kamiikedai	JREI	198	189	200	202	4	12	2	5.7	5.3	5.9	5.6	5.2	5.8	(0.1)	(0.1)	(0.1)
	2024	Castalia Morishita	JREI	832	795	873	875	43	79	2	5.0	4.8	5.2	5.0	4.8	5.2	0.0	0.0	0.0
	2025	Castalia Wakabayashi koen	Daiwa	776	753	736	747	(29)	(6)	11	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	2026	Castalia Asakusabashi	Chuo	792	755	801	804	12	48	3	5.3	5.0	5.5	5.3	5.0	5.5	0.0	0.0	0.0
	2027	Castalia Iriya	Chuo	546	519	575	576	30	56	1	5.7	5.4	5.9	5.7	5.4	5.9	0.0	0.0	0.0
	2028	Castalia Kita Ueno	Tanizawa	2,641	2,518	2,430	2,460	(181)	(58)	30	5.1	5.2	5.3	5.0	5.1	5.2	(0.1)	(0.1)	(0.1)
	2029	Castalia Morishita II	Tanizawa	686	653	749	761	75	107	12	5.1	5.2	5.3	5.0	5.1	5.2	(0.1)	(0.1)	(0.1)
	2030	Castalia Minowa	Tanizawa	1,430	1,360	1,410	1,440	10	79	30	5.1	5.2	5.3	5.0	5.1	5.2	(0.1)	(0.1)	(0.1)
	2031	Castalia Oyamadai	Tanizawa	533	517	535	544	11	26	9	5.0	5.1	5.2	4.9	5.0	5.1	(0.1)	(0.1)	(0.1)
	2032	Castalia Nakano	JREI	1,060	1,013	1,100	1,120	60	106	20	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	2033	Castalia Yoga	Tanizawa	923	896	1,020	1,040	117	143	20	4.9	5.1	5.1	4.8	5.0	5.0	(0.1)	(0.1)	(0.1)
	2034	Castalia Sumiyoshi	Tanizawa	948	901	892	912	(36)	10	20	5.1	5.2	5.3	5.0	5.1	5.2	(0.1)	(0.1)	(0.1)
	2035	Castalia Monzennakacho II	JREI	2,160	2,076	2,310	2,360	200	283	50	5.0	4.8	5.2	4.9	4.7	5.1	(0.1)	(0.1)	(0.1)
	2036	Castalia Oshiage	Tanizawa	1,100	1,045	1,060	1,080	(20)	34	20	5.2	(*3)	5.4	5.1	(*9)	5.3	(0.1)	—	(0.1)
	2037	Castalia Kuramae	Tanizawa	1,260	1,203	1,320	1,350	90	146	30	5.1	(*4)	5.3	5.0	(*10)	5.2	(0.1)	—	(0.1)
	2038	Castalia Nakanobu	Chuo	1,790	1,759	2,370	2,380	590	620	10	4.9	4.6	5.1	4.9	4.6	5.1	0.0	0.0	0.0
	2039	Royal Parks Toyosu	Chuo	7,360	7,110	8,090	8,090	730	979	0	5.5	5.1	5.8	5.5	5.1	5.8	0.0	0.0	0.0
	2040	Castalia Togoshi	Chuo	1,770	1,717	2,310	2,310	540	592	0	5.0	4.7	5.2	5.0	4.7	5.2	0.0	0.0	0.0
	2041	Castalia Ooimachi	Morii	1,181	1,226	1,300	1,330	149	103	30	4.8	4.5	5.1	4.7	4.5	4.9	(0.1)	0.0	(0.2)
	2042	Castalia Omori	Chuo	1,500	1,535	1,690	1,690	190	154	0	5.0	4.7	5.2	5.0	4.7	5.2	0.0	0.0	0.0
	2043	Castalia Mishuku	Chuo	1,900	1,945	2,140	2,140	240	194	0	5.0	4.7	5.2	5.0	4.7	5.2	0.0	0.0	0.0
	2044	Castalia Arakawa	Chuo	1,660	1,682	1,970	1,970	310	287	0	5.3	5.0	5.5	5.3	5.0	5.5	0.0	0.0	0.0
	2045	Castalia Omori II	Morii	2,370	2,385	2,550	2,580	210	194	30	4.9	4.6	5.2	4.8	4.6	5.0	(0.1)	0.0	(0.2)
	2046	Castalia Nakameguro	Morii	3,800	3,857	4,000	4,010	210	152	10	4.7	4.4	5.0	4.6	4.4	4.8	(0.1)	0.0	(0.2)
	2047	Castalia Meguro Chojamaru (*15)	Morii	2,030	2,072	2,150	2,200	170	127	50	4.7	4.4	5.0	4.6	4.4	4.8	(0.1)	0.0	(0.2)
	2048	Castalia Meguro Takaban (*15)	Morii	1,750	1,778	1,790	1,830	80	51	40	5.0	4.7	5.3	4.9	4.7	5.1	(0.1)	0.0	(0.2)
	2049	Castalia Omori III (*15)	Morii	1,520	1,562	1,660	1,690	170	127	30	4.9	4.6	5.2	4.8	4.6	5.0	(0.1)	0.0	(0.2)
Residential Area 2 Subtotal				74,341	72,388	76,208	77,174	2,833	4,785	966									
Area3	3001	Cosmo Heim Musashikosugi	Chuo	1,674	1,631	1,690	1,720	46	88	30	5.6	5.3	5.9	5.6	5.3	5.9	0.0	0.0	0.0
	3002	Castalia Tsurumi	Chuo	666	635	663	665	(1)	29	2	5.9	5.6	6.2	5.9	5.6	6.2	0.0	0.0	0.0
	3003	Castalia Funabashi	Tanizawa	704	695	729	739	35	43	10	5.7	(*5)	5.9	5.6	(*11)	5.8	(0.1)	—	(0.1)
	3006	Castalia Nishi Funabashi	JREI	783	749	731	810	27	60	79	6.0	5.8	6.2	5.9	5.7	6.1	(0.1)	(0.1)	(0.1)

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of February 28, 2014)	Appraiser *1	Acquisition Price	Book Value at Feb. 28, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Aug. 31, 2013			Appraisal at Feb. 28, 2014			End of Previous Fiscal Period Comparison		
						At Aug. 31, 2013	At Feb. 28, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
												③	④		④-①	④-②		④-③	CR
				①	②	③	④	④-①	④-②	④-③	CR	DR	TCR	CR	DR	TCR	CR	DR	TCR
Area3	3007	Castalia Maihama	Tanizawa	670	640	583	606	(64)	(34)	23	5.8	5.8	6.0	5.7	5.7	5.9	(0.1)	(0.1)	(0.1)
	3008	Castalia Ichikawamyoden	Tanizawa	671	645	675	682	11	36	7	5.7	5.9	6.0	5.6	5.8	5.9	(0.1)	(0.1)	(0.1)
	3010	Castalia Urayasu	Tanizawa	592	566	572	590	(2)	23	18	5.7	5.7	6.0	5.6	5.6	5.9	(0.1)	(0.1)	(0.1)
	3011	Castalia Minamigyotoku	Tanizawa	543	519	504	498	(45)	(21)	(6)	5.6	5.6	5.8	5.5	5.5	5.7	(0.1)	(0.1)	(0.1)
	3012	NCR Minamigyotoku II	Tanizawa	385	368	351	342	(43)	(26)	(9)	5.6	5.6	5.8	5.5	5.5	5.7	(0.1)	(0.1)	(0.1)
	3013	Castalia NogeYama	JREI	325	312	278	309	(16)	(3)	31	5.9	5.7	6.1	5.8	5.6	6.0	(0.1)	(0.1)	(0.1)
	3017	Castalia Ichikawa	JREI	461	435	505	505	44	69	0	5.9	5.7	6.1	5.9	5.7	6.1	0.0	0.0	0.0
	3018	Royal Parks Hanakoganei	Daiwa	5,300	5,405	5,720	5,730	430	324	10	5.9	(*6)	6.0	5.8	(*12)	6.0	0.0	—	0.0
	3019	Castalia Musashikosugi (*15)	Morii	1,680	1,722	1,750	1,790	110	67	40	5.2	4.9	5.5	5.1	4.9	5.3	(0.1)	0.0	(0.2)
Residential Area 3 (excl. properties for the elderly) Subtotal				14,454	14,327	14,751	14,986	532	658	235									
Area4	4001	Castalia Shinsakae	Chuo	1,920	1,773	1,460	1,460	(460)	(313)	0	5.8	5.5	6.1	5.8	5.5	6.1	0.0	0.0	0.0
	4008	Aprile Tarumi	JREI	1,340	1,250	1,320	1,390	50	139	70	6.5	6.3	6.7	6.4	6.2	6.6	(0.1)	(0.1)	(0.1)
	4009	Crest Kusatsu	Tanizawa	3,004	2,792	2,790	2,810	(194)	17	20	7.5	7.6	7.7	7.4	7.5	7.6	(0.1)	(0.1)	(0.1)
	4010	Castalia Sakaisuji Honmachi	Tanizawa	1,490	1,412	1,560	1,580	90	167	20	5.6	5.7	5.8	5.5	5.6	5.7	(0.1)	(0.1)	(0.1)
	4011	Castalia Shin-Umeda	Tanizawa	1,376	1,293	1,460	1,480	104	186	20	5.7	5.8	5.9	5.6	5.7	5.8	(0.1)	(0.1)	(0.1)
	4012	Castalia Abeno	Tanizawa	4,368	4,198	4,210	4,280	(88)	81	70	5.6	5.7	5.8	5.5	5.6	5.7	(0.1)	(0.1)	(0.1)
	4014	Castalia Sakae	Chuo	1,010	957	1,060	1,070	60	112	10	5.7	5.4	6.0	5.7	5.4	6.0	0.0	0.0	0.0
	4015	Castalia Nipponbashi Kouzu	Tanizawa	3,570	3,351	3,490	3,550	(20)	198	60	5.7	5.8	5.9	5.6	5.7	5.8	(0.1)	(0.1)	(0.1)
	4016	Castalia Maruyama Urasando	Tanizawa	411	389	457	479	68	89	22	6.0	6.0	6.2	5.8	5.8	6.0	(0.2)	(0.2)	(0.2)
	4017	Castalia Maruyama Omotesando	Tanizawa	1,740	1,653	1,810	1,890	150	236	80	6.0	6.0	6.2	5.8	5.8	6.0	(0.2)	(0.2)	(0.2)
	4018	Castalia Higashi Hie	Tanizawa	960	904	966	965	5	60	(1)	5.9	6.1	6.1	5.7	5.9	5.9	(0.2)	(0.2)	(0.2)
	4019	Castalia Tower Nagahoribashi	Chuo	3,400	3,188	3,800	3,810	410	621	10	5.5	5.2	5.8	5.5	5.2	5.8	0.0	0.0	0.0
	4020	Castalia Sannomiya	Daiwa	1,230	1,156	1,380	1,360	130	203	(20)	5.8	5.6	6.0	5.7	5.5	5.9	(0.1)	(0.1)	(0.1)
	4021	Castalia Kotodaikoen	Daiwa	481	450	504	517	36	66	13	6.1	6.1	6.3	6.0	6.0	6.2	(0.1)	(0.1)	(0.1)
	4022	Castalia Ichibancho	Daiwa	783	741	811	840	57	98	29	6.1	6.1	6.3	6.0	6.0	6.2	(0.1)	(0.1)	(0.1)
	4023	Castalia Omachi	Daiwa	656	612	662	680	24	67	18	6.1	6.1	6.3	6.0	6.0	6.2	(0.1)	(0.1)	(0.1)
	4024	Castalia Uemachidai	Daiwa	2,190	2,076	2,320	2,360	170	283	40	5.5	5.3	5.7	5.4	5.2	5.6	(0.1)	(0.1)	(0.1)
	4025	Castalia Tower Higobashi	Chuo	2,670	2,556	3,090	3,090	420	533	0	5.5	5.2	5.8	5.5	5.2	5.8	0.0	0.0	0.0
	4026	Big Tower Minami Sanjo	Daiwa	1,740	1,608	2,230	2,270	530	661	40	6.0	5.8	6.2	5.9	5.7	6.1	(0.1)	(0.1)	(0.1)
	4027	Castalia Fushimi	JREI	2,260	2,185	2,680	2,730	470	544	50	5.6	5.4	5.8	5.5	5.3	5.7	(0.1)	(0.1)	(0.1)
4028	Castalia Meieki Minami	Morii	720	721	820	836	116	114	16	5.5	5.2	5.8	5.4	5.2	5.6	(0.1)	0.0	(0.2)	

CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.

Appraisal Value Comparison Table

(unit: million yen)

(unit: %)

Area	No.	Property Name (Owned properties as of February 28, 2014)	Appraiser *1	Acquisition Price	Book Value at Feb. 28, 2014	Real Estate Appraisal Value		Acquisition Value Comparison	Book Value Comparison	End of Previous Fiscal Period Comparison	Appraisal at Aug. 31, 2013			Appraisal at Feb. 28, 2014			End of Previous Fiscal Period Comparison		
						At Aug. 31, 2013	At Feb. 28, 2014				Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method		Direct Capitalizatio n Method	DCF Method	
												③	④		④-①	④-②		④-③	CR
Area 4	4029	Castalia Yakuin	Morii	930	965	1,040	1,060	130	94	20	5.5	5.2	5.8	5.4	5.2	5.6	(0.1)	0.0	(0.2)
	4030	Castalia Mibu	JREI	1,193	1,216	1,270	1,290	97	73	20	5.8	5.6	6.0	5.7	5.5	5.9	(0.1)	(0.1)	(0.1)
	4031	Castalia Tsutsujigaoka	Morii	1,208	1,264	1,400	1,430	221	165	30	5.9	5.6	6.2	5.8	5.6	6.0	(0.1)	0.0	(0.2)
	4032	Castalia Ohori Bay Tower	Morii	2,910	2,985	3,590	3,630	720	644	40	5.7	5.4	6.0	5.6	5.4	5.8	(0.1)	0.0	(0.2)
	4033	Royal Parks Namba	Daiwa	2,830	2,908	2,940	2,950	120	41	10	6.2	(*7)	6.4	6.2	(*13)	6.4	0.0	—	0.0
	4034	Castalia Shigahondori	JREI	1,730	1,781	1,900	1,940	210	158	40	5.9	5.7	6.1	5.8	5.6	6.0	(0.1)	(0.1)	(0.1)
	Residential Area 4 Subtotal				48,120	46,398	51,020	51,747	3,626	5,348	727								
Area 3	6001	Urban Living Inage	Daiwa	930	970	985	999	69	28	14	6.9	6.7	7.1	6.8	6.6	7.0	(0.1)	(0.1)	(0.1)
	Residential Area 3 (properties for the elderly) Subtotal			930	970	985	999	69	28	14									
Total				229,981	223,867	230,868	234,160	4,178	10,292	3,292	CR is CAP Rate, DR is Discount Rate, TCR is Terminal Cap Rate.								

Book value comparison amount is ¥10,292 million in unrealized gains

Real estate appraisal values have improved for 7 consecutive fiscal periods

- *1) Under "Appraiser," "Tanizawa" is Tanizawa Sogo Appraisal Co., Ltd. "Chuo" is Chuo Real Estate Appraisal Co., Ltd. "Daiwa" is Daiwa Real Estate Appraisal Co., Ltd. and "JREI" is Japan Real Estate Institute, "Morii" is Morii Appraisal & Investment Consulting, Inc.
- *2) 5.0% (1 to 10 years after appraisal dates), 5.1% (11th year after appraisal dates).
- *3) 5.5% (1 to 10 years after appraisal dates), 5.3% (11th year after appraisal dates).
- *4) 5.3% (1 to 10 years after appraisal dates), 5.2% (11th year after appraisal dates).
- *5) 5.9% (1 to 4 years after appraisal dates), 5.5% (5 to 11 years after appraisal dates).
- *6) 5.6% (1 to 10 years after appraisal dates), 6.0% (11 to 81 years after appraisal dates).
- *7) 6.0% (1 to 10 years after appraisal dates), 6.4 (11th year after appraisal dates to the expiry of the land lease).
- *8) 4.9% (1 to 10 years after appraisal dates), 5.0% (11th year after appraisal dates).
- *9) 5.4% (1 to 10 years after appraisal dates), 5.2% (11th year after appraisal dates).
- *10) 5.2% (1 to 10 years after appraisal dates), 5.1% (11th year after appraisal dates).
- *11) 5.8% (1 to 4 years after appraisal dates), 5.4% (5 to 11 years after appraisal dates).
- *12) 5.6% (1 to 10 years after appraisal dates), 6.0% (11 to 80 years after appraisal dates).
- *13) 6.0% (1 to 10 years after appraisal dates), 6.4 (11th year after appraisal dates to the expiry of the land lease).
- *14) Under direct capitalization method, net operating income for a single period is capitalized by capitalization rate to determine estimated properties value. Under DCF method, future net operating income during multiple consecutive periods and residual value that are discounted to the present value according to the time of occurrence, are summed together to determine estimated properties value.
- *15) Data at August 31, 2013 for properties acquired in 16th fiscal period (ended February 2014), based on appraisal value as of acquisition date. Date of appraisal are September 1, 2013 for Castalia Hatsudai II, Castalia Ebisu, Castalia Meguro Chojyamaru, Castalia Meguro Takaban, Castalia Omori III and Castalia Musashikosugi.

Portfolio Data (as of April 11, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area1	1001	Qiz Ebisu	4-3-1 Ebisu, Shibuya Ward, Tokyo	5,230.39	96	7,650	3.3	7,970
	1002	Castalia Azabujuban Shichimenzaka	2-7-5 Azabu Juban, Minato Ward, Tokyo	3,492.93	96	4,500	1.9	3,970
	1003	Castalia Shibakoen	3-32-10 Shiba, Minato Ward, Tokyo	2,707.51	75	2,630	1.1	1,960
	1004	Castalia Ginza	1-14-13 Ginza, Chuo Ward, Tokyo	2,226.42	67	2,520	1.1	2,010
	1005	Castalia Hiroo	3-13-3 Nishi Azabu, Minato Ward, Tokyo	1,621.59	24	2,220	0.9	1,730
	1006	Castalia Nihonbashi	11-2 Nihonbashi Kabutocho, Chuo Ward, Tokyo	1,458.73	51	1,200	0.5	1,070
	1007	Castalia Hacchobori	3-27-5 Hatchobori, Chuo Ward, Tokyo	2,969.57	59	2,300	1.0	2,040
	1008	Castalia Azabujuban	2-10-1 Azabu Juban, Minato Ward, Tokyo	2,400.00	51	2,910	1.2	2,430
	1009	Castalia Azabujuban II	2-21-2 Azabu Juban, Minato Ward, Tokyo	2,094.58	66	2,690	1.1	2,290
	1010	Castalia Shinjuku Natsumezaka	10-1 Kikuicho, Shinjuku Ward, Tokyo (*5)	1,917.62	41	1,865	0.8	1,580
	1011	Castalia Ginza II	1-23-4 Ginza, Chuo Ward, Tokyo	1,817.56	61	1,800	0.8	1,560
	1012	Castalia Shibuya Sakuragaoka	29-21 Sakuragaokacho, Shibuya Ward, Tokyo	1,123.80	30	1,400	0.6	1,040
	1015	Castalia Nishi Azabu Kasumicho	1-3-12 Nishi Azabu, Minato Ward, Tokyo	2,779.77	37	2,143	0.9	2,010
	1016	Castalia Ochanomizu	3-24-1 Kanda Ogawamachi, Chiyoda Ward, Tokyo	2,559.21	44	1,770	0.8	1,860
	1017	Castalia Sangubashi	4-52-12 Yoyogi, Shibuya Ward, Tokyo	1,898.47	26	1,393	0.6	1,380
	1018	Castalia Suitengu	2-8-13 Nihonbashi Kakigaracho, Chuo Ward, Tokyo	1,940.94	62	1,279	0.5	1,290
	1019	Castalia Suitengu II	1-38-16 Nihonbashi Kakigaracho, Chuo Ward, Tokyo	1,858.34	55	1,138	0.5	1,140
	1020	Castalia Shintomicho	3-10-10 Irifune, Chuo Ward, Tokyo	1,444.52	40	932	0.4	939
	1021	Castalia Shintomicho II	2-6-4 Irifune, Chuo Ward, Tokyo	1,244.54	33	825	0.4	807
	1022	Castalia Harajuku	3-55-3 Sendagaya, Shibuya Ward, Tokyo	1,225.26	21	887	0.4	828
	1023	Castalia Yoyogi Uehara	1-17-16 Uehara, Shibuya Ward, Tokyo	811.95	25	608	0.3	634
	1024	Castalia Sendagaya	2-9-10 Sendagaya, Shibuya Ward, Tokyo	803.03	21	555	0.2	552
	1025	Castalia Shinjuku 7 chome	7-17-16 Shinjuku, Shinjuku Ward, Tokyo	957.60	23	464	0.2	470
	1027	Castalia Ningyocho	7-15 Nihonbashi Tomizawacho, Chuo Ward, Tokyo	1,747.90	32	947	0.4	1,030
	1028	Castalia Ningyocho II	8-12 Nihonbashi Tomizawacho, Chuo Ward, Tokyo	1,826.80	38	1,070	0.5	1,160
	1029	Castalia Shin-Ochanomizu	2-3-3 Kanda Awajicho, Chiyoda Ward, Tokyo (*5)	1,308.38	32	914	0.4	932
	1030	Castalia Higashi Nihonbashi II	12-11 Nihonbashi Tomizawacho, Chuo Ward, Tokyo	2,117.46	63	1,370	0.6	1,460
	1031	Castalia Jinbocho	2-40-8 Kanda Jimbocho, Chiyoda Ward, Tokyo	1,628.80	60	1,160	0.5	1,240
	1032	Castalia Shintomicho III	2-8-8 Irifune, Chuo Ward, Tokyo	972.51	41	675	0.3	660
	1033	Castalia Shinjuku Gyoen	2-14-4 Shinjuku, Shinjuku Ward, Tokyo	3,594.16	108	2,720	1.2	2,760
	1034	Castalia Takanawadai	3-4-12 Takanawa, Minato Ward, Tokyo	1,147.44	32	860	0.4	904

Portfolio Data (as of April 11, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area1	1035	Castalia Higashi NihonbashiⅢ	3-5-6 Higashi Nihonbashi, Chuo Ward, Tokyo	1,105.20	48	666	0.3	685
	1036	Castalia Shinjuku Gyoen Ⅱ	1-29-15 Shinjuku, Shinjuku Ward, Tokyo	668.79	27	486	0.2	478
	1037	Castalia ShintomichoⅣ	3-10-8 Irifune, Chuo Ward, Tokyo	681.00	20	400	0.2	397
	1038	Castalia Takanawadai Ⅱ	3-5-6 Takanawa, Minato Ward, Tokyo	1,567.84	40	1,190	0.5	1,210
	1039	Castalia Minami Azabu	2-2-27 Minami Azabu, Minato Ward, Tokyo	882.67	24	642	0.3	598
	1040	Castalia GinzaⅢ	8-18-2 Ginza, Chuo Ward, Tokyo	3,494.42	96	2,880	1.2	2,720
	1041	Castalia Kayabacho	2-1 Nihonbashi Koamicho, Chuo Ward, Tokyo	4,602.95	88	2,707	1.2	2,730
	1042	Castalia Takanawa	2-17-12 Takanawa, Minato Ward, Tokyo	10,408.26	169	7,430	3.2	7,180
	1043	Castalia Higashi Nihonbashi	9-14 Nihonbashi Yokoyamacho, Chuo Ward, Tokyo	6,442.28	103	3,520	1.5	3,530
	1045	Castalia Shinjuku	2-6-11 Shinjuku, Shinjuku Ward, Tokyo	3,150.80	122	2,950	1.3	3,010
	1046	Castalia Ichigaya	14-4 Ichigaya Yakuojimachi, Shinjuku Ward, Tokyo (*5)	1,546.34	50	940	0.4	1,240
	1047	Shibaura Island Bloom Tower	4-20-2, 3, 4, Shibaura, Minato Ward, Tokyo	16,849.50	213	7,580	3.2	7,940
	1048	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	3,077.05	81	2,030	0.9	2,200
	1049	Castalia Hatsudai Ⅱ	1-33-7, Honmachi, Shibuya Ward, Tokyo	2,339.42	56	1,900	0.8	2,080
	1050	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	1,659.71	36	1,420	0.6	1,550
Area2	2001	Castalia Meguro Kamurozaka	4-31-23 Nishi Gotanda, Shinagawa Ward, Tokyo	4,967.97	125	4,500	1.9	3,850
	2002	Castalia Toritsudaigaku	1-4-1 Midorigaoka, Meguro Ward, Tokyo	863.70	30	648	0.3	524
	2004	Castalia Yukigaya	2-13-3 Higashi Yukigaya, Ota Ward, Tokyo	1,542.30	52	1,110	0.5	1,080
	2005	Castalia Yutenji	2-14-21 Yutenji, Meguro Ward, Tokyo	1,380.35	29	1,450	0.6	1,190
	2006	Castalia Otsuka	3-17-4 Minami Otsuka, Toshima Ward, Tokyo	1,871.70	70	1,480	0.6	1,410
	2007	Castalia Kikukawa	2-1-12 Kikukawa, Sumida Ward, Tokyo	1,168.18	43	817	0.3	766
	2008	Castalia Meguro	2-1-13 Meguro, Meguro Ward, Tokyo	1,414.73	26	844	0.4	865
	2009	Castalia Otsuka Ⅱ	2-32-20 Higashi Ikebukuro, Toshima Ward, Tokyo	1,784.50	54	1,040	0.4	1,020
	2010	Castalia Jiyugaoka	1-20-1 Jiyugaoka, Meguro Ward, Tokyo	1,472.47	40	1,200	0.5	1,240
	2011	Castalia Mejiro	2-8-16 Takada, Toshima Ward, Tokyo	1,658.90	29	988	0.4	947
	2012	Castalia Ikebukuro	3-1-12 Nishi Ikebukuro, Toshima Ward, Tokyo	3,644.35	87	2,570	1.1	2,420
	2013	Castalia Kaname-cho	5-26-10 Nishi Ikebukuro, Toshima Ward, Tokyo	1,624.06	73	1,140	0.5	1,110
	2014	Castalia Tower Shinagawa Seaside	4-10-18 Higashi Shinagawa, Shinagawa Ward, Tokyo	12,732.35	208	7,380	3.1	7,590
	2015	Castalia Yakumo	2-20-5 Yakumo, Meguro Ward, Tokyo	1,276.91	18	857	0.4	721
	2016	Castalia Togoshiekimae	1-7-16 Hiratsuka, Shinagawa Ward, Tokyo	2,014.12	64	1,560	0.7	1,720

Portfolio Data (as of April 11, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area2	2018	Castalia Honjo Azumabashi	3-7-11 Honjo, Sumida Ward, Tokyo	2,255.88	35	996	0.4	1,010
	2019	Castalia Kitazawa	1-15-5 Kitazawa, Setagaya Ward, Tokyo	1,220.16	15	742	0.3	744
	2020	Castalia Monzennakacho	1-17-12 Fukuzumi, Koto Ward, Tokyo	887.94	31	503	0.2	476
	2023	Castalia Kamiikedai	1-4-15 Kamiikedai, Ota Ward, Tokyo	414.45	12	198	0.1	202
	2024	Castalia Morishita	1-16-12 Morishita, Koto Ward, Tokyo	1,383.90	38	832	0.4	875
	2025	Castalia Wakabayashi koen	4-39-4 Wakabayashi, Setagaya Ward, Tokyo	1,425.43	23	776	0.3	747
	2026	Castalia Asakusabashi	2-16-21 Yanagibashi, Taito Ward, Tokyo	1,537.84	32	792	0.3	804
	2027	Castalia Iriya	3-1-28 Shitaya, Taito Ward, Tokyo	1,415.15	22	546	0.2	576
	2028	Castalia Kita Ueno	1-15-5 Kita Ueno, Taito Ward, Tokyo	4,197.66	102	2,641	1.1	2,460
	2029	Castalia Morishita II	2-12-11 Shin Ohashi, Koto Ward, Tokyo	1,275.60	40	686	0.3	761
	2030	Castalia Minowa	5-24-4 Negishi, Taito Ward, Tokyo	2,406.41	78	1,430	0.6	1,440
	2031	Castalia Oyamadai	7-14-13 Todoroki, Setagaya Ward, Tokyo	857.32	28	533	0.2	544
	2032	Castalia Nakano	2-12-13 Arai, Nakano Ward, Tokyo	1,613.86	42	1,060	0.5	1,120
	2033	Castalia Yoga	1-3-12 Tamagawadai, Setagaya Ward, Tokyo	1,472.38	45	923	0.4	1,040
	2034	Castalia Sumiyoshi	2-8-11 Sumiyoshi, Koto Ward, Tokyo	1,362.60	60	948	0.4	912
	2035	Castalia Monzennakacho II	2-2-9 Tomioka, Koto Ward, Tokyo	3,038.98	94	2,160	0.9	2,360
	2036	Castalia Oshiage	3-5-2 Mukojima, Sumida Ward, Tokyo	1,785.24	60	1,100	0.5	1,080
	2037	Castalia Kuramae	3-9-4 Kuramae, Taito Ward, Tokyo	1,994.93	67	1,260	0.5	1,350
	2038	Castalia Nakanobu	4-7-11 Nakanobu, Shinagawa Ward, Tokyo	2,421.82	83	1,790	0.8	2,380
	2039	Royal Parks Toyosu	3-5-21 Toyosu, Koto Ward, Tokyo	18,112.03	276	7,360	3.1	8,090
	2040	Castalia Togoshi	5-2-1 Togoshi, Shinagawa Ward, Tokyo	2,629.59	120	1,770	0.8	2,310
	2041	Castalia Ooimachi	4-2-11 Ooi, Shinagawa Ward, Tokyo	1,413.75	65	1,181	0.5	1,330
	2042	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	2,046.36	60	1,500	0.6	1,690
	2043	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Toyko	2,640.86	54	1,900	0.8	2,140
	2044	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	3,797.92	70	1,660	0.7	1,970
	2045	Castalia Omori II	1-8-13, Omori kita, Omori Ward, Tokyo	2,818.70	112	2,370	1.0	2,580
	2046	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	3,166.71	101	3,800	1.6	4,010
	2047	Castalia Meguro Chojyamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	2,123.77	61	2,030	0.9	2,200
	2048	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	1,961.52	55	1,750	0.7	1,830
	2049	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	2,004.80	74	1,520	0.6	1,690

Portfolio Data (as of April 11, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area3	3001	Cosmo Heim Musashikosugi	2-8 Kizuki Isecho, Nakahara Ward, Kawasaki City, Kanagawa	4,208.83	59	1,674	0.7	1,720
	3002	Castalia Tsurumi	3-5-10 Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	1,452.09	32	666	0.3	665
	3003	Castalia Funabashi	4-4-8 Honcho, Funabashi City, Chiba	1,552.01	87	704	0.3	739
	3006	Castalia Nishi Funabashi	4-19-16 Nishifuna, Funabashi City, Chiba	1,597.32	81	783	0.3	810
	3007	Castalia Maihama	5-14-17 Fujimi, Urayasu City, Chiba	1,287.72	61	670	0.3	606
	3008	Castalia Ichikawamyoden	2-14-20 Shioyaki, Ichikawa City, Chiba	1,218.00	58	671	0.3	682
	3010	Castalia Urayasu	3-30-4 Arai, Ichikawa City, Chiba	1,074.53	51	592	0.3	590
	3011	Castalia Minamigyotoku	4-1-26 Minami Gyotoku, Ichikawa City, Chiba	1,031.81	49	543	0.2	498
	3012	Castalia Minamigyotoku II	4-1-5 Minami Gyotoku, Ichikawa City, Chiba	724.63	35	385	0.2	342
	3013	Castalia Nogeyama	1-8 Hinodecho, Naka Ward, Yokohama City, Kanagawa (*5)	744.90	30	325	0.1	309
	3017	Castalia Ichikawa	1-24-3 Ichikawa, Ichikawa City, Chiba	876.89	40	461	0.2	505
	3018	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	18,153.57	279	5,300	2.3	5,730
	3019	Castalia Musashikosugi	20-1, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa (*5)	2,179.80	85	1,680	0.7	1,790
Area4	3020	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi city, Tokyo (*5)	21,367.93	192	4,360	1.9	(*6) 4,550
	4001	Castalia Shinsakae	1-11-29 Shin Sakae, Naka Ward, Nagoya City, Aichi	3,548.48	131	1,920	0.8	1,460
	4008	Aprile Tarumi	7-3-1 Takamaru, Tarumi Ward, Kobe City, Hyogo	6,545.25	99	1,340	0.6	1,390
	4009	Crest Kusatsu	5-3-27 Kasayama, Kusatsu City, Shiga	13,452.80	540	3,004	1.3	2,810
	4010	Castalia Sakaisuji Honmachi	1-3-7 Kyutaromachi, Chuo Ward, Osaka City, Osaka	3,471.39	117	1,490	0.6	1,580
	4011	Castalia Shin-Umeda	6-8-21 Nakatsu, Kita Ward, Osaka City, Osaka	3,279.90	108	1,376	0.6	1,480
	4012	Castalia Abeno	2-4-37 Abenosuji, Abeno Ward, Osaka City, Osaka	10,920.75	154	4,368	1.9	4,280
	4014	Castalia Sakae	4-16-10 Sakae, Naka Ward, Nagoya City, Aichi	2,836.00	73	1,010	0.4	1,070
	4015	Castalia Nipponbashi Kouzu	2-4-6 Kouzu, Chuo Ward, Osaka City, Osaka	9,334.47	262	3,570	1.5	3,550
	4016	Castalia Maruyama Urasando	21-1-47 Minami 2 Jo Nishi, Chuo Ward, Sapporo City, Hokkaido	1,522.89	36	411	0.2	479
	4017	Castalia Maruyama Omotesando	21-2-1 Kita 1 Jo Nishi, Chuo Ward, Sapporo City, Hokkaido	6,100.31	146	1,740	0.7	1,890
	4018	Castalia Higashi Hie	5-31 Hiemachi, Hakata Ward, Fukuoka City, Fukuoka	3,061.60	115	960	0.4	965
	4019	Castalia Tower Nagahoribashi	1-15-25 Shimanouchi, Chuo Ward, Osaka City, Osaka	8,747.40	133	3,400	1.5	3,810
	4020	Castalia Sannomiya	3-2-31 Isobedori, Chuo Ward, Kobe City, Hyogo	3,071.60	112	1,230	0.5	1,360

Portfolio Data (as of April 11, 2014)

Area *1	No.	Property Name	Address (Residence indication)	Leasable Area (m ²)	Leasable Units (units)	Acquisition Price (mn yen) *2	Acquisition Price Ratio (%) *3	Appraisal Values (mn yen) *4
Area4	4021	Castalia Kotodaikoen	3-10-24 Kokubuncho, Aoba Ward, Sendai City, Miyagi	1,684.10	50	481	0.2	517
	4022	Castalia Ichibancho	1-6-27, 30 Ichibancho, Aoba Ward, Sendai City, Miyagi	2,800.32	68	783	0.3	840
	4023	Castalia Omachi	2-5-8 Omachi, Aoba Ward, Sendai City, Miyagi	2,149.08	72	656	0.3	680
	4024	Castalia Uemachidai	4-1-12 Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	5,415.39	69	2,190	0.9	2,360
	4025	Castalia Tower Higobashi	1-2-24 Tosabori, Nishi Ward, Osaka City, Osaka	6,230.20	194	2,670	1.1	3,090
	4026	Big Tower Minami Sanjo	2-15-1 Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido (*5)	8,661.19	179	1,740	0.7	2,270
	4027	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	7,022.69	123	2,260	1.0	2,730
	4028	Castalia Meieki Minami	1-12-22, Meiekinami, Nakamura Ward, Nagoya City, Aichi	1,822.10	70	720	0.3	836
	4029	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	2,784.83	118	930	0.4	1,060
	4030	Castalia Mibu	79, Mibu, Aiai-chou, Nakagyo Ward, Kyoto City, Kyoto (*5)	2,828.39	78	1,193	0.5	1,290
	4031	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	4,471.11	84	1,208	0.5	1,430
	4032	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka city, Fukuoka	11,089.75	215	2,910	1.2	3,630
	4033	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka city, Osaka	10,354.15	162	2,830	1.2	2,950
	4034	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	5,086.69	128	1,730	0.7	1,940
Total of Residential Properties (132 properties)				440,267.02	10,361	233,411	99.6	237,711
Area3	6001	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba city, Chiba (*5)	4,177.52	1	930	0.4	999
Total of Residential Properties (properties for the elderly) (1 property)				4,177.52	1	930	0.4	999
Total Owned Assets (133 properties)				444,444.54	10,362	234,341	100.0	238,710

- *1) "Area 1" indicated in the Area column means Chiyoda Ward, Chuo Ward, Minato Ward, Shibuya Ward and Shinjuku Ward of Tokyo. "Area 2" means the wards of Tokyo excluding Area 1. "Area 3" means the Tokyo Metropolitan area (Tokyo excluding Area 1 and Area 2, Kanagawa Prefecture, Saitama Prefecture and Chiba Prefecture). "Area 4" means other cities (areas with populations more than approx. 100,000).
- *2) "Acquisition price" does not include expenses related to acquisition, settlement of taxes and public charges and consumption taxes. For properties formerly owned by NCR, the table shows the agreed book value at the time of the merger (appraisal value as of February 28, 2010); amounts rounded down to ¥ million units.
- *3) "Acquisition Price Ratio" column indicates the ratio of each acquisition price against the total acquisition price. The figures are rounded to the first decimal place.
- *4) "Appraisal Values" column indicates real estate appraisal values as of February 28, 2014. Amounts rounded down to ¥ million units.
- *5) Residence indication is NCW. Address on registry.
- *6) The appraisal values as of acquisition.
- *7) "Leasable area" is the floor area of the real estate or the real estate in trust that are leasable based on information as of February 28, 2014.

Summary of Financial Results

	10th Fiscal Period (ended Feb. 2011)	11th Fiscal Period (ended Aug. 2011)	12th Fiscal Period (ended Feb. 2012)	13th Fiscal Period (ended Aug. 2012)	14th Fiscal Period (ended Feb. 2013)	15th Fiscal Period (ended Aug. 2013)	16th Fiscal Period (ended Feb. 2014)	Variation Between 15th Fiscal Period
Operating days	181 days	184 days	182 days	184 days	181 days	184 days	181 days	(3 days)
Operating Revenue	7,793 mn yen	6,728 mn yen	7,421 mn yen	7,746 mn yen	7,612 mn yen	7,971 mn yen	8,316 mn yen	+344 mn yen
[gains from property disposition]	1,062 mn yen	0 mn yen	—	112 mn yen	—	3 mn yen	—	(3 mn yen)
Operating Income	3,796 mn yen	2,478 mn yen	3,434 mn yen	3,691 mn yen	3,398 mn yen	3,661 mn yen	3,559 mn yen	(101 mn yen)
[losses from property disposition]	305 mn yen	501 mn yen	63 mn yen	—	192 mn yen	—	385 mn yen	+385 mn yen
Ordinary Income	2,761 mn yen	1,437 mn yen	2,357 mn yen	2,724 mn yen	2,529 mn yen	2,780 mn yen	2,704 mn yen	(75 mn yen)
Net Income	3,245 mn yen	1,401 mn yen	2,234 mn yen	2,616 mn yen	2,528 mn yen	2,779 mn yen	2,703 mn yen	(75 mn yen)
Distribution Per Unit	16,880 yen	16,320 yen	16,000 yen	16,264 yen	16,947 yen	8,300 yen	8,688 yen	+388 yen
Payout Ratio	61.8%	138.2%	109.1%	99.8%	107.6%	104.1%	117.8%	+13.7%
Outstanding Units Issued at End of Fiscal Period	118,735 units	118,735 units	160,535 units	160,535 units	160,535 units	351,870 units	373,870 units	+22,000 units
Real Estate Lease Business Revenue	6,731 mn yen	6,728 mn yen	7,421 mn yen	7,633 mn yen	7,612 mn yen	7,968 mn yen	8,316 mn yen	+348 mn yen
Real Estate Expenses Related To Rent Business	2,982 mn yen	3,053 mn yen	3,167 mn yen	3,270 mn yen	3,265 mn yen	3,520 mn yen	3,545 mn yen	+24 mn yen
Real Estate Lease Business Income	3,748 mn yen	3,674 mn yen	4,254 mn yen	4,362 mn yen	4,347 mn yen	4,447 mn yen	4,771 mn yen	+323 mn yen
Rent NOI	4,895 mn yen	4,850 mn yen	5,618 mn yen	5,774 mn yen	5,770 mn yen	5,971 mn yen	6,361 mn yen	+389 mn yen
NOI Yield * 1	5.13%	5.05%	5.48%	5.42%	5.49%	5.42%	5.59%	+0.17%

<Portfolio at End of Fiscal Period>

Number of Owned Properties	121	121	125	123	123	127	132	+5
Total Acquisition Price	192,176 mn yen	192,192 mn yen	210,282 mn yen	211,035 mn yen	212,692 mn yen	221,091 mn yen	229,981 mn yen	+8,890 mn yen
Leasable Units	8,314 units	8,402 units	9,164 units	9,181 units	9,305 units	9,814 units	10,170 units	+356 units
	[Store: 67 units]	[Store: 69 units]	[Store: 74 units]	[Store: 78 units]	[Store: 82 units]	[Store: 90 units]	[Store: 79 units]	[Store: (11 units)]
Properties Acquired (Disposed) in The Fiscal Period *2	4/	3/	6/	2/	2/	4/	6/	+2/
	13,130 mn yen	3,401 mn yen	18,933 mn yen	4,030 mn yen	5,009 mn yen	8,400 mn yen	10,300 mn yen	+1,900 mn yen
Properties Disposed in the Fiscal Period *2	10/	3/	2/	4/	2/	0/	1/	+1/
	14,572 mn yen	2,900 mn yen	766 mn yen	3,324 mn yen	3,063 mn yen	49 mn yen	990 mn yen	+941 mn yen
Average Occupancy Rate in the Fiscal Period	95.1%	95.7%	96.4%	96.1%	96.7%	96.5%	96.5%	—
Occupancy Rate at End of Fiscal Period	96.0%	96.2%	97.2%	96.1%	97.6%	96.7%	96.8%	+0.1%

*1) $\text{NOI yield} = \frac{\text{Rent NOI (lease business revenue + other lease business revenue - real estate expenses related to rent business + depreciation and amortization)} \times 365 \text{ days}}{\text{Total of (acquisition cost} \times \text{number of days owned during fiscal period / number of days in fiscal period) for each owed property}}$

*2) Figures indicate the number of properties and total acquisition price or disposition price. Expenses related to acquisition or disposition, settlement of taxes and public charges and consumption taxes are excluded.

Selected Financial Data

	10th Fiscal Period (ended Feb. 2011)	11th Fiscal Period (ended Aug. 2011)	12th Fiscal Period (ended Feb. 2012)	13th Fiscal Period (ended Aug. 2012)	14th Fiscal Period (ended Feb. 2013)	15th Fiscal Period (ended Aug. 2013)	16th Fiscal Period (ended Feb. 2014)	Variation Between 15th Fiscal Period
Operating days	181 days	184 days	182 days	184 days	181 days	184 days	181 days	(3 days)
Total Assets	202,092 mn yen	200,699 mn yen	221,703 mn yen	218,295 mn yen	221,779 mn yen	229,781 mn yen	237,934 mn yen	+8,152 mn yen
Net Assets	74,586 mn yen	73,984 mn yen	91,880 mn yen	91,928 mn yen	91,846 mn yen	103,406 mn yen	111,789 mn yen	+8,382 mn yen
Unitholders' Capital	24,002 mn yen	24,002 mn yen	41,602 mn yen	41,602 mn yen	41,602 mn yen	53,104 mn yen	61,703 mn yen	+8,599 mn yen
Total Outstanding Units Issued	118,735 units	118,735 units	160,535 units	160,535 units	160,535 units	351,870 units	373,870 units	+22,000 units
Net Assets Per Unit	628,176 yen	623,103 yen	572,339 yen	572,640 yen	572,127 yen	293,878 yen	299,006 yen	+5,128 yen
Distribution Per Unit	16,880 yen	16,320 yen	16,000 yen	16,264 yen	16,947 yen	8,300 yen	8,688 yen	+388 yen
Payout Ratio	61.8%	138.2%	109.1%	99.8%	107.6%	104.1%	117.8%	+13.7%
Return on Assets (ROA) *1	2.8%	1.4%	2.2%	2.5%	2.3%	2.4%	2.3%	(0.1%)
Return on Equity (ROE) *2	8.9%	3.7%	5.4%	5.6%	5.5%	5.6%	5.1%	(0.5%)
Equity ratio *3	36.9%	36.9%	41.4%	42.1%	41.4%	45.0%	47.0%	+2.0%
Number of Properties	121	121	125	123	123	127	132	+5
Leasable Units	8,314 units [Store: 67 units]	8,402 units [Store: 69 units]	9,164 units [Store: 74 units]	9,181 units [Store: 78 units]	9,305 units [Store: 82 units]	9,814 units [Store: 90 units]	10,170 units [Store: 79 units]	+356 units [Store: (11 units)]
Leasable Area *4	341,034.63㎡ [Store: 13,898.46㎡]	340,892.79㎡ [Store: 13,851.34㎡]	383,773.51㎡ [Store: 15,114.21㎡]	381,992.54㎡ [Store: 15,581.95㎡]	383,991.17㎡ [Store: 13,360.86㎡]	414,829.86㎡ [Store: 14,240.48㎡]	423,076.61㎡ [Store: 10,218.21㎡]	+8,246.75㎡ [Store: (4,022.27㎡)]
Average Occupancy Rate in the Fiscal Period	95.1%	95.7%	96.4%	96.1%	96.7%	96.5%	96.5%	—
Occupancy Rate at End of Fiscal Period	96.0%	96.2%	97.2%	96.1%	97.6%	96.7%	96.8%	+0.1%
Current Depreciation and Amortization	1,146 mn yen	1,176 mn yen	1,363 mn yen	1,411 mn yen	1,422 mn yen	1,523 mn yen	1,589 mn yen	+66 mn yen
Rent NOI *5	4,895 mn yen	4,850 mn yen	5,618 mn yen	5,774 mn yen	5,770 mn yen	5,971 mn yen	6,361 mn yen	+389 mn yen
FFO Per Unit *6	26,541 yen	26,228 yen	23,570 yen	25,075 yen	25,828 yen	12,229 yen	12,523 yen	+294 yen
Debt Service Coverage Ratio *7	6.0x	3.9x	5.4x	6.1x	6.5x	7.4x	7.4x	—
Total Interest-bearing Liabilities	123,325 mn yen	122,653 mn yen	125,325 mn yen	121,834 mn yen	125,540 mn yen	121,740 mn yen	121,666 mn yen	(73 mn yen)
LTV (interest-bearing liabilities/total assets)	61.0%	61.1%	56.5%	55.8%	56.6%	53.0%	51.1%	(1.9%)

*1) Return on assets (ROA) = Ordinary income/((total assets at beginning of fiscal period + total assets at end of fiscal period)/2) x 100, annualized based on management period

*2) Return on equity (ROE) = Net income/((net assets at beginning of fiscal period + net assets at end of fiscal period)/2) x 100, annualized based on management period *3) Equity ratio = Net assets at end of fiscal period/total assets at end of fiscal period

*4) The leasable area of 8001 INAGEYA Yokohama Nishigaoka, which was acquired in the fourth fiscal period and is continually owned at the end of the tenth fiscal period is larger than the total floor area of 2,221.32㎡ under the Real Estate Registration Law, as the lease agreement was concluded to include the space below the floors and other areas that were not calculated in the total floor area.

*5) Rent NOI = Lease business revenue + other lease business revenue – real estate expenses related to rent business + depreciation and amortization

*6) FFO per unit = (Net income + depreciation and amortization + other amortization expenses – gains from property disposition)/ total outstanding units issued

*7) Debt service coverage ratio = Net income before interest amortization/interest expenses. The debt service coverage ratio excluding gain on negative goodwill as part of the merger in the ninth fiscal period is 4.4 times.

Balance Sheet

Assets

(unit: thousand yen)

Fifteenth Fiscal Period (as of August 31, 2013)		Sixteenth Fiscal Period (as of February 28, 2014)		Variation
Category	Share (%)		Share (%)	
Assets				
Current assets				
Cash and deposits	7,469,590		7,971,475	501,885
Cash and deposits in trust	3,666,188		3,661,299	(4,889)
Operating accounts receivable	41,700		43,188	1,488
Prepaid expenses	285,617		303,846	18,229
Deferred tax assets	27,820		0	(27,820)
Other	194		389	195
Allowance for doubtful accounts	(4,735)		(3,412)	1,323
Total current assets	11,486,376	5.0	11,976,788	490,412
Noncurrent assets				
Property, plant and equipment				
Buildings	28,026,484		28,061,989	35,504
Accumulated depreciation	(1,882,881)		(2,167,160)	(284,279)
Buildings, net	26,143,602		25,894,828	(248,774)
Structures	239,378		244,517	5,139
Accumulated depreciation	(16,868)		(19,513)	(2,645)
Structures, net	222,510		225,004	2,493
Machinery and equipment	432,205		432,205	0
Accumulated depreciation	(52,023)		(59,908)	(7,884)
Machinery and equipment, net	380,182		372,297	(7,884)
Tools, furniture and fixtures	651,242		653,208	1,966
Accumulated depreciation	(160,820)		(182,640)	(21,820)
Tools, furniture and fixtures, net	490,422		470,568	(19,854)
Land	21,150,419		21,150,419	0
Buildings in trust	94,869,545		97,806,111	2,936,566
Accumulated depreciation	(7,868,023)		(8,994,003)	(1,125,980)
Buildings in trust, net	87,001,521		88,812,107	1,810,585
Structures in trust	732,015		759,216	27,200
Accumulated depreciation	(66,484)		(80,733)	(14,248)
Structures in trust, net	665,530		678,482	12,951
Machinery and equipment in trust	1,511,116		1,549,192	38,076
Accumulated depreciation	(343,675)		(397,853)	(54,177)
Machinery and equipment in trust, net	1,167,440		1,151,339	(16,101)
Tools, furniture and fixtures in trust	308,265		338,277	30,011
Accumulated depreciation	(109,162)		(125,565)	(16,403)
Tools, furniture and fixtures in trust, net	199,103		212,711	13,607
Land in trust	76,137,759		82,363,377	6,225,617
Total property, plant and equipment	213,558,493	92.9	221,331,135	7,772,642

■ Assets

(unit: thousand yen)

Category	Fifteenth Fiscal Period (as of August 31, 2013)		Sixteenth Fiscal Period (as of February 28, 2014)		Variation
	Share (%)		Share (%)		
Assets					
Intangible assets					
Leasehold rights in trust	2,544,964		2,536,272		(8,691)
Right of trademark	5,702		5,155		(546)
Total intangible assets	2,550,666	1.1	2,541,428	1.1	(9,238)
Investments and other assets					
Long-term prepaid expenses	747,162		648,203		(98,958)
Guarantee deposits	10,030		10,195		165
Lease deposits in trust	1,412,200		1,412,200		0
Total investments and other assets	2,169,392	1.0	2,070,599	0.9	(98,793)
Total noncurrent assets	218,278,552	95.0	225,943,163	95.0	7,664,611
Deferred assets					
Bonds issuance costs	16,476		14,122		(2,353)
Total Deferred assets	16,476	0.0	14,122	0.0	(2,353)
Total assets	229,781,405	100.0	237,934,074	100.0	8,152,669

Liabilities and Net Assets

(unit: thousand yen)

Category	Fifteenth Fiscal Period (as of August 31, 2013) Share (%)	Sixteenth Fiscal Period (as of February 28, 2014) Share(%)	Variation
Liabilities			
Current liabilities			
Operating accounts payable	434,908	311,178	(123,730)
Short-term loans	0	0	0
Current portion of long-term loans payable	0	0	0
Accounts payable-other	140,438	100,159	(40,279)
Accrued expenses	460,668	462,544	1,876
Income taxes payable	605	605	0
Consumption tax payable	0	18,631	18,631
Advances received	830,330	844,848	14,517
Deposits received	193,707	218,821	25,113
Current portion of rehabilitation debt	3,573,845	14,861,887	11,288,042
Total current liabilities	5,634,505 2.5	16,818,677 7.1	11,184,172
Non current liabilities			
Investment Corporation Bonds	3,000,000	3,000,000	0
Long-term loans payable	100,305,000	103,805,000	3,500,000
Tenant leasehold and security deposits	317,811	318,326	515
Tenant leasehold and security deposits in trust	1,858,475	1,801,227	(57,247)
Asset retirement obligations	396,754	401,258	4,503
Rehabilitation debt	14,861,887	0	(14,861,887)
Total noncurrent liabilities	120,739,929 52.5	109,325,812 45.9	(11,414,116)
Total liabilities	126,374,434 55.0	126,144,489 53.0	(229,944)
Net assets			
Unitholders' equity			
Unitholders' capital	53,104,018	61,703,224	8,599,206
Surplus			
Capital surplus	28,241,587	28,241,587	0
Reserve for distribution	19,281,910	19,140,843	(141,066)
Unappropriated retained earnings (undisposed loss)	2,779,454	2,703,929	(75,525)
Total surplus	50,302,952	50,086,360	(216,591)
Total unitholders' equity	103,406,970 45.0	111,789,584 47.0	8,382,614
Total net assets	103,406,970 45.0	111,789,584 47.0	8,382,614
Total liabilities and net assets	229,781,405 100.0	237,934,074 100.0	8,152,669

Notes and Remarks for Sixteenth Fiscal Period

(unit: million yen)

1. Cash and deposits	
Investment corporation title	7,971
Trust bank title	3,661
(of which, equivalent to deposit)	2,119
Balance	9,513
2. Interest-bearing liabilities	121,666
3. Allowance for doubtful accounts	3
4. Change in Unitholders' capital	
Total Unitholders' capital	53,104
June 2005: Established with private offering	300
December 2005: Increase capital through third party allotment	1,430
March 2006: Increase capital through public offering	18,238
March 2007: Increase capital through third party allotment	4,034
October 2011: Increase capital through public offering	15,999
November 2011: Increase capital through third party allotment	1,599
March 2013: Increase capital through public offering	10,455
April 2013: Increase capital through third party allotment	1,045
October 2013: Increase capital through public offering	7,817
November 2013: Increase capital through third party allotment	781

Unitholders' Capital and Total Outstanding Units Issued

Date	Unitholders' Capital (yen)	Total Unitholders' Capital (yen)	Total Units Issued (unit)	Total Outstanding Units Issued (unit)
June 7, 2005 *1	300,000,000	300,000,000	600	600
Dec. 19, 2005	1,430,000,000	1,730,000,000	2,860	3,460
March 20, 2006	18,238,500,000	19,968,500,000	37,800	41,260
March 2, 2007	4,034,088,000	24,002,588,000	8,000	49,260
April 1, 2010 *2	-	24,002,588,000	69,475	118,735
October 4, 2011	15,999,862,000	40,002,450,000	38,000	156,735
Nov. 2, 2011	1,599,986,200	41,602,436,200	3,800	160,535
March 1, 2013 *3	Split of investment units			321,070
March 18, 2013	10,455,984,000	52,058,420,200	28,000	349,070
April 17, 2013	1,045,598,400	53,104,018,600	2,800	351,870
October 28, 2013	7,817,460,000	60,921,478,600	20,000	371,870
Nov. 19, 2013	781,746,000	61,703,224,600	2,000	373,870

*1) Daiwa House Residential Investment Corporation was established on June 7, 2005.

*2) Following the merger with NCR, for each unit of NCR, 0.23 units of DHI was allotted and issued.

*3) DHI implemented a 2-for-1 split of investment units with an effective date of March 1, 2013.

Income Statement

(unit: thousand yen)

Category	Fifteenth Fiscal Period (Mar. 1, 2013 – Aug. 31, 2013)	Sixteenth Fiscal Period (Sep. 1, 2013 – Feb. 28, 2014)	Variation
Operating revenue			
Lease business revenue	7,431,254	7,782,089	350,835
Other lease business revenue	537,040	534,425	(2,614)
Gain from disposition of properties	3,236	0	(3,236)
Total operating revenue	7,971,531	8,316,515	344,984
Operating expenses			
Expenses related to rent business	3,520,378	3,545,022	24,643
Loss from disposition of properties	0	385,417	385,417
Asset management fee	510,191	532,323	22,132
Asset custody fee	20,267	20,909	641
Administrative service fees	64,010	66,207	2,197
Directors' compensations	6,600	6,600	0
Provision of allowance for doubtful accounts	1,084	0	(1,084)
Other operating expenses	187,316	200,177	12,860
Total operating expenses	4,309,849	4,756,658	446,808
Operating income	3,661,681	3,559,857	(101,824)
Non-operating income			
Interest income	895	776	(119)
Reversal of allowance for doubtful accounts	0	727	727
Other	4,966	5,579	613
Total non-operating income	5,862	7,083	1,221
Non-operating expenses			
Interest expenses	655,445	650,966	(4,478)
Interest expenses on bonds	17,076	16,523	(552)
Retirement of bonds issuance cost	2,353	2,353	0
Borrowing related expenses	160,980	155,320	(5,659)
Unit issuance expenses	50,064	35,675	(14,389)
Other	1,564	1,566	2
Total non-operating expenses	887,484	862,407	(25,077)
Ordinary income	2,780,059	2,704,534	(75,525)
Extraordinary income			
Other	0	0	0
Total extraordinary income	0	0	0
Extraordinary loss			
Impairment losses	0	0	0
Loss on disaster	-	-	-
Total extraordinary losses	0	0	0
Income before income taxes	2,780,059	2,704,534	(75,525)
Income taxes-current	605	605	0
Total income taxes	605	605	0
Net income	2,779,454	2,703,929	(75,525)
Retained earnings brought forward	-	-	-
Unappropriated retained earnings (undisposed loss)	2,779,454	2,703,929	(75,525)

Financial statements pertaining to distribution of funds

(unit: yen)

Category	Fifteenth Fiscal Period (Mar. 1, 2013 – Aug. 31, 2013)	Sixteenth Fiscal Period (Sep. 1, 2013 – Feb. 28, 2014)	Variation
I. Unappropriated retained earnings	2,779,454,398	2,703,929,077	(75,525,321)
II. Reversal of reserve for distribution	141,066,602	544,253,483	403,186,881
III. Distribution amount [Distribution per unit]	2,920,521,000 [8,300]	3,248,182,560 [8,688]	327,661,560
IV. Reserve of reserve for distribution	-	-	-
V. Retained earnings carried forward	-	-	-

Breakdown of Real Estate Lease Business Revenue and Expenses

(unit: thousand yen)

Category	Fifteenth Fiscal Period (Mar. 1, 2013 – Aug. 31, 2013)	Sixteenth Fiscal Period (Sep. 1, 2013 – Feb. 28, 2014)	Variation
A. Real estate lease business revenue			
Lease business revenue			
Rent income	7,194,511	7,521,874	327,362
Common service fees	236,742	260,215	23,472
Subtotal	7,431,254	7,782,089	350,835
Other lease business revenue			
Facility charges	213,626	242,657	29,030
Incidental revenue	45,505	47,279	1,773
Other lease business revenue	277,907	244,489	(33,418)
Subtotal	537,040	534,425	(2,614)
Total real estate lease business revenue	7,968,294	8,316,515	348,220
B. Real estate expenses related to rent business			
Expenses related to rent business			
Management fees	829,244	820,236	(9,008)
Utility expenses	116,605	136,165	19,560
Tax and public charges	413,566	413,777	210
Repair expenses	124,094	135,550	11,456
Insurance expenses	11,542	11,846	304
Restoration cost	235,265	192,438	(42,826)
Custodian fees	65,841	47,075	(18,766)
Depreciation and amortization	1,523,951	1,589,961	66,010
Other operating expenses	200,266	197,971	(2,295)
Total real estate expenses related to rent business	3,520,378	3,545,022	24,643
C. Real estate lease business income (A – B)	4,447,916	4,771,492	323,576

Statistical Table of DHI Unitholders

Number of Unitholders

Unitholder type		Previous Fiscal Period (15th Fiscal Period) (as of August 31, 2013)		Current Fiscal Period (16th Fiscal Period) (as of February 28, 2014)		Variation
		Number of Unitholders (persons)	Ratio (%)	Number of Unitholders (persons)	Ratio (%)	Number of Unitholders (persons)
Individuals and others		6,263	93.74	6,888	93.95	625
Financial institutions		88	1.31	97	1.32	9
	Banks and trust banks	46	0.68	48	0.65	2
	City banks	1	0.01	1	0.01	0
	Regional banks	33	0.49	36	0.49	3
	Trust banks	12	0.17	11	0.15	(1)
	Life insurance companies	7	0.10	8	0.10	1
	Non-life insurance companies	3	0.04	3	0.04	0
	Other financial	32	0.47	38	0.51	6
	Credit unions	22	0.32	26	0.35	4
	Other	10	0.14	12	0.16	2
Other domestic corporations		156	2.33	168	2.29	12
Foreign corporations and individuals		148	2.21	155	2.11	7
Securities companies		26	0.38	23	0.31	(3)
Total		6,681	100.00	7,331	100.00	650

The number of unitholders increased by 650
(including 625 individual investors) .

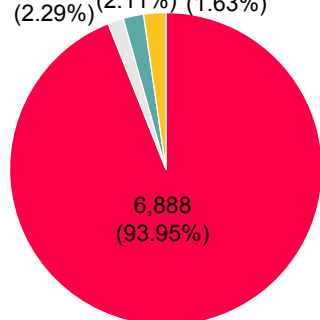
168
(2.29%)

155
(2.11%)

120
(1.63%)

Number of Unitholders

Total number of Unitholders:
7,331



- Financial institutions
(including securities companies)
- Foreign corporations and individuals
- Other domestic corporations
- Individuals and others

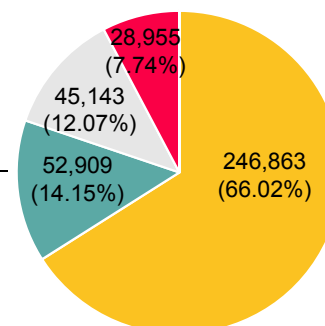
Number of Units

Unitholder type		Previous Fiscal Period (15th Fiscal Period) (as of August 31, 2013)		Current Fiscal Period (16th Fiscal Period) (as of February 28, 2014)		Variation
		Number of Units (units)	Ratio (%)	Number of Units (units)	Ratio (%)	Number of Units (units)
Individuals and others		29,714	8.44	28,955	7.74	(759)
Financial institutions		217,117	61.70	245,382	65.63	28,265
	Banks and trust banks	192,211	54.62	220,442	58.96	28,231
	City banks	475	0.13	443	0.11	(32)
	Regional banks	32,484	9.23	37,626	10.06	5,142
	Trust banks	159,252	45.25	182,373	48.77	23,121
	Life insurance companies	9,377	2.66	10,416	2.78	1,039
	Non-life insurance companies	7,825	2.22	7,286	1.94	(539)
	Other financial	7,704	2.18	7,238	1.93	(466)
	Credit unions	2,822	0.80	3,434	0.91	612
	Other	4,882	1.38	3,804	1.01	(1,078)
Other domestic corporations		44,809	12.73	45,143	12.07	334
Foreign corporations and individuals		56,812	16.14	52,909	14.15	(3,903)
Securities companies		3,418	0.97	1,481	0.39	(1,937)
Total		351,870	100.00	373,870	100.00	22,000

The number of investment units increased by 22,000
due to the third capital increase through public offering

Number of Units

Outstanding units issued:
373,870 units



- Financial institutions
(including securities companies)
- Foreign corporations and individuals
- Other domestic corporations
- Individuals and others

Unitholders (Major Unitholders)

Major Unitholders of DHI

Name	15th Fiscal Period (as of August 31, 2013)		16th Fiscal Period (as of February 28, 2014)		Variation
	Number of Units Held (units)	Percentage of Total (%)	Number of Units Held (units)	Percentage of Total (%)	
Japan Trustee Services Bank, Ltd. (trust account)	80,009	22.73	92,966	24.86	12,957
Daiwa House Industry Co., Ltd.	37,720	10.71	37,720	10.08	—
The Master Trust Bank of Japan, Ltd. (trust account)	25,388	7.21	31,434	8.40	6,046
Trust & Custody Services Bank, Ltd. (securities investment trust account)	20,017	5.68	21,731	5.81	1,714
The Nomura Trust and Banking Co., Ltd. (investment trust account)	18,286	5.19	18,321	4.90	35
NOMURA BANK (LUXEMBOURG) S.A.	13,247	3.76	10,975	2.93	(2,272)
SCBHK AC DBS VICKERS (HK) LIMITED—CLIENT A/C	6,900	1.96	6,900	1.84	—
Trust & Custody Services Bank, Ltd. (money trust tax account)	6,510	1.85	6,823	1.82	313
The Chugoku Bank, Ltd.	5,776	1.64	6,471	1.73	695
The Fuji Fire and Marine Insurance Co., Ltd.	5,326	1.51	6,265	1.67	939
Total	219,179	62.28	239,606	64.08	20,427

Questionnaire for Unitholders in 15th Fiscal Period

A questionnaire was sent to all unitholders together with the asset management report for the 15th fiscal period, and completed questionnaires were returned by 1,706 unitholders (25.5% of the total).

Gender	「Male」 73%, 「Female」 27%, 「No answer」 0.6%	Reason for investing in DHI (*)	「Distribution yield」 67%, 「Creditworthiness of sponsor」 31%, 「Recommendation by securities company」 23%, 「Growth potential」 21%, 「Low unit price」 19%, 「Comparison with other REITs」 18%
Age	「60 and over」 59%, 「50s」 18%, 「40s」 12%	Approach to investing in DHI	「Long-term holding」 67%, 「Increasing investment」 10%
Occupation	「Unemployed/retired」 35%, 「Company employee」 22%, 「Full-time homemaker」 14%, 「Self-employed」 11%	Reasons for long-term holding (*)	「Stability of distributions」 67%, 「Expectation of rise in unit price」 28%, 「High quality of owned properties」 19%, 「Real estate market trends」 16%
Years as a unitholder	「10 years and over」 53%, 「Less than 10 years」 22%	Highest priority in investment approach decision (*)	「Distribution yield」 81%, 「Profitability」 40%, 「Quality of owned properties」 26%, 「Real estate market trends」 23%, 「Track record」 22%, 「Unit price」 20%
		Satisfaction with DHI's IR activities	「Satisfied/somewhat satisfied」 86%, 「Somewhat dissatisfied」 9%

*) Multiple answers allowed.

Unit Prices since 2006

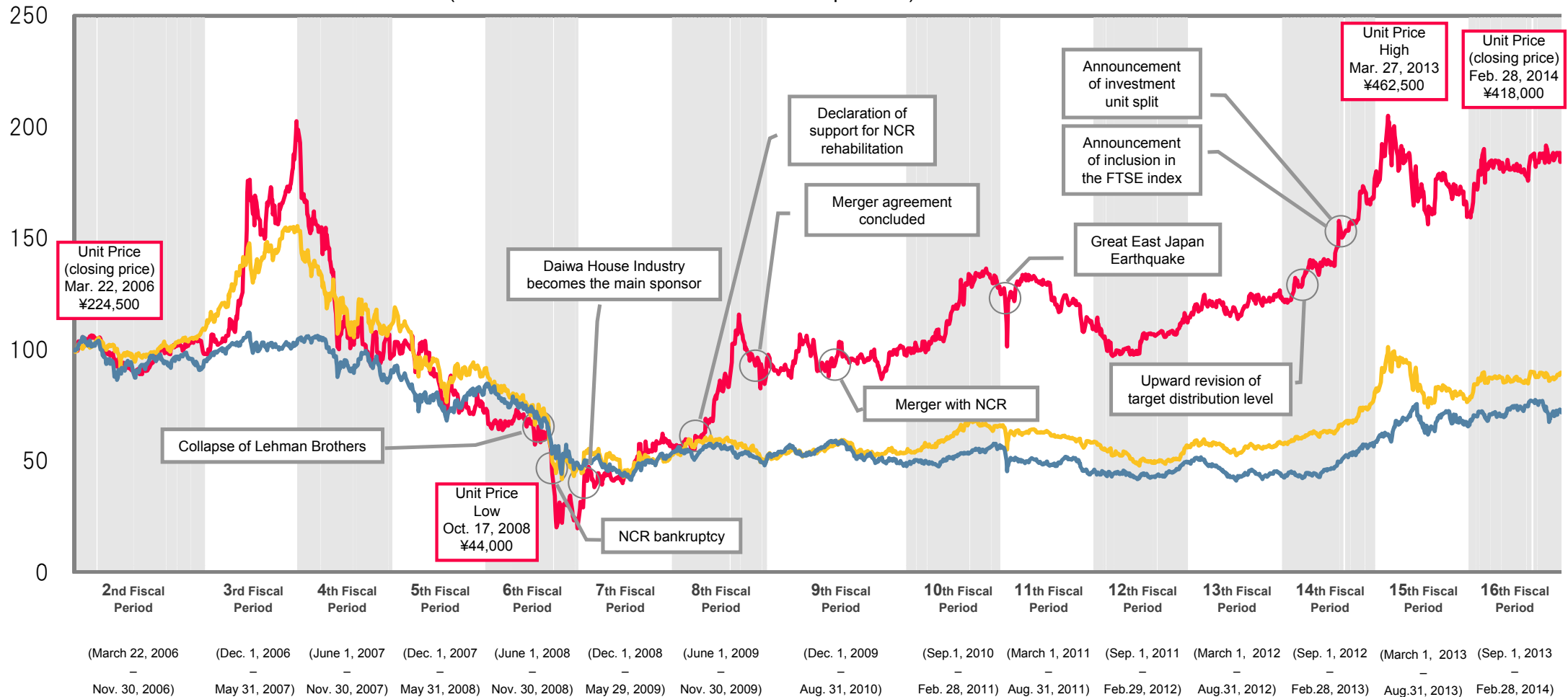
March 22, 2006 = 100

Investment Unit
Price Index
REIT Index
TOPIX

Investment Unit Price Index (Daiwa House Residential Investment Corporation)

TSE REIT Index

TOPIX



*1) The investment unit price index shows the indexed value of closing price of DHI's investment unit on the TSE.

*2) "Unit Price High" and "Unit Price Low" are a new high and low, respectively, during trading hours.

*3) DHI implemented a 2-for-1 split of investment units on March 1, 2013. Factoring in the impact of the split, investment unit prices on or before February 28, 2013 are divided by two.

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