

 Daiwa House REIT Investment Corporation

2-4-8, Nagatacho, Chiyoda-ku, Tokyo, Japan

<https://www.daiwahouse-reit.co.jp/en/>

Semi-Annual Report for the **27th** Fiscal Period

From March 1, 2019 to August 31, 2019

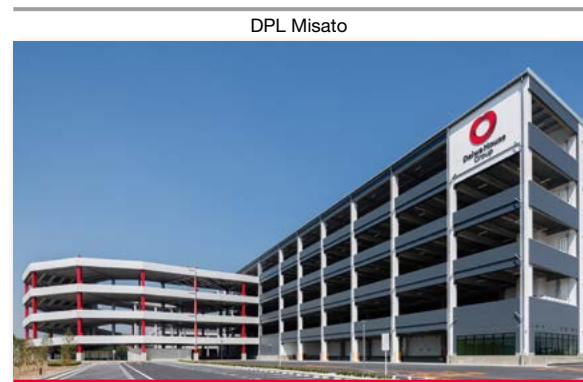


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<https://www.daiwahouse-reit.co.jp/en/>



Securities Code: 8984



DPL Misato



FOLEO Otsu Ichiriyama



Daiwa House
Group

Creating Dreams, Building Hearts

Daiwa House Group symbol - the Endless Heart - represents the Group's vision of building endless emotional connections with each and every one of its customers, as well as the solidarity of the Daiwa House Group.

As a group that co-creates value for individuals, communities and people's lifestyles, the Daiwa House Group aims to think outside the box and always to create new value in each successive generation. The Daiwa House Group will continue to pass on the ideals on which Daiwa House was founded, and work to help realize a sustainable society.



Royal Parks Toyosu



Daiwa Roynet Hotel Yokohama Kannai

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Overview of the 27th Fiscal Period (From March 1, 2019 to August 31, 2019)

We would like to report on the financial results and give an overview of operations of Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") in the 27th fiscal period (the fiscal period ended August 31, 2019).

DHR conducted its third capital increase through public offering since the merger in March 2019, and acquired 13 properties through the Daiwa House Group's pipeline in March and April 2019 (acquisition price of ¥67.0 billion). In August 2019, DHR sold one logistics property (sale price of ¥5.7 billion).

DHR's portfolio as of the end of the current fiscal period consisted of 228 properties with an asset size of ¥744.8 billion (total acquisition price). Furthermore, our occupancy rate at the end of the current fiscal period was 99.4%.

Regarding financial results for the current fiscal period, due to revenue contributions of properties acquired during the period and gain on sale of real estate properties associated with the sale of properties, we recorded operating revenues of ¥24,877 million, operating income of ¥10,702 million, and net income of ¥9,166 million. To calculate distribution, DHR reversed ¥2,920 million as the amount equivalent to amortization of goodwill and the difference between income associated with sale of properties, etc. for accounting and tax purposes, in which the income for tax purpose is larger than income for accounting purpose, from reserve for temporary difference adjustments to top up net income. As a result, distributions per unit amounted to ¥5,773.

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

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



Jiro Kawanishi

Executive Director
Daiwa House REIT Investment Corporation



Koichi Tsuchida

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

Distributions Per Unit

27th Fiscal Period

(From March 1, 2019 to August 31, 2019)

Distribution payments start date is November 11, 2019.

¥5,773

Forecast distributions per unit^(Note)

28th Fiscal Period

(From September 1, 2019 to February 29, 2020)

¥6,040

29th Fiscal Period

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

¥5,270

(Note) Forecast distributions refer to the forecast as of October 17, 2019, and actual distributions per unit may vary from this figure.
These forecasts do not guarantee the amount of distributions.

Financial Highlights for the Fiscal Period Ended August 31, 2019

Statements of Income (Summary)

	(Yen in millions)		
	Fiscal period ended February 28, 2019 (26th period)	Fiscal period ended August 31, 2019 (27th period)	Change
Operating revenues	23,127	24,877	1,750
Rental revenues	23,013	24,722	1,709
Gain on sale of real estate properties	113	154	41
Operating expenses	13,166	14,175	1,008
Rental expenses	9,184	10,062	877
Rental expenses (excluding depreciation)	4,729	5,298	568
Depreciation	4,454	4,764	309
Other operating expenses	3,982	4,113	130
Amortization of goodwill	1,982	1,982	—
Operating income	9,960	10,702	742
Non-operating income	14	111	97
Non-operating expenses	1,377	1,647	270
Interest expenses and borrowing related expenses	1,375	1,471	96
Ordinary income	8,597	9,166	568
Net income	8,597	9,166	568
Reversal of reserve for temporary difference adjustments	1,980	2,920	939
Reversal (accumulation) of reserve for distribution	(120)	(107)	13
Total distributions	10,457	11,978	1,521
Distributions per unit	¥5,427	¥5,773	¥346

Rental revenues

Revenue contributions for the full period for the properties acquired in the fiscal period ended February 28, 2019 (4 properties) +¥175 million
Revenue contributions of the properties acquired in the fiscal period ended August 31, 2019 (13 properties) +¥1,511 million

Gain on sale of real estate properties

Gain on sale of real estate properties in the sale of D Project Shin-Misato (logistics property)

Non-operating expenses

Costs incurred from the issuance of new investment units +¥173 million

Reversal of reserve for temporary difference adjustments

Reversal of the amount equivalent to amortization of goodwill and the difference between income associated with sale of properties, etc. for accounting and tax purposes (net of tax loss carryforwards, etc.)

Accumulation of reserve for distribution

Gain on adjustment of liabilities accumulated in voluntary reserve

Balance Sheets (Summary)

	(Yen in millions)		
	As of February 28, 2019 (26th period)	As of August 31, 2019 (27th period)	Change
Total assets	777,727	841,236	63,508
Current assets	42,135	49,276	7,141
Non-current assets	735,501	791,877	56,375
Investment properties	654,523	712,856	58,332
Intangible assets	75,368	73,338	(2,030)
Goodwill	69,377	67,395	(1,982)
Total liabilities	348,504	378,065	29,560
Current liabilities	47,108	43,515	(3,592)
Interest-bearing debt	40,510	36,810	(3,700)
Non-current liabilities	301,396	334,550	33,153
Interest-bearing debt	280,758	311,958	31,200
Net assets	429,223	463,170	33,947
Reserve for temporary difference adjustments	8,804	6,823	(1,980)
Reserve for distribution	1,986	2,106	120
LTV (excluding goodwill)	45.4%	45.1%	(0.3) points
LTV (including goodwill)	41.3%	41.5%	0.2 points
Number of investment units issued	1,927,000 units	2,075,000 units	148,000 units
Net assets per unit	¥222,741	¥223,214	¥473

Investment properties

Increase due to properties acquired (13 properties) +¥67,404 million
Decrease due to properties sold (1 property) -¥5,584 million
Capital expenditures +¥778 million
Depreciation -¥4,764 million

Interest-bearing debt

New loans +¥27,500 million
Reclassification of long-term loans from non-current liabilities to current liabilities ¥7,900 million

Reserve for temporary difference adjustments

Reversal of the amount equivalent to amortization of goodwill -¥1,980 million

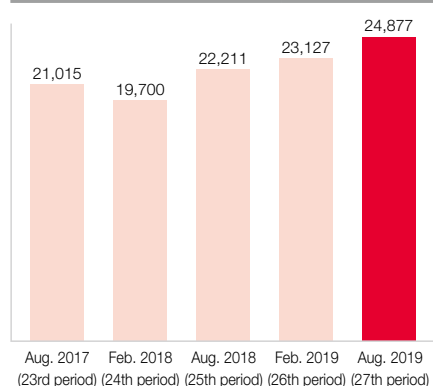
LTV (excluding goodwill)

Decrease due to public offering -0.3 points

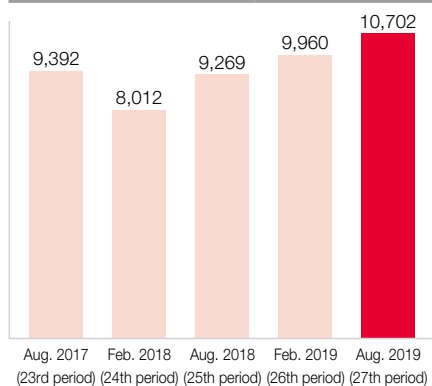
Number of investment units issued

Increase due to public offering +148,000 units

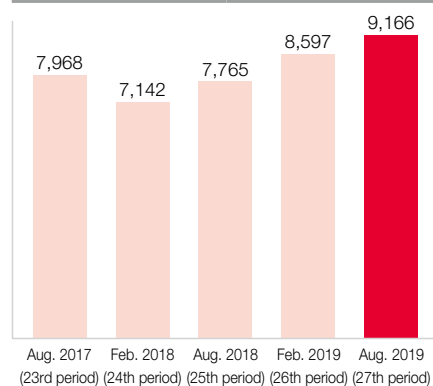
Operating revenues (Yen in millions)



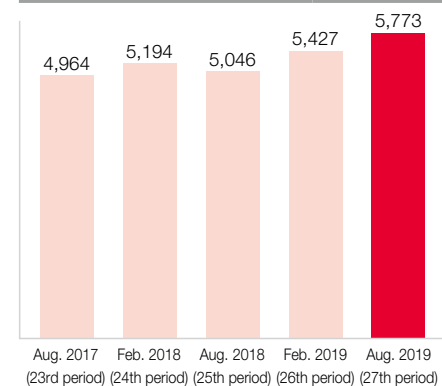
Operating income (Yen in millions)



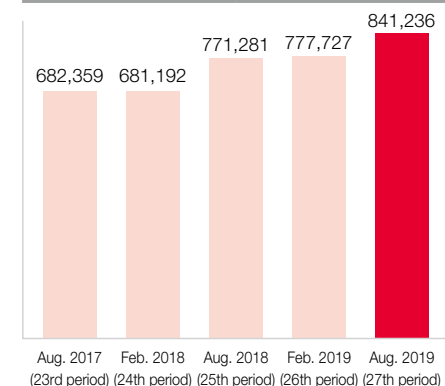
Net income (Yen in millions)



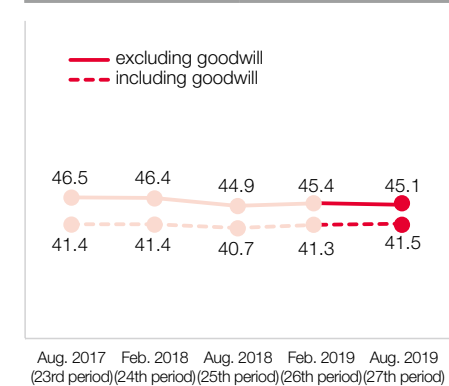
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)



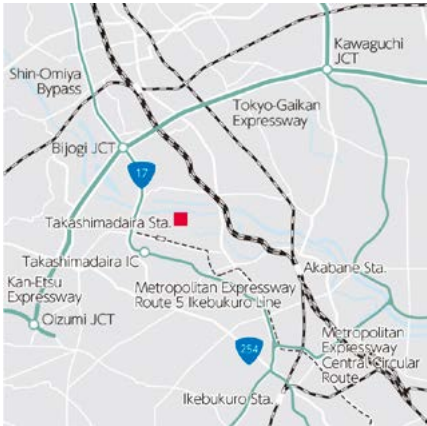
Growth Strategy

Acquisition of New Assets

By raising funds of ¥35.2 billion through a public offering and ¥27.5 billion through new loans, DHR acquired 13 properties for a total acquisition price of ¥67.0 billion (NOI yield of 4.8%) in March and April 2019.

LB-060 | D Project Itabashi Shingashi

Logistics (BTS type)



Acquisition date	April 10, 2019
Location	Itabashi Ward, Tokyo
Date of construction	December 1, 2014
Acquisition price	¥12,300 million
Leasable area	33,763.46 m ²
Lessee	KOKUBU GROUP CORP.

Located in Tokyo 23 Wards, offering convenience as a hub for freight collection and delivery especially in northern Tokyo areas

■ Locational advantage

First logistics property in Tokyo 23 Wards acquired by DHR. Approx. 2.6 km from Takashimadaira IC on the Metropolitan Expressway Route 5 Ikebukuro Line, the location offers good accessibility.

■ Tenant

DHR concluded a long-term lease contract with KOKUBU GROUP CORP., which is developing a food and alcohol wholesale business mainly in the Greater Tokyo area.

■ Securing employment

Located within walking distance of approx. 12 minutes from Takashimadaira Station on the Toei Subway Mita Line, where sufficient workforce can be expected.

RM-012 | iias Tsukuba (30% quasi co-ownership interest)

Retail (mall type)

Daiwa House Group Sublease



Acquisition date	April 5, 2019
Location	Tsukuba City, Ibaraki
Date of construction	September 29, 2008
Acquisition price	¥10,320 million
Leasable area	41,670.12 m ²
Lessee	Daiwa House

Large-scale retail property growing along with the local community

■ Favorable location

Located within walking distance of approx. four minutes from Kenkyu-gakuen Station on the Tsukuba Express, the newly emerging subcenter of Tsukuba City. Good accessibility by car facing three roads with a parking area for approx. 4,300 vehicles.

■ Largest scale in the region

Largest retail property within the 3km-radius area with a growing population especially among students and young families, consisting of over 200 stores.

■ Consideration for the environment

Eco-friendly property with installation of solar and solar/wind hybrid power generation systems, as well as an air-conditioning system using an ice thermal storage system using midnight power.

HO-003 | Daiwa Roynet Hotel Nagoya Shinkansenguchi

Hotel



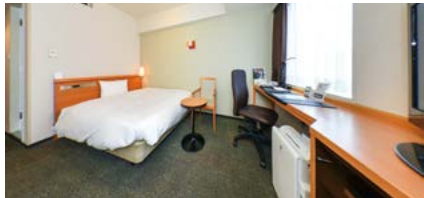
Located within walking distance of approx. three minutes from JR Nagoya Station, addressing business and sightseeing needs

■ Favorable location

This stay-only hotel boasts excellent locational advantages, as it is located within walking distance of approx. three minutes from JR Nagoya Station. Also, the number of passengers using the station is expected to increase further when operation of the Linear Chuo Shinkansen starts.

■ Tenant

Daiwa Roynet Hotel is a major hotel chain operating across Japan and stable customer attraction can be expected.



Acquisition date	April 5, 2019
Location	Nagoya City, Aichi
Date of construction	July 3, 2001
Acquisition price	¥4,500 million
Leasable area	7,605.41 m ²
Number of guest rooms	165
Lessee	Daiwa Royal

LB-057, LB-058, LB-059 | D Project Kitahachioji I, II, III

Logistics (BTS type)



LB-061 | D Project Sagamihara

Logistics (BTS type)



LB-064 | D Project Ibaraki Ishioka

Logistics (BTS type)



RR-008 | FOLEO Shobu

Retail (roadside type)

Daiwa House Group Sublease



LB-062 | D Project Kuki VIII

Logistics (BTS type)



RR-007 | Aoyama Tailor Bunkyo Sengoku Ekimae Store

Retail (roadside type)



LB-063 | D Project Yokkaichi

Logistics (BTS type)



OT-005 | Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store

Other



Growth Strategy

Sale of Assets

Number of properties	6 properties	Sale price	¥11,722 million
Average NOI yield for the fiscal period ended February 28, 2019	4.4 %	Average NOI yield after depreciation for the fiscal period ended February 28, 2019	3.3 %
Average remaining lease term	7.6 years	Average property age	11.1 years

(Yen in millions)						
Asset class	Property name	Location	Sale date	Acquisition price	Sale price	Appraisal value at the time of sale
Logistics	D Project Shin-Misato	Misato City, Saitama	August 30, 2019	5,710	5,755	5,750
Total of the fiscal period ended August 31, 2019				5,710	5,755	5,750
Logistics	D Project Gifu	Anpachi District, Gifu	September 2, 2019	1,100	1,171	1,170
	D Project Sapporo Minami	Kitahiroshima City, Hokkaido		818	863	862
	D Project Sendai Minami	Iwanuma City, Miyagi		1,530	1,581	1,580
	D Project Gotenba	Gotenba City, Shizuoka		1,140	1,141	1,140
	D Project Nishi-Hiroshima	Hiroshima City, Hiroshima		1,210	1,211	1,210
Total of the fiscal period ending February 29, 2020				5,798	5,967	5,962
Total				11,508	11,722	11,712

Reasons for sale

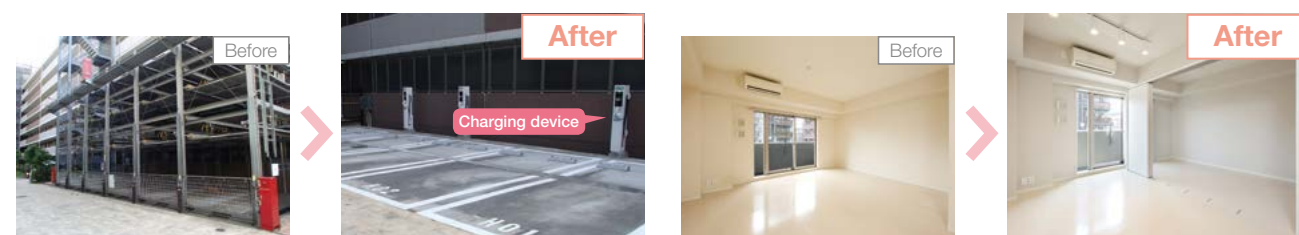
- To improve portfolio quality including area, remaining lease term, and property age, DHR sold six logistics properties previously owned by the former DHR since its IPO in November 2012 for ¥11.7 billion.
- DHR aims to promote efficiency of portfolio management by selling the properties considered at risk for a potential decrease in NOI in the future due to rent reduction and increased repair and maintenance expenses, or less efficient due to the small size.
- Book values for accounting and tax purposes are different, since DHR inherited the properties from the former DHR at the merger in September 2016 at market value (appraisal value) for accounting purpose and at book value for tax purpose.
- By selling the properties with large unrealized gain for tax purpose, DHR aims to realize unrealized gain and return the gain to unitholders as distribution.



Initiatives to Increase Attractiveness

Residential properties: Value enhancement projects

- Mechanical parking lot removed and replaced with parking lot capable of accommodating electric vehicles
- Room layout change (changed the floor plan to 1 bedroom + 1 living-dining-kitchen room by installing a wall and movable partition to a large studio apartment)



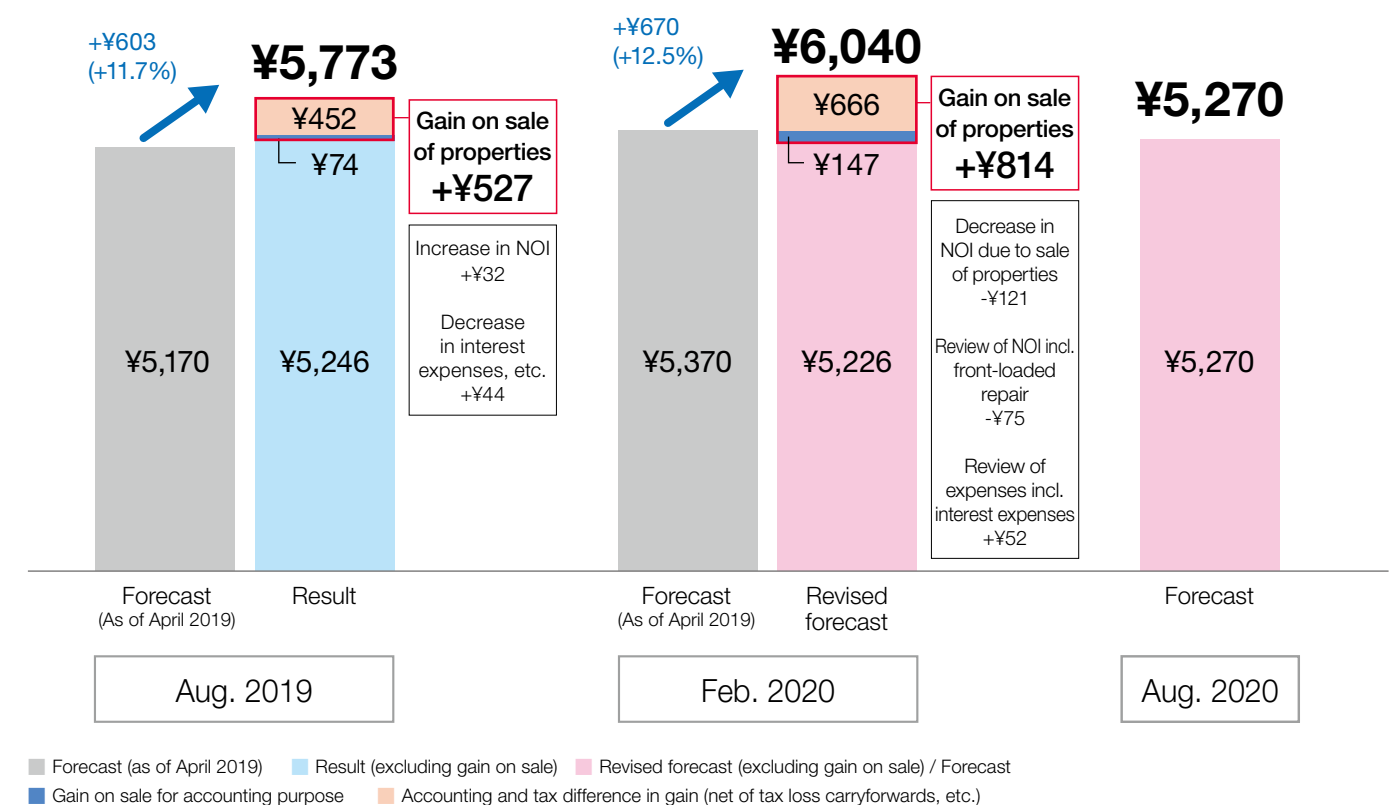
Distributions Per Unit

- DHR upwardly revised its forecast distributions for the fiscal period ending February 29, 2020 to ¥6,040.
- DHR's forecast distributions for the fiscal period ending August 31, 2020 are ¥5,270.

Effects on distribution of gain on sale

	Aug. 2019 Result	Feb. 2020 Forecast
Gain on sale for accounting purpose	¥154 million	¥306 million
Gain on sale for tax purpose (A)	¥1,602 million	¥1,689 million
Deductible tax loss carryforwards (B)	¥507 million	—
Distribution of gain on sale (A) - (B)	¥1,094 million	¥1,689 million
[Per unit]		
Distribution of gain on sale	¥527	¥814
Gain on sale for accounting purpose	¥74	¥147
Accounting and tax difference in gain (net of tax loss carryforwards, etc.)	¥452	¥666

- The amount after deducting the tax loss carryforwards from the accounting and tax difference from gain on sale for tax purpose exceeding gain on sale for accounting purpose will be distributed on top of net income.
- DHR will distribute the accounting and tax difference as earnings distributions by reversing reserve for temporary difference adjustments.



ESG Initiatives

Sustainability Policy

1 Prevention of global warming

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

2 Harmony with the natural environment (preservation of biodiversity)

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

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

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

4 Prevention of chemical pollution

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

5 Establishment of an internal framework and initiatives for employees

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

6 Building of trust relationships with external stakeholders

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

7 Promotion of communication through information disclosure

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

8 Compliance with laws and regulations, and risk management

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

Sustainability Target

DHR's asset manager, Daiwa House Asset Management Co., Ltd., recognizes matters such as energy saving and the reduction of greenhouse gas emissions in asset management operations as important environmental issues and has created individual policies to reduce the environmental burden.

Furthermore, we have established the following reduction target (medium to long term) for energy use.

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

Consideration for Society

Contributions to local communities

Establishing meeting places



Bicycle rentals



Provision of emergency communal well



Neighborhood co-existence activities

- Implementing cleanup activities
- Participating as a volunteer in "Japanese Lesson for People Returning from China"

Cleanup activities



Japanese lessons



Governance

Ensuring the presence of third parties in the decision-making flow to protect unitholder interests

In deciding to acquire assets from interested parties, following unanimous agreement by **the Compliance Committee including third-party external experts**, a weighted resolution by the Board of Directors and approval by a DHR officers meeting **composed only of third parties** are required.

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

Number of investment units held by Daiwa House (holding ratio) 187,200 units (9.0%) (as of August 31, 2019)

Status of Environmental Certifications

(as of September 30, 2019)

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

Number of properties that have obtained environmental certifications

28 properties

+6 properties
compared with the end of March 2019

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

47.0 %

+8.2 points
compared with the end of March 2019

Green Lease Agreement

- We promoted the conclusion of green lease agreements and implemented initiatives in cooperation with tenants to reduce the environmental burden.
- Installation of LED lights

Number of properties with green lease agreements concluded

36 properties

+8 properties
compared with the end of March 2019

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

37.0 %

+12.0 points
compared with the end of March 2019

GRESB Real Estate Assessment

- In the 2019 assessment, we received a "Green Star" rating.
- In the "GRESB Rating" based on relative evaluation, we received a "3-Stars" rating.
- We received an "A" rating (the highest) in the public disclosure rating.



GRESB: An annual benchmark assessment that evaluates ESG initiatives in the real estate sector

DBJ Green Building Certification

(as of September 30, 2019)

	★★★★★	2 properties
	★★★★☆	10 properties
	★★★☆☆	9 properties
	★★★☆☆	5 properties
		Total 26 properties

BELS Certification

(as of September 30, 2019)

	★★★★★	3 properties
	★★★★☆	1 property
	★★★☆☆	1 property
	★★★☆☆	4 properties
		Total 9 properties

CASBEE for Real Estate Certification

- We were awarded an "S" rating (the highest) in our first CASBEE for Real Estate Certification.



MUFG ESG Rating Certificate for J-REITs supported by JCR

- Our broad initiatives in every ESG field were well received, earning us an "S" rating (the highest).



Consideration for the Environment

LED lights



Solar and wind power generation facilities



Large-scale green area



Rooftop greening



Employment of insulated sandwich panels



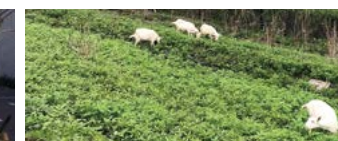
Large-scale window space allowing the use of natural light



Exterior greening, water-permeable paving



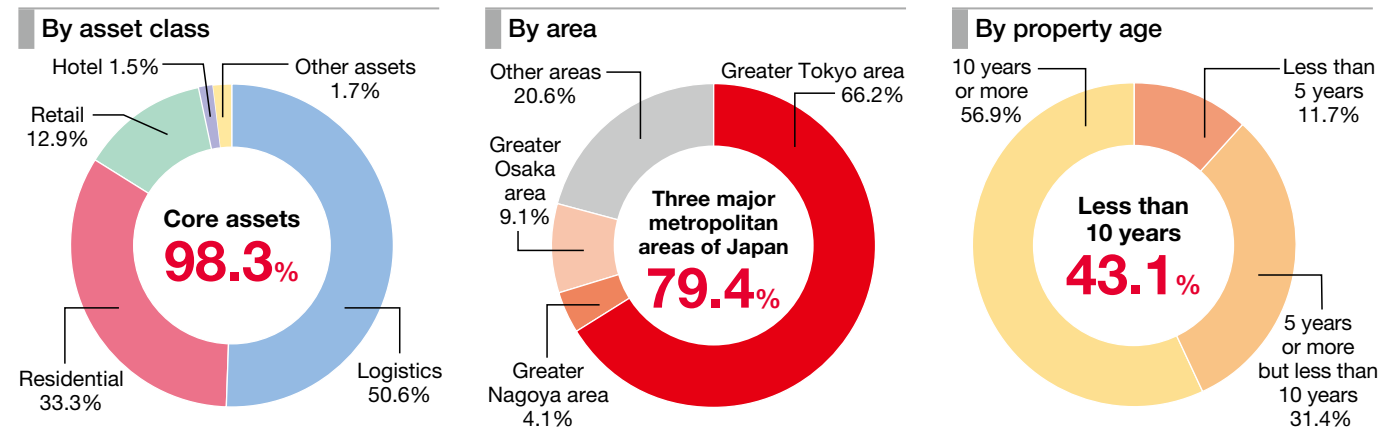
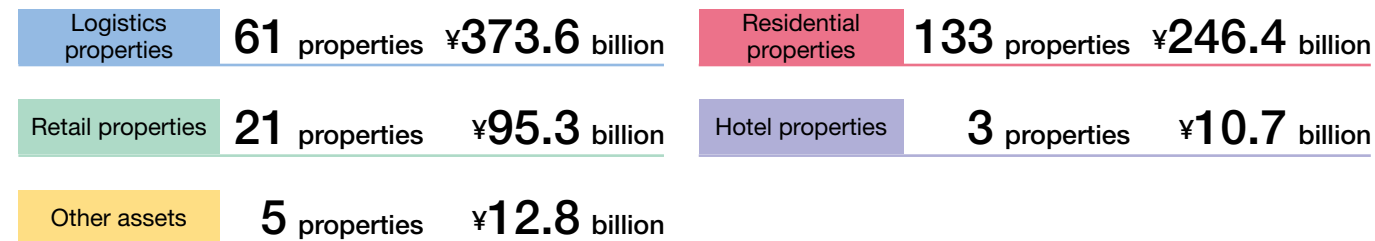
Eco-friendly weeding by goats



Portfolio Highlights

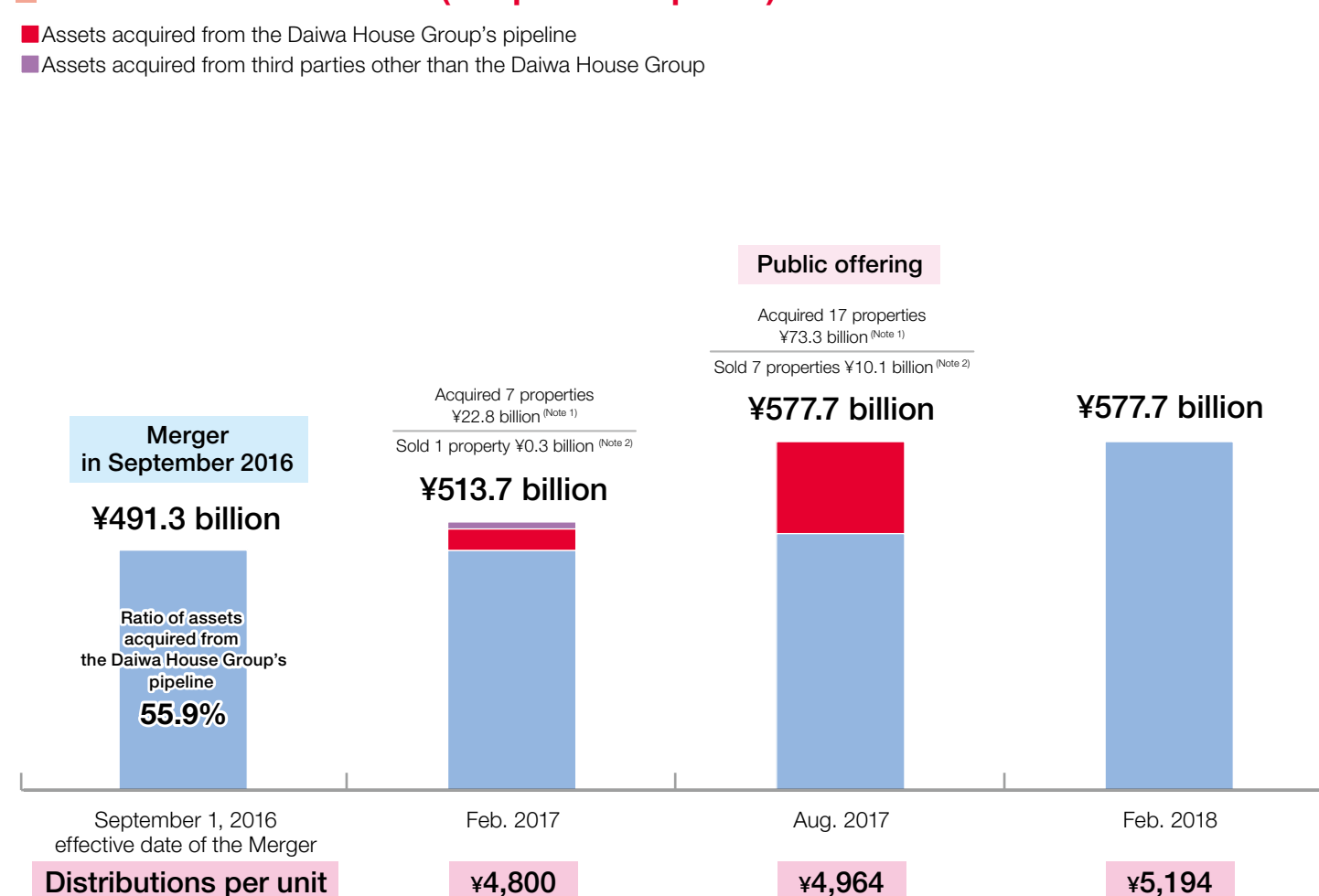
Asset Size (acquisition price basis / as of September 2, 2019)

223 properties **¥739.0** billion



Trend of Asset Size (acquisition price)

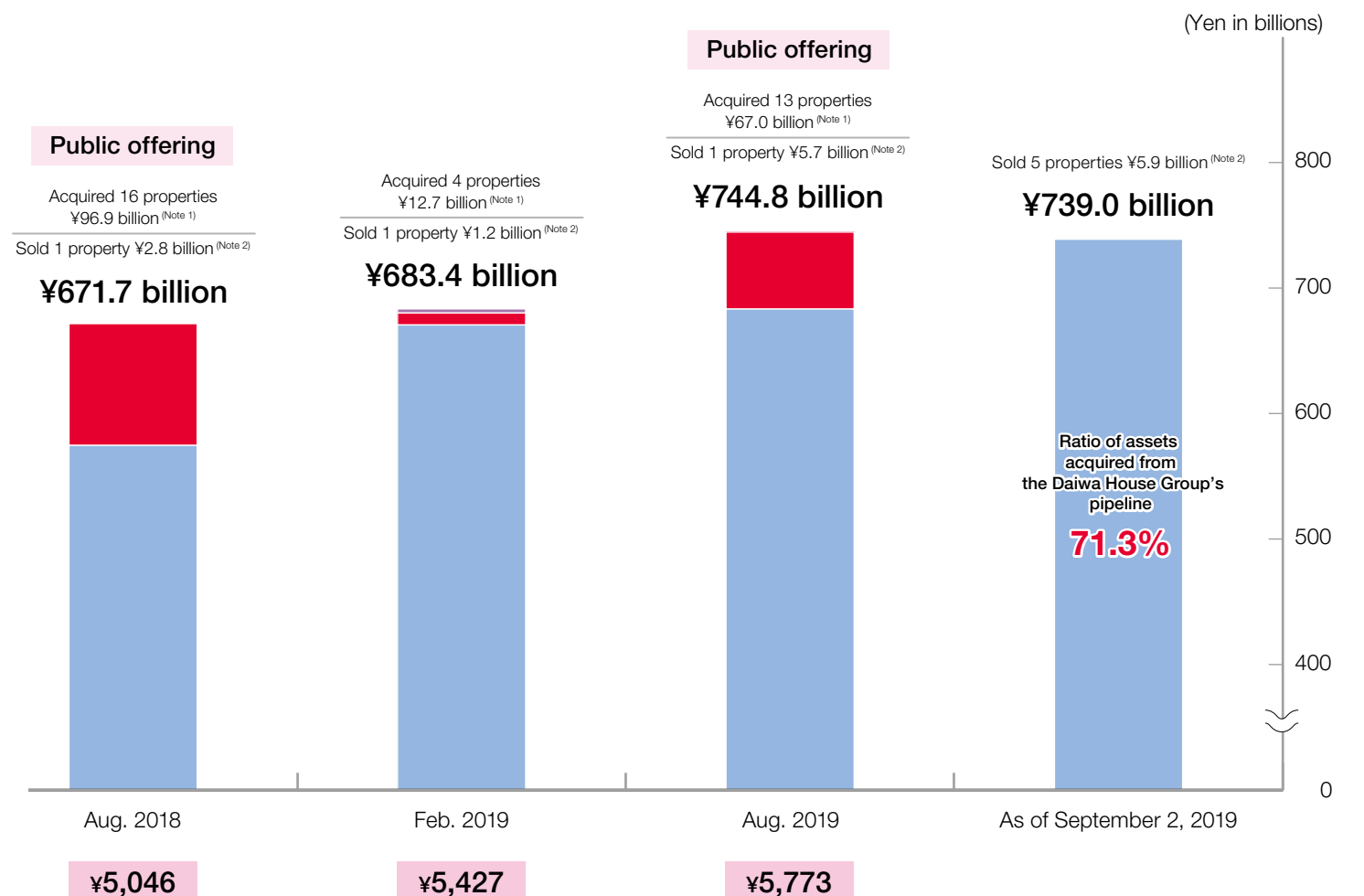
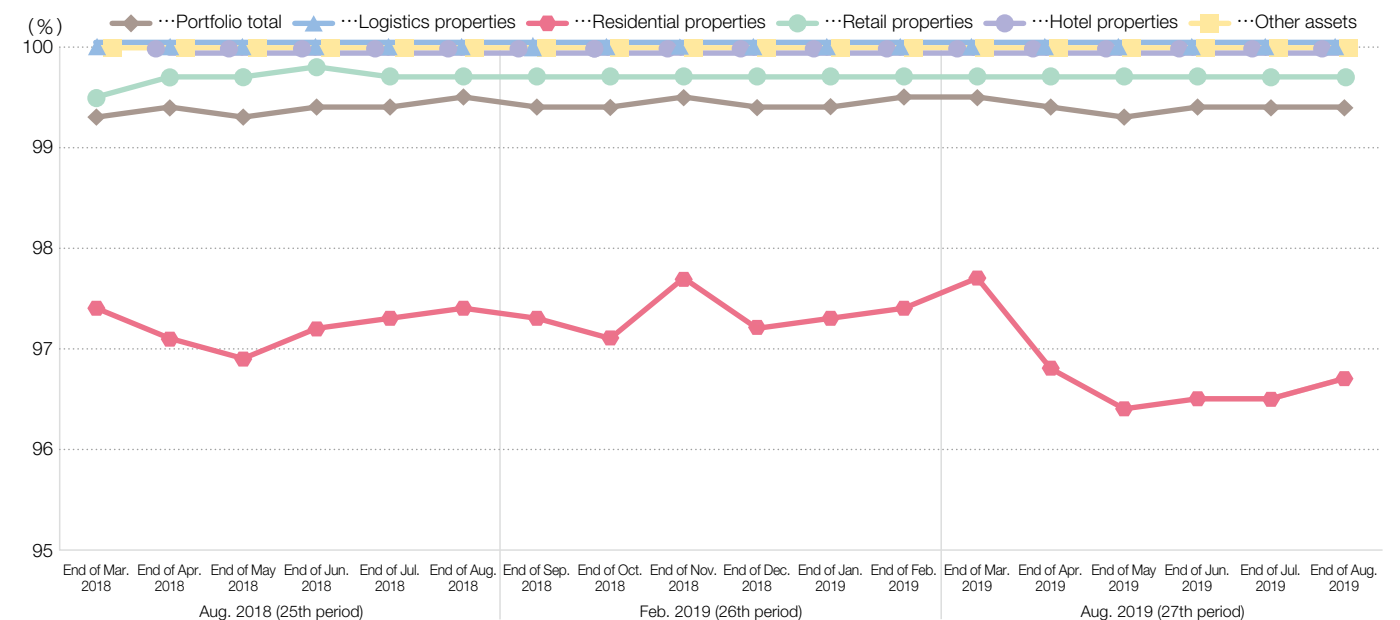
- Assets acquired from the Daiwa House Group's pipeline
- Assets acquired from third parties other than the Daiwa House Group



(Note 1) Acquisition prices are listed. (Note 2) Sale prices are listed.

Trend of Occupancy Rate

As of August 31, 2019, the occupancy rate was 99.4%, as we continued to maintain stable operations.



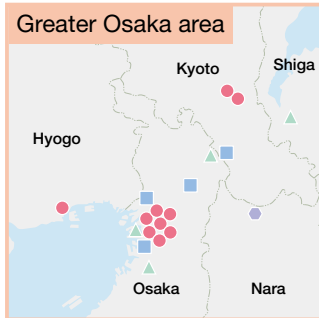
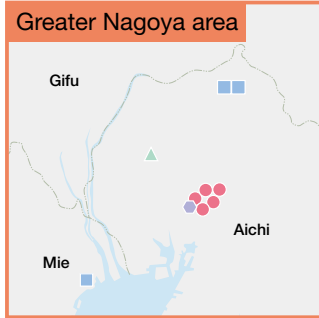
LB-044 D Project Kakegawa



LB-028 D Project Kuki V



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



- Logistics
- Residential
- Retail
- Hotel
- Other

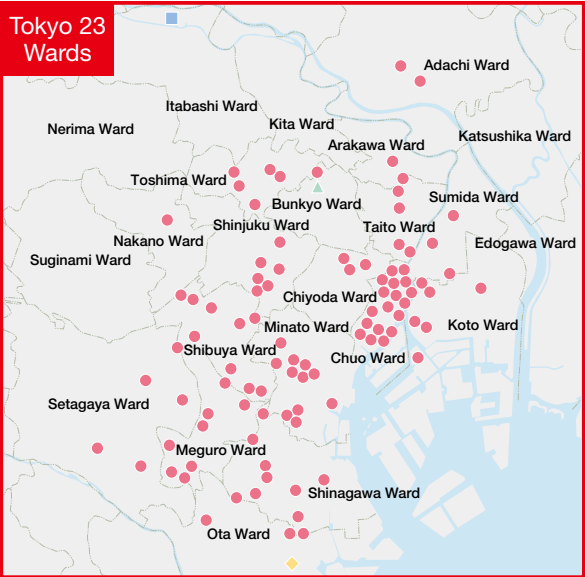
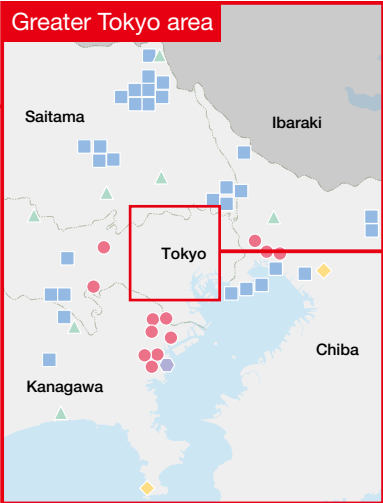
RE-081 Royal Parks Toyosu



RE-107 Royal Parks Hanakoganei



RM-012 iias Tsukuba



Financial Status

Financial Policy

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

Interest-bearing Debt (as of August 31, 2019)

We refinanced ¥11,600 million in March 2019 and took out ¥27,500 million in new loans in April 2019.

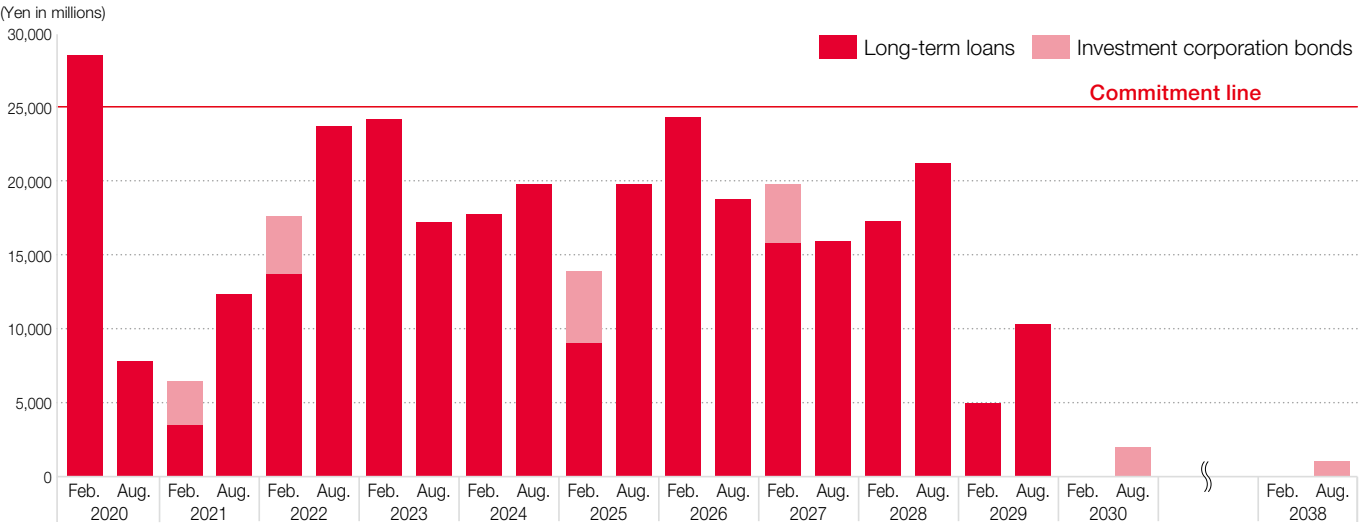
Total interest-bearing debt	¥348,768 million
Total loans	¥329,768 million
Total investment corporation bonds	¥19,000 million
LTV (excluding goodwill)	41.5%
LTV (including goodwill)	45.1%
Long-term interest-bearing debt ratio	89.4%
Fixed interest ratio	95.2%
Average interest rate	0.74%
Average remaining maturity	4.9 years
Commitment line	¥25,000 million

Breakdown by Lender (as of August 31, 2019)

Lender	Loan balance (Yen in millions)	Ratio (%)
Sumitomo Mitsui Trust Bank, Limited	60,109	18.2
Sumitomo Mitsui Banking Corporation	60,100	18.2
MUFG Bank, Ltd.	56,954	17.3
Mizuho Bank, Ltd.	52,100	15.8
Development Bank of Japan Inc.	17,900	5.4
The Norinchukin Bank	13,810	4.2
Aozora Bank, Ltd.	13,061	4.0
Resona Bank, Limited	11,500	3.5
Mizuho Trust & Banking Co., Ltd.	7,908	2.4
Nippon Life Insurance Company	5,000	1.5
Shinsei Bank, Limited	5,000	1.5
Shinkin Central Bank	4,500	1.4
Mitsui Sumitomo Insurance Company, Limited	4,000	1.2
The Bank of Fukuoka, Ltd.	3,000	0.9
The Chiba Bank, Ltd.	2,465	0.7
The 77 Bank, Ltd.	2,000	0.6
The Nishi-Nippon City Bank, Ltd.	2,000	0.6
The Iyo Bank, Ltd.	1,500	0.5
The Chugoku Bank, Limited	1,500	0.5
The Shizuoka Bank, Ltd.	1,260	0.4
JAPAN POST INSURANCE Co., Ltd.	1,100	0.3
The Bank of Kyoto, Ltd.	1,000	0.3
The Dai-ichi Life Insurance Company, Limited	1,000	0.3
Taiyo Life Insurance Company	1,000	0.3
Total loans	329,768	100.0

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

Diversifying Debt Maturities (as of August 31, 2019)



Rating/Outlook (as of August 31, 2019)

On July 19, 2019, Rating and Investment Information, Inc. ("R&I") changed DHR's issuer rating from "A+ (Positive)" to "AA- (Stable)."

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

1. Summary of Asset Management

(1) Historical Operating Results

		23rd period August 2017	24th period February 2018	25th period August 2018	26th period February 2019	27th period August 2019
Operating revenues (Note 1)	Yen in millions	21,015	19,700	22,211	23,127	24,877
Of which, real estate rental revenues	Yen in millions	19,479	19,700	22,211	23,013	24,722
Operating expenses	Yen in millions	11,623	11,687	12,942	13,166	14,175
Of which, real estate rental expenses	Yen in millions	7,906	7,947	8,944	9,184	10,062
Operating income	Yen in millions	9,392	8,012	9,269	9,960	10,702
Ordinary income	Yen in millions	7,974	7,146	7,770	8,597	9,166
Net income	Yen in millions	7,968	7,142	7,765	8,597	9,166
Total assets	Yen in millions	682,359	681,192	771,281	777,727	841,236
Period-on-period changes	%	12.9	(0.2)	13.2	0.8	8.2
Net assets	Yen in millions	377,321	376,300	430,596	429,223	463,170
Period-on-period changes	%	14.2	(0.3)	14.4	(0.3)	7.9
Unitholders' capital	Yen in millions	108,136	108,136	163,230	163,230	198,492
Total number of investment units issued	Units	1,690,000	1,690,000	1,927,000	1,927,000	2,075,000
Net assets per unit	Yen	223,267	222,663	223,454	222,741	223,214
Total distributions	Yen in millions	8,389	8,777	9,723	10,457	11,978
Distributions per unit	Yen	4,964	5,194	5,046	5,427	5,773
Of which, earnings distributions per unit	Yen	4,964	5,194	5,046	5,427	5,773
Of which, distributions in excess of earnings per unit	Yen	—	—	—	—	—
Ordinary income to total assets ratio (Note 2)	%	1.2	1.0	1.1	1.1	1.1
Annualized	%	2.5	2.1	2.1	2.2	2.2
Return on equity (Note 3)	%	2.3	1.9	1.9	2.0	2.1
Annualized	%	4.5	3.8	3.8	4.0	4.1
Equity ratio	%	55.3	55.2	55.8	55.2	55.1
Period-on-period changes	%	0.6	(0.1)	0.6	(0.6)	(0.1)
Payout ratio	%	104.0	122.9	123.6	121.7	130.6
<Other Reference Information>						
Rental NOI (Note 4)	Yen in millions	15,286	15,503	17,563	18,283	19,424
FFO per unit (Note 5)	Yen	7,184	7,625	7,346	7,747	7,598
FFO multiple (Note 6)	Times	18.9	16.7	17.7	15.9	18.6
Debt service coverage ratio (Note 7)	Times	15.4	14.4	14.2	14.8	14.6
Interest-bearing debt	Yen in millions	282,268	282,268	314,268	321,268	348,768
Interest-bearing debt to total assets ratio (Note 8)	%	41.4	41.4	40.7	41.3	41.5

- (Notes)
- Operating revenues, etc., do not include consumption taxes.
 - Ordinary income to total assets ratio = Ordinary income / ((Total assets at the beginning of period + Total assets at the end of period) / 2) × 100
 - Return on equity = Net income / ((Net assets at the beginning of period + Net assets at the end of period) / 2) × 100
 - Rental NOI = Real estate rental revenues – Real estate rental expenses + Depreciation and amortization during the period
 - FFO per unit = (Net income + Depreciation and amortization + Amortization of goodwill + Amortization of investment corporation bond issuance costs + Amortization of trademark rights + Amortization of software +/– Loss/gain on sale of real estate properties +/– Extraordinary loss/income) / Total number of investment units issued
 - FFO multiple = Investment unit price at the end of period / Annualized FFO per unit
 - Debt service coverage ratio = Net income before interest, depreciation and amortization / Interest expenses
 - Interest-bearing debt to total assets ratio = Interest-bearing debt at the end of period / Total assets at the end of period × 100

(2) Asset Management during the Period

i) Transition of DHR

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

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

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

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

ii) Performance for the Current Fiscal Period

DHR raised ¥35.2 billion of capital in its third public offering since the Merger and acquired 13 properties for a total acquisition price (Note 1) of ¥67.0 billion through the Daiwa House Group (Note 2)’s pipeline, etc. in March and April 2019 by a combination of funds raised through public offering and loans. Furthermore, in August 2019, DHR sold one logistics property for a sales price of ¥5.7 billion. As a result, DHR’s portfolio as of the end of the current fiscal period consists of 228 properties with an asset value of ¥744.8 billion (Note 3).

- (Notes)
1. “Acquisition price” is the purchase price stipulated in the respective purchase agreements of assets owned by DHR (not including expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, or leasehold guarantee deposits, etc.), except as otherwise noted. However, the acquisition prices of properties previously owned by NCR have been presented as the appraisal values as of February 28, 2010, which were the prices received at the time of the merger with NCR, and the acquisition prices of properties previously owned by the former DHR have been presented as the appraisal values as of August 31, 2016, which were the prices received at the time of the merger with the former DHR. The “total acquisition price” has been rounded down to the nearest unit. The same shall apply hereinafter.
 2. The Daiwa House Group comprises Daiwa House, which is the parent company, 342 consolidated subsidiaries, 2 non-consolidated subsidiaries, 40 equity-method affiliates and 2 non-equity-method affiliates as of June 30, 2019. The Asset Manager is a member of the group. The same shall apply hereinafter.
 3. “Asset value” is the aggregate total of the acquisition prices of respective assets owned by DHR at respective points in time, except as otherwise noted. The same shall apply hereinafter.

iii) Overview of Financing

DHR arranged refinancing for the full amount of ¥11,600 million in loans due on March 27, 2019 and March 29, 2019. Furthermore, DHR conducted debt financing of total amount of ¥27,500 million on April 5, 2019 and April 10, 2019, to provide for some of the acquisition costs and the related expenses for the acquisition of properties through the Daiwa House Group’s pipeline, etc.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥348,768 million (loan balance: ¥329,768 million, investment corporation bond balance: ¥19,000 million), which is an increase of ¥27,500 million in comparison with the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 41.5%, and its LTV (excluding goodwill) (Note 2) was 45.1%.

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

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

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

iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥822,248 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value, was ¥103,676 million.

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

v) Overview of Financial Results

As a result of the investment management activities mentioned above, in the current fiscal period, DHR posted operating revenues of ¥24,877 million, operating income of ¥10,702 million, ordinary income of ¥9,166 million, and net income of ¥9,166 million (¥4,417 per investment unit).

Furthermore, based on its distribution policy, DHR reversed ¥2,920 million (¥1,407 per investment unit) as the amount equivalent to amortization of goodwill and the difference between income associated with sale of properties, etc. for accounting and tax purposes from reserve for temporary difference adjustments to top up net income. As a result, total distributions amounted to ¥11,978 million (¥5,773 per investment unit).

(3) Summary of Capital Increase

Changes in DHR’s total number of investment units issued and unitholders’ capital for the most recent five years until August 31, 2019 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remark
		Change	Balance	Change	Balance	
March 1, 2015	Split of investment units	373,870	747,740	–	61,703	(Note 1)
September 1, 2016	Delivery by allotment due to merger	771,540	1,519,280	–	61,703	(Note 2)
March 21, 2017	Capital increase through public offering	156,720	1,676,000	42,625	104,328	(Note 3)
April 14, 2017	Capital increase through third-party allotment	14,000	1,690,000	3,807	108,136	(Note 4)
March 19, 2018	Capital increase through public offering	222,000	1,912,000	51,607	159,743	(Note 5)
April 13, 2018	Capital increase through third-party allotment	15,000	1,927,000	3,486	163,230	(Note 6)
March 1, 2019	Capital increase through public offering	138,000	2,065,000	32,879	196,110	(Note 7)
March 26, 2019	Capital increase through third-party allotment	10,000	2,075,000	2,382	198,492	(Note 8)

- (Notes)
1. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.
 2. At the time of the merger, which became effective as of September 1, 2016, DHR allotted 2.2 units of DHR per unit of the former DHR, and as a result, 771,540 new investment units were issued.
 3. Investment units were issued by public offering with an issue price of ¥280,868 per unit (paid-in amount: ¥271,983) in order to raise funds for the acquisition of new properties, etc.
 4. Additional investment units were issued with a paid-in amount of ¥271,983 per unit in order to raise funds for the acquisition of new properties, etc.
 5. Investment units were issued by public offering with an issue price of ¥239,806 per unit (paid-in amount: ¥232,465) in order to raise funds for the acquisition of new properties, etc.
 6. Additional investment units were issued with a paid-in amount of ¥232,465 per unit in order to raise funds for the acquisition of new properties, etc.
 7. Investment units were issued by public offering with an issue price of ¥245,784 per unit (paid-in amount: ¥238,260) in order to raise funds for the acquisition of new properties, etc.
 8. Additional investment units were issued with a paid-in amount of ¥238,260 per unit in order to raise funds for the acquisition of new properties, etc.

[Changes in market price of investment securities]

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

	23rd period	24th period	25th period	26th period	27th period
Fiscal period ended	August 2017	February 2018	August 2018	February 2019	August 2019
Highest	¥289,800	¥277,100	¥276,000	¥261,100	¥280,800
Lowest	¥248,500	¥250,800	¥244,000	¥238,800	¥241,700
Beginning of period	¥289,800	¥268,500	¥251,300	¥256,900	¥247,200
End of period	¥268,800	¥257,100	¥257,600	¥248,400	¥280,400

(4) Distributions

As indicated in “(5) Future Operating Policies and Issues to Be Addressed, ii) Future Operating Policies and Issues to Be Addressed, (b) Distribution Policy” below, DHR established the policy on how to use the voluntary reserve and implemented its distribution policy by utilizing the voluntary reserve. For the current fiscal period, DHR reversed ¥2,920 million as the amount equivalent to amortization of goodwill and difference of income from sale of properties, etc. for accounting and tax purposes from reserve for temporary difference adjustments to top up unappropriated retained earnings of ¥9,166 million, while at the same time, ¥107 million recorded as gain on adjustment of liabilities was accumulated as reserve for distribution. Consequently, total distributions amounted to ¥11,978 million, for distributions per unit of ¥5,773.

	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018	25th period From March 1, 2018 to August 31, 2018	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019
Unappropriated retained earnings (Yen in thousands)	7,968,070	7,142,344	7,765,290	8,597,087	9,166,085
Amount retained as voluntary reserve (Note) (Yen in thousands)	14,384,974	12,749,459	10,791,107	8,930,366	6,117,477
Total distributions (Yen in thousands)	8,389,160	8,777,860	9,723,642	10,457,829	11,978,975
Distributions per unit (Yen)	4,964	5,194	5,046	5,427	5,773
Of the above, total earnings distributions (Yen in thousands)	8,389,160	8,777,860	9,723,642	10,457,829	11,978,975
Earnings distributions per unit (Yen)	4,964	5,194	5,046	5,427	5,773
Of the above, total capital refunds	—	—	—	—	—
Capital refunds per unit	—	—	—	—	—
Of total capital refunds, total distributions deemed as distributions from the allowance for temporary difference adjustments	—	—	—	—	—
Of capital refunds per unit, temporary-difference- adjustment-allowance distributions per unit	—	—	—	—	—
Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes	—	—	—	—	—
Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit	—	—	—	—	—

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

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, despite weakness seen in exports, the Japanese economy is gradually recovering. Looking ahead, with improvements in the employment and personal income environments continuing and various policies producing effects, the gradual recovery is expected to continue. However, in addition to being cautious about the effects of increasing tension over trade issues on the global economy, we must also be aware of the future of the Chinese economy, uncertainty over global economic trends and policies, and fluctuations in financial and capital markets.

Amid these conditions, the J-REIT market was again valued for its stable distribution yields, capturing robust investment demand from foreign investors from the start of the year. Even after foreign investors became net sellers from April, investment trusts and life and non-life insurance companies became new buyers, and in July, the Tokyo Stock Exchange REIT Index recovered to the 2,000-point mark for the first time in eleven years and seven months, remaining strong thereafter.

The investment environment is expected to continue to be tough due to lowering capitalization rates used in real estate appraisals, rising land prices, soaring construction costs, and other factors. Nevertheless, DHR will continue to acquire high quality properties actively while making use of the Daiwa House Group's integrated capabilities, and real estate development knowhow.

ii) Future Operating Policies and Issues to Be Addressed

(a) Growth Strategy

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

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

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

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

(b) Distribution Policy

As of the end of the current fiscal period, DHR had ¥6,823 million in reserve for temporary difference adjustments (before reversal for the current fiscal period; the amount after reversal is ¥3,903 million), and ¥2,106 million in reserve for distribution (before accumulation for the current fiscal period; the amount after accumulation is ¥2,214 million).

DHR changed part of its distribution policy in the fiscal period ended February 28, 2017 and made it a policy to reverse the amount equivalent to amortization of goodwill from the reserve for temporary difference adjustments and to use this to top up net income.

DHR plans to reverse the reserve for temporary difference adjustments (Note 1) in case of losses incurred in special cases such as loss on sale of real estate properties, in case of the dilution of distribution due to capital increase through public offering, in case of the inability to secure sufficient revenues accompanying a capital increase through public offering due to short operation periods of properties acquired during a fiscal period, or in the case of the occurrence of a difference between excess income associated with sale of properties for accounting and with that for tax purposes that causes a need for DHR to take action to maintain its conduit status.

Goodwill recognized from the Merger is amortized over 20 years using the straight-line method. As described above, although DHR plans to reverse the amount equivalent to amortization of goodwill from the reserve for temporary difference adjustments and distribute it, after the reversal of the reserve for temporary difference adjustments is complete, DHR plans to pay distributions in excess of earnings of the amount equivalent to amortization of goodwill (distribution accounted as an allowance for temporary difference adjustments).

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

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

iii) Financial Strategy

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

DHR is also working to improve the stability of its financial base by maintaining and expanding its strong lender formation through initiatives geared toward diversifying methods of raising capital through issuance of investment corporation bonds, and by promoting use of long-term fixed rates on interest-bearing debt and staggering repayment dates.

(6) Significant Events after Balance Sheet Date

Disposition of Assets
DHR disposed the following properties.

Asset name	D Project Gifu
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Disposition price (Note 1)	¥1,171,000 thousand
Buyer (Note 2)	Godo Kaisha Heptagon
Date of disposition	September 2, 2019
Asset name	D Project Sapporo Minami
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Disposition price (Note 1)	¥863,000 thousand
Buyer (Note 2)	Godo Kaisha Heptagon
Date of disposition	September 2, 2019
Asset name	D Project Sendai Minami
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Disposition price (Note 1)	¥1,581,000 thousand
Buyer (Note 2)	Godo Kaisha Heptagon
Date of disposition	September 2, 2019
Asset name	D Project Gotenba
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Disposition price (Note 1)	¥1,141,000 thousand
Buyer (Note 2)	Godo Kaisha Heptagon
Date of disposition	September 2, 2019
Asset name	D Project Nishi-Hiroshima
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Disposition price (Note 1)	¥1,211,000 thousand
Buyer (Note 2)	Godo Kaisha Heptagon
Date of disposition	September 2, 2019

(Notes) 1. This figure does not include expenses pertaining to dispositions, settlement money such as taxes and public dues, consumption taxes, etc.
2. The buyer is a special purpose company (Tokutei Mokuteki Kaisha) on which Daiwa House, a parent company of the Asset Manager, may have a significant influence and is an interested party as defined in the Asset Manager's regulations on transactions with interested parties; however, is not an interested party, etc., as defined in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act").
The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.

2. Overview of the Investment Corporation

(1) Status of Investment Units

	23rd period As of August 31, 2017	24th period As of February 28, 2018	25th period As of August 31, 2018	26th period As of February 28, 2019	27th period As of August 31, 2019
Total number of authorized investment units	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued	1,690,000	1,690,000	1,927,000	1,927,000	2,075,000
Unitholders' capital (Yen in thousands)	108,136,162	108,136,162	163,230,367	163,230,367	198,492,847
Number of unitholders	13,779	13,461	16,962	16,903	17,717

(2) Matters concerning Investment Units

The major unitholders as of August 31, 2019 are as follows:

Name	Number of investment units held (Units)	Percentage of investment units held against the total number of investment units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust account)	402,554	19.4
The Master Trust Bank of Japan, Ltd. (Trust account)	282,319	13.6
Daiwa House Industry Co., Ltd.	187,200	9.0
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	74,486	3.6
State Street Bank - West Client - Treaty 505234	69,360	3.3
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	50,553	2.4
JPMorgan Securities Japan Co., Ltd.	40,603	2.0
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	36,337	1.8
State Street Bank and Trust Company 505103	25,767	1.2
The Shinkumi Federation Bank	18,856	0.9
Total	1,188,035	57.3

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

(3) Officers

The following table provides information about the officers.

Title and post	Name	Major concurrent position	Total compensation per title during the 27th period (Yen in thousands)
Executive Director	Jiro Kawanishi	—	2,400
Supervisory Directors	Tetsuya Iwasaki	Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	2,100
	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	2,100
Accounting Auditor	Ernst & Young ShinNihon LLC	—	36,500

(Notes) 1. The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name. Any Supervisory Director may serve as an executive of a corporation other than those listed above, but such corporations including those listed above do not have any interest in DHR.
2. Dismissal or non-reappointment of the Accounting Auditor shall be discussed at DHR's board of directors pursuant to the provisions of the Investment Trusts Act for dismissal, taking into full account all relevant factors for non-reappointment such as the quality of audits and compensation for audits.
3. Compensation for the Accounting Auditor includes fees for the creation of comfort letters for the issuance of new investment units in March 2019.

(4) Asset Manager, Custodian and General Administrators

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

3. Portfolio of DHR

(1) Composition of Assets

The following table provides information about the composition of assets.

Type of assets	Asset class	Area (Note 1)	26th period February 28, 2019		27th period August 31, 2019		
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	
Real estate	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	23,854	3.1	23,746	2.8
			Greater Nagoya area	909	0.1	902	0.1
			Greater Osaka area	13,315	1.7	13,236	1.6
		Other	5,329	0.7	5,290	0.6	
		Subtotal		43,408	5.6	43,175	5.1
Trust beneficiary interests in real estate	Logistics properties	Three major metropolitan areas of Japan	Greater Tokyo area	206,536	26.6	239,691	28.5
			Greater Nagoya area	15,426	2.0	16,828	2.0
			Greater Osaka area	23,077	3.0	22,925	2.7
		Other	90,356	11.6	93,849	11.2	
	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	168,091	21.6	167,228	19.9
			Greater Nagoya area	6,048	0.8	5,984	0.7
			Greater Osaka area	6,132	0.8	6,061	0.7
		Other	5,082	0.7	5,003	0.6	
	Retail properties	Three major metropolitan areas of Japan	Greater Tokyo area	26,780	3.4	32,544	3.9
			Greater Nagoya area	2,390	0.3	2,390	0.3
			Greater Osaka area	20,534	2.6	20,422	2.4
		Other	29,229	3.8	39,462	4.7	
	Hotel properties	Three major metropolitan areas of Japan	Greater Tokyo area	4,803	0.6	4,780	0.6
			Greater Nagoya area	—	—	4,536	0.5
			Greater Osaka area	1,476	0.2	1,467	0.2
	Other assets	Three major metropolitan areas of Japan	Greater Tokyo area	1,919	0.2	3,281	0.4
			Other	9,217	1.2	9,159	1.1
		Subtotal		617,103	79.3	675,621	80.3
		Deposits and other assets		117,215	15.1	122,439	14.6
		Total assets		777,727	100.0	841,236	100.0

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

2. "Total amount held" represents the amounts recorded on the balance sheets as of the last day of each fiscal period (February 28, 2019 and August 31, 2019), which are rounded down to the nearest million yen. For real estate properties and trust beneficiary interests in real estate (may be referred to as "real estate in trust" or "trust beneficiary interests in real estate"), the amounts are their acquisition prices (including expenses associated with the acquisition) less accumulated depreciation.

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

(2) Principal Assets Held

The overview of principal assets held by DHR as of August 31, 2019 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total real estate rental revenues (%) (Note 5)	Primary use
D Project Urayasu II	25,522	72,320.01	72,320.01	100.0	(Note 6)	Logistics
DPL Misato	16,617	55,864.47	55,864.47	100.0	(Note 6)	Logistics
D Project Hachioji	15,173	62,394.17	62,394.17	100.0	(Note 6)	Logistics
DPL Fukuoka Kasuya	13,177	73,747.85	73,482.06	99.6	(Note 6)	Logistics
D Project Itabashi Shingashi	12,350	33,763.46	33,763.46	100.0	(Note 6)	Logistics
D Project Inuyama	10,455	54,197.80	54,197.80	100.0	(Note 6)	Logistics
ias Tsukuba	10,368	41,670.12	41,670.12	100.0	1.1	Retail
D Project Nishiyodogawa	9,935	39,584.80	39,584.80	100.0	(Note 6)	Logistics
D Project Machida	9,209	50,490.39	50,490.39	100.0	(Note 6)	Logistics
D Project Urayasu I	9,123	36,515.81	36,515.81	100.0	(Note 6)	Logistics
Total	131,933	520,548.88	520,283.09	99.9	14.3	–

(Notes) 1. "Book value" is the amount recorded on the balance sheets as of August 31, 2019 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.

2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of August 31, 2019. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.

3. "Leased area" represents the leased area in the leasable area as indicated in the lease agreement in relation to each real estate or each real estate in trust as of August 31, 2019. However, in the case of a pass-through type master lease agreement entered into with the master lease company, the leased area to end-tenants, as indicated in the sublease agreement for each real estate or each real estate in trust as of August 31, 2019, is provided. As some lease agreements for each real estate or each real estate in trust may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular, at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leased area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.

4. "Occupancy rate" represents the ratio of leased area to total leasable area of each real estate or each real estate in trust as of August 31, 2019, and it is rounded to the first decimal place.

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

6. Undisclosed as consent for disclosure has not been obtained from the lessee.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of August 31, 2019 (real estate and real estate in trust, etc.) is as follows:

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Machida	2-1-6, Oyamagaoka, Machida City, Tokyo	Real estate in trust	50,490.39	9,830	9,209
	D Project Hachioji	3-21-1, Minami-Osawa, Hachioji City, Tokyo	Real estate in trust	62,394.17	16,900	15,173
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa	Real estate in trust	14,240.84	4,400	3,768
	D Project Urayasu I	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	36,515.81	9,960	9,123
	D Project Urayasu II	11-5, Chidori, Urayasu City, Chiba	Real estate in trust	72,320.01	28,200	25,522
	D Project Akanehama	3-2-8, Akanehama, Narashino City, Chiba	Real estate in trust	11,663.39	3,080	2,875
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda City, Chiba	Real estate in trust	29,232.53	6,550	6,042
	D Project Inuyama	5-5, Aza Takanebora, Inuyama City, Aichi	Real estate in trust	54,197.80	11,790	10,455
	D Project Gifu (Note 6)	449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu	Real estate in trust	7,669.91	1,160	1,067
	D Project Neyagawa	2-24-12, Shimeno, Neyagawa City, Osaka	Real estate in trust	11,151.51	6,320	5,834
	D Project Sapporo Minami (Note 6)	5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido	Real estate in trust	6,749.10	861	782
	D Project Morioka	3-18, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	9,558.32	1,210	1,165
	D Project Sendai Minami (Note 6)	3-2-39, Kuko-Minami, Iwanuma City, Miyagi	Real estate in trust	11,052.27	1,580	1,512
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura City, Ibaraki	Real estate in trust	17,448.86	3,540	3,241
	D Project Gotenba (Note 6)	2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka	Real estate in trust	6,737.53	1,110	1,108
	D Project Nishi-Hiroshima (Note 6)	2-3-11, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	5,093.51	1,210	1,174
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka	Real estate in trust	24,729.56	4,570	4,133
	D Project Tosu	1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	17,858.01	6,160	5,469

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Kuki I	6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	22,708.72	4,150	3,785
	D Project Kuki II	6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	50,490.00	8,660	7,782
	D Project Kawagoe I	3-2-3, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	16,150.88	3,860	3,434
	D Project Kawagoe II	3-2-4, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	19,872.00	5,390	4,734
	DPL Inuyama	1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi	Real estate in trust	21,628.50	4,220	3,808
	D Project Fukuoka Hakozaki	5-2-1, Hakozakifuto, Higashi Ward, Fukuoka City, Fukuoka	Real estate in trust	34,710.80	4,630	4,198
	D Project Kuki III	6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	26,937.41	8,260	7,360
	D Project Kuki IV	6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	26,460.00	5,980	5,337
	D Project Kuki V	6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	47,320.89	8,900	8,037
	D Project Kuki VI	48-3, Kiyoku-cho, Kuki City, Saitama	Real estate in trust	29,244.66	5,520	4,966
	D Project Yashio	50-1, Oaza Shin-machi, Yashio City, Saitama	Real estate in trust	21,965.04	6,790	6,223
	D Project Nishiyodogawa	2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka	Real estate in trust	39,584.80	10,900	9,935
	D Project Matsudo	700-3, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	26,776.67	7,760	7,187
	D Project Hibiki Nada	3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka	Real estate in trust	23,933.75	2,170	1,985
	D Project Morioka II	3-15, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	4,481.00	1,330	1,240
	D Project Kawagoe III	2-8-55, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	39,572.32	7,850	7,043
	D Project Kazo	2-16-1, Okuwa, Kazo City, Saitama	Real estate in trust	18,371.10	3,460	3,227
	D Project Urayasu III	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	39,441.32	9,750	8,470
	D Project Tomisato	7-2, Misawa, Tomisato City, Chiba	Real estate in trust	36,113.25	5,280	4,862
	D Project Kyotanabe	3-50-1, Kannabidai, Kyotanabe City, Kyoto	Real estate in trust	10,965.68	3,710	3,472
	D Project Sendai Izumi	2-9-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	10,764.05	1,600	1,473
	D Project Oyama	2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi	Real estate in trust	14,106.91	2,050	1,951
	D Project Sano	570-9, Nishiura-cho, Sano City, Tochigi	Real estate in trust	15,668.44	1,810	1,729
	D Project Tatebayashi	110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma	Real estate in trust	13,521.56	3,220	3,018
	D Project Kakegawa	653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka	Real estate in trust	39,341.44	6,140	5,894
	D Project Hiroshima Seifu	2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	19,004.72	4,050	3,738
	D Project Tosu II	1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	13,012.50	1,900	1,652
	D Project Kawagoe IV	3-2-1, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	24,684.47	5,920	5,562
	D Project Kuki VII	6004-3, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	3,225.46	1,120	1,037
	D Project Chibakita	461-1, Naganumacho, Inage Ward, Chiba City, Chiba	Real estate in trust	24,368.86	8,060	7,586
	D Project Matsudo II	700-1, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	25,305.82	8,350	8,139
	D Project Tomisato II	1-6, Misawa, Tomisato City, Chiba	Real estate in trust	40,870.56	7,080	6,818
	D Project Osaka Hirabayashi	2-6-15, Hirabayashikita, Suminoe Ward, Osaka City, Osaka	Real estate in trust	22,485.08	4,300	3,683
	D Project Sendai Izumi II	3-1-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	39,580.46	7,540	7,190
	D Project Kaminokawa	2568-1, Aza Minamihara, Oaza Tako, Kaminokawamachi, Kawachi District, Tochigi	Real estate in trust	52,239.75	8,000	7,806
	D Project Fuji	2261-6, Aza Shiroyama, Obuchi, Fuji City, Shizuoka	Real estate in trust	23,795.40	3,630	3,554
	D Project Tosu III	3-1-3, Yayoigaoka, Tosu City, Saga	Real estate in trust	65,215.07	9,440	9,074
	D Project Kitahachioji I	2969-2, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	16,523.82	4,460	4,315
	D Project Kitahachioji II	2969-18, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	21,402.20	5,890	5,725
	D Project Kitahachioji III	2969-19, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	26,275.05	7,610	7,331
	D Project Itabashi Shingashi	1-2-2, Shingashi, Itabachi Ward, Tokyo	Real estate in trust	33,763.46	12,400	12,350
	D Project Sagamihara	1-2-31, Miyashimo, Chuo Ward, Sagamihara City, Kanagawa	Real estate in trust	16,599.30	3,980	3,916
	D Project Kuki VIII	49-3, Kiyokucho, Kuki City, Saitama	Real estate in trust	29,410.54	6,120	6,114
	D Project Yokkaichi	1947-14, Nakamuracho, Yokkaichi City, Mie	Real estate in trust	6,185.46	1,500	1,497
	D Project Ibaraki Ishioka	6-4, Kashiwabara, Ishioka City, Ibaraki	Real estate in trust	24,493.54	4,100	4,064
	DPL Misato	1-3-5, Inter-Minami, Misato City, Saitama	Real estate in trust	55,864.47	17,900	16,617
	DPL Fukuoka Kasuya	642-1, Aza Sanjyuroku, Oaza Uchihashi, Kasuyamachi, Kasuya District, Fukuoka	Real estate in trust	73,747.85	13,200	13,177
	DPL Kitakyushu	5-14, Sonokitamachi, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	26,672.98	3,580	3,476
	Logistics properties – Subtotal			1,783,961.53	401,951	373,250

I. Asset Management Report

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	9,150	7,143
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,510	4,153
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,390	2,409
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,330	2,310
	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	2,000	2,051
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,210	1,047
	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,360	2,060
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,790	2,750
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,630	2,516
	Castalia Shinjuku Natsumezaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,650	1,746
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,790	1,647
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,200	1,323
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,530	2,337
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,310	1,681
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,590	1,476
	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,580	1,209
	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,410	1,081
	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	1,150	897
	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	1,010	805
	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	993	851
	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	753	650
	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	669	550
	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	551	435
	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,340	885
	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,470	981
	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo	Real estate in trust	1,308.38	1,120	844
	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,770	1,238
	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,520	1,069
	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	791	604
	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	3,400	2,578
	Castalia Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	1,070	809
	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	849	600
	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	564	466
	Castalia Shintomicho IV	3-10-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	681.00	521	390
	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,420	1,145
	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	759	610
	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	3,150	2,706
	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	3,370	2,497
	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	8,540	7,125
	Castalia Higashi Nihonbashi	9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo	Real estate	6,442.28	4,180	3,199
	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,540	2,814
	Castalia Ichigaya	14-4, Ichigaya Yakuoji-machi, Shinjuku Ward, Tokyo	Real estate in trust	1,546.34	1,400	878
	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	9,200	6,573
	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,460	1,940
	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,230	1,852
	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,680	1,395
	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,670	3,996
	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	538	578
	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,180	976
	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,350	1,319
	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,690	1,291
	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	823	708
	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	1,120	869
	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,330	969
	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,440	1,153
	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,130	919
	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	3,020	2,414
	Castalia Kaname-cho	5-26-10 Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,300	1,044
	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	9,190	6,696
	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	842	821
	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	2,060	1,448
	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,250	978
	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	869	752

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	616	470
	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	226	178
	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	1,070	787
	Castalia Wakabayashikoen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	884	742
	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	999	724
	Castalia Iriya	3-1-28, Shitaya, Taito Ward, Tokyo	Real estate in trust	1,415.15	682	514
	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	2,950	2,366
	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	857	607
	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,630	1,280
	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	610	513
	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,260	960
	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,170	860
	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	1,050	834
	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,820	1,963
	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,190	973
	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,540	1,125
	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,450	1,638
	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	9,950	6,037
	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,480	1,570
	Castalia Ooimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,570	1,139
	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,830	1,400
	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,370	1,818
	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,210	1,566
	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	3,010	2,243
	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,690	3,772
	Castalia Meguro Chojyamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,450	1,988
	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,950	1,738
	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,790	1,459
	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,360	1,196
	Royal Parks SEASIR	1-16-2, Nishiari Sakae-cho, Adachi Ward, Tokyo	Real estate in trust	17,269.74	4,980	4,009
	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,830	1,506
	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	2,060	1,657
	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	771	582
	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	810	688
	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	972	737
	Castalia Nozeyama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	744.90	329	294
	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	560	400
	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	6,350	4,819
	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	1,930	1,630
	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo	Real estate in trust	21,367.93	4,770	3,835
	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	11,100	8,273
	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa	Real estate in trust	3,009.74	2,100	1,681
	Royal Parks Musashikosugi	13-8, Aza Shinjuku-kochi, Nakamaruko, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	3,808.97	1,320	973
	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,850	1,297
	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,630	1,200
	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	5,410	3,980
	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,240	902
	Castalia Maruyama Urasando	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	1,522.89	510	358
	Castalia Maruyama Omotesando	21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	6,100.31	1,990	1,523
	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	1,070	832
	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,700	2,911
	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,520	1,056
	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	573	409
	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	951	687
	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	832	596
	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,800	1,937

I. Asset Management Report

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,580	2,351
	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido	Real estate in trust	8,661.19	2,700	1,284
	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	3,180	1,935
	Castalia Meieki Minami	1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	984	651
	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,210	880
	Castalia Mibu	79, Mibu Aiai-cho, Nakagyo Ward, Kyoto City, Kyoto	Real estate in trust	2,828.39	1,520	1,090
	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,780	1,165
	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,670	2,552
	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	3,000	2,473
	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,120	1,569
	Castalia Kyoto Nishioji	100-1, Shichijyo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto	Real estate	2,035.37	1,090	998
	Castalia Ningyocho III	1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo	Real estate in trust	2,897.06	2,550	1,986
	Royal Parks Umejima	5-25-33, Umeda, Adachi Ward, Tokyo	Real estate in trust	6,828.78	2,220	1,955
	Castalia Shinsakae II	1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	4,425.46	2,000	1,827
	Residential properties – Subtotal			472,121.87	292,928	227,274
	ACROSSMALL Shinkamagaya	2-12-1, Shin-Kamagaya, Kamagaya City, Chiba	Real estate in trust	41,742.84	8,530	7,538
	FOLEO Hirakata	1-20-10, Koyamichi, Hirakata City, Osaka	Real estate in trust	16,390.96	4,670	4,467
Retail properties	QIZ GATE URAWA	3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama	Real estate in trust	9,720.49	4,370	4,211
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma	Real estate in trust	9,277.08	3,170	2,941
	ACROSSPLAZA Miyoshi (Land)	855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama	Real estate in trust	24,018.00	3,970	3,740
	DREAM TOWN ALi	3-1-1, Hamada, Aomori City, Aomori	Real estate in trust	22,196.81	8,690	7,898
	ASOBOX (Land)	2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka	Real estate in trust	11,207.90	1,910	1,617
	FOLEO Ome Imai	3-10-9, Imai, Ome City, Tokyo	Real estate in trust	8,637.91	3,950	3,752
	FOLEO Otsu Ichiriyama	7-1-1, Ichiriyama, Otsu City, Shiga	Real estate in trust	62,917.73	8,590	8,031
	FOLEO Hakata	1-14-46, Higashinaka, Hakata Ward, Fukuoka City, Fukuoka	Real estate in trust	23,230.77 (Note 5)	3,680	3,182
	ACROSSMALL Semboku (Land) (Note 7)	5-456-67, Harayamadai, Minami Ward, Sakai City, Osaka	Real estate in trust	30,824.72	3,880	3,383
	iiias Tsukuba	5-19, Kenkyugakuen, Tsukuba City, Ibaraki	Real estate in trust	41,670.12	10,350	10,368
	LIFE Sagamihara Wakamatsu	5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa	Real estate in trust	2,973.44	1,810	1,652
	FOLEO Sendai Miyanomori	4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi	Real estate in trust	19,845.72	7,380	6,837
	ACROSSPLAZA Inazawa (Land)	5-1-1, Otsuka Minami, Inazawa City, Aichi	Real estate in trust	31,981.70	2,560	2,390
	Sports Depo and GOLF5 Kokurahigashi IC Store	2-18-17, Kamikuzuhara, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	8,899.89	2,400	2,169
	Hiratsuka Retail Property (Land)	1-2, Kuryozutsumi, Hiratsuka City, Kanagawa	Real estate in trust	28,002.92	6,650	5,857
	Royal Home Center Morinomiya (Land)	1-540-1, Tamatsukuri, Chuo Ward, Osaka City, Osaka	Real estate in trust	6,669.74	5,260	4,541
	Aoyama Tailor Bunkyo Sengoku Ekimae Store	2-29-21, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	1,066.95	779	770
	FOLEO Shobu	6006-1, Aza Terada, Shobu, Shobucho, Kuki City, Saitama	Real estate in trust	19,104.17	5,050	5,021
	COMBOX310	1-107-1, Miyamachi, Mito City, Ibaraki	Real estate in trust	30,517.69	4,650	4,448
	Retail properties – Subtotal			450,897.55	102,299	94,820
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	2-7-4, Hagoromocho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	7,932.37	5,050	4,780
	Super Hotel JR Nara Station Sanjo Street	500-1, Sanjo-cho, Nara City, Nara	Real estate in trust	2,637.18	1,500	1,467
	Daiwa Roynet Hotel Nagoya Shinkansenguchi	1-23, Tsubakicho, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	7,605.41	4,540	4,536
Hotel properties – Subtotal				18,174.96	11,090	10,785

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Other assets	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba	Real estate in trust	4,177.52	1,280	835
	Aburatsubo Marina HILLS	1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa	Real estate in trust	3,901.14	1,260	1,054
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	1-1-12, Omoromachi, Naha City, Okinawa	Real estate in trust	13,480.00	8,110	7,329
	Sharp Hiroshima Building	2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	3,064.89	1,960	1,830
	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	5-25-21, Omorinishi, Ota Ward, Tokyo	Real estate in trust	1,345.60	1,370	1,390
	Other – Subtotal			25,969.15	13,980	12,441
Total				2,751,125.06	822,248	718,571

- (Notes)
- "Location" means displayed address of each real estate or each real estate in trust. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.
 - "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of August 31, 2019. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
 - "Assessed value at the end of period" is the appraisal value as of August 31, 2019 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Real Estate Institute and JLL Morii Valuation & Advisory K.K.) in accordance with the Articles of Incorporation of DHR as well as "Regulations on Accounting of Investment Corporations." The amounts are rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.
 - "Book value" is the amount recorded on the balance sheets as of August 31, 2019 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
 - Separately from the building of this property, a part of the land of this property is leased to the lessee for the purpose of subleasing to Fukuoka Prefecture and other third parties as land for a police station, etc. The area of such leased land is not included in the leasable area.
 - The sale of property was completed on September 2, 2019.
 - On April 1, 2019, CROSS MALL (Land) changed its name to ACROSSMALL Semboku (Land). The same shall apply hereinafter.

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

Asset class	Property name	26th period (From September 1, 2018 to February 28, 2019)			27th period (From March 1, 2019 to August 31, 2019)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)	(%) (Note 1)	(%) (Note 2)	(%) (Note 1)	(%) (Note 1)	(%) (Note 2)
Logistics properties	D Project Machida	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hachioji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Aikawa-Machi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Shin-Misato (Note 4)	100.0	(Note 3)	(Note 3)	–	(Note 3)	(Note 3)
	D Project Urayasu I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Akanehama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Noda	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gifu (Note 5)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Neyagawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sapporo Minami (Note 5)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Minami (Note 5)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tsuchiura	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gotenba (Note 5)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishi-Hiroshima (Note 5)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Umi	100.0	127,702	0.6	100.0	129,028	0.5
	D Project Tosu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe I	100.0	102,969	0.4	100.0	102,938	0.4
	D Project Kawagoe II	100.0	141,550	0.6	100.0	142,536	0.6
	DPL Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Hakozaki	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki IV	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki V	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki VI	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yashio	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishiyodogawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hibiki Nada	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kazo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kyotanabe	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Oyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sano	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tatebayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kakegawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hiroshima Seifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe IV	100.0	161,065	0.7	100.0	161,023	0.7
	D Project Kuki VII	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Chibakita	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Osaka Hirabayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kaminokawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)

Asset class	Property name	26th period (From September 1, 2018 to February 28, 2019)			27th period (From March 1, 2019 to August 31, 2019)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)	(%) (Note 1)	(%) (Note 2)	(%) (Note 1)	(%) (Note 1)	(%) (Note 2)
Logistics properties	D Project Fuji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji I	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji II	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji III	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Itabashi Shingashi	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Sagamihara	–	–	–	100.0	80,548	0.3
	D Project Kuki VIII	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Yokkaichi	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Ibaraki Ishioka	–	–	–	100.0	(Note 3)	(Note 3)
	DPL Misato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Fukuoka Kasuya	100.0	(Note 3)	(Note 3)	99.6	(Note 3)	(Note 3)
	DPL Kitakyushu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Logistics properties – Subtotal	100.0	10,017,054	43.5	100.0	11,021,257	44.6
	Qiz Ebisu	99.4	235,449	1.0	96.4	235,051	1.0
	Castalia Azabujuban Shichimenzaka	95.5	123,071	0.5	98.6	123,474	0.5
	Castalia Shibakoen	98.9	71,482	0.3	97.5	72,130	0.3
	Castalia Ginza	95.6	67,234	0.3	95.1	69,062	0.3
	Castalia Hiroo	100.0	52,197	0.2	93.5	53,415	0.2
	Castalia Nihonbashi	96.6	38,793	0.2	96.6	38,905	0.2
Residential properties	Castalia Hacchobori	95.2	67,732	0.3	98.4	67,758	0.3
	Castalia Azabujuban	100.0	75,954	0.3	98.5	75,192	0.3
	Castalia Azabujuban II	95.2	68,289	0.3	98.6	69,064	0.3
	Castalia Shinjuku Natsumezaka	100.0	47,741	0.2	98.5	46,145	0.2
	Castalia Ginza II	93.5	51,395	0.2	100.0	51,675	0.2
	Castalia Shibuya Sakuragaoka	100.0	35,276	0.2	90.1	35,457	0.1
	Castalia Nishi Azabu Kasumicho	100.0	70,259	0.3	94.8	72,810	0.3
	Castalia Ochanomizu	100.0	60,403	0.3	97.1	60,724	0.2
	Castalia Sangubashi	100.0	45,406	0.2	95.9	45,701	0.2
	Castalia Suitengu	100.0	46,687	0.2	100.0	45,651	0.2
	Castalia Suitengu II	100.0	42,211	0.2	100.0	42,322	0.2
	Castalia Shintomicho	96.7	33,750	0.1	98.0	33,922	0.1
	Castalia Shintomicho II	100.0	29,168	0.1	94.4	29,309	0.1
	Castalia Harajuku	100.0	28,490	0.1	100.0	27,216	0.1
	Castalia Yoyogi Uehara	100.0	23,030	0.1	100.0	22,647	0.1
	Castalia Sendagaya	100.0	20,331	0.1	100.0	20,084	0.1
	Castalia Shinjuku 7 chome	100.0	18,888	0.1	94.6	19,337	0.1
	Castalia Ningyocho	97.7	36,510	0.2	100.0	38,670	0.2
	Castalia Ningyocho II	100.0	40,954	0.2	100.0	41,333	0.2
	Castalia Shin-Ochanomizu	100.0	33,542	0.1	100.0	32,935	0.1
	Castalia Higashi Nihonbashi II	100.0	51,020	0.2	98.8	51,001	0.2
	Castalia Jinbocho	100.0	43,506	0.2	98.4	42,928	0.2
	Castalia Shintomicho III	97.7	25,633	0.1	100.0	24,893	0.1
	Castalia Shinjuku Gyoen	100.0	83,844	0.4	100.0	83,827	0.3
	Castalia Takanawadai	100.0	30,491	0.1	100.0	30,847	0.1
	Castalia Higashi Nihonbashi III	100.0	24,336	0.1	100.0	24,352	0.1
	Castalia Shinjuku Gyoen II	100.0	16,261	0.1	100.0	16,554	0.1
	Castalia Shintomicho IV	95.0	16,669	0.1	100.0	16,137	0.1
	Castalia Takanawadai II	100.0	39,898	0.2	100.0	40,282	0.2
	Castalia Minami Azabu	100.0	21,472	0.1	95.8	20,455	0.1
	Castalia Ginza III	98.7	87,858	0.4	98.8	86,566	0.4
	Castalia Kayabacho	98.9	97,448	0.4	100.0	98,193	0.4
	Castalia Takanawa	97.6	251,183	1.1	98.5	253,869	1.0
	Castalia Higashi Nihonbashi	100.0	142,962	0.6	100.0	142,978	0.6
	Castalia Shinjuku	100.0	92,554	0.4	100.0	92,554	0.4

Asset class	Property name	26th period (From September 1, 2018 to February 28, 2019)			27th period (From March 1, 2019 to August 31, 2019)		
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		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Ichigaya	100.0	40,263	0.2	96.5	41,111	0.2
	Shibaura Island Bloom Tower	98.4	393,935	1.7	97.5	397,688	1.6
	Castalia Hatsudai	97.2	69,914	0.3	97.5	71,707	0.3
	Castalia Hatsudai II	100.0	60,375	0.3	100.0	61,032	0.2
	Castalia Ebisu	100.0	42,855	0.2	97.5	44,540	0.2
	Castalia Meguro Kamurozaka	94.5	126,414	0.5	95.9	133,732	0.5
	Castalia Toritsudaigaku	96.9	20,011	0.1	92.8	20,646	0.1
	Castalia Yukigaya	98.4	35,578	0.2	100.0	35,926	0.1
	Castalia Yutenji	100.0	36,918	0.2	89.5	36,605	0.1
	Castalia Otsuka	95.5	46,255	0.2	98.7	47,718	0.2
	Castalia Kikukawa	100.0	27,465	0.1	98.0	31,611	0.1
	Castalia Meguro	95.8	30,982	0.1	95.8	32,001	0.1
	Castalia Otsuka II	97.7	39,288	0.2	98.3	37,585	0.2
	Castalia Jiyugaoka	95.0	39,425	0.2	97.7	39,530	0.2
	Castalia Mejiro	100.0	34,529	0.2	100.0	34,770	0.1
	Castalia Ikebukuro	100.0	88,564	0.4	98.3	87,855	0.4
	Castalia Kaname-cho	98.6	39,117	0.2	98.6	40,013	0.2
	Castalia Tower Shinagawa Seaside	97.5	279,613	1.2	98.9	280,796	1.1
	Castalia Yakumo	100.0	25,863	0.1	100.0	25,095	0.1
	Castalia Togoshiekimae	100.0	51,462	0.2	100.0	51,485	0.2
	Castalia Honjo Azumabashi	94.3	39,237	0.2	96.5	38,484	0.2
	Castalia Kitazawa	93.3	25,173	0.1	100.0	26,457	0.1
	Castalia Monzennakacho	100.0	17,589	0.1	100.0	17,790	0.1
	Castalia Kamiikedai	100.0	7,800	0.0	100.0	7,905	0.0
	Castalia Morishita	100.0	33,236	0.1	97.1	32,043	0.1
	Castalia Wakabayashikoen	100.0	28,552	0.1	100.0	28,166	0.1
	Castalia Asakusabashi	94.7	32,700	0.1	98.0	32,818	0.1
	Castalia Iriya	100.0	22,639	0.1	100.0	22,653	0.1
	Castalia Kita Ueno	98.4	90,741	0.4	99.0	91,751	0.4
	Castalia Morishita II	100.0	28,702	0.1	100.0	29,284	0.1
	Castalia Minowa	97.9	49,625	0.2	98.4	51,992	0.2
	Castalia Oyamadai	94.2	17,130	0.1	100.0	18,123	0.1
	Castalia Nakano	100.0	37,118	0.2	97.2	36,551	0.1
	Castalia Yoga	97.2	32,399	0.1	96.6	33,633	0.1
	Castalia Sumiyoshi	98.1	35,613	0.2	100.0	33,464	0.1
	Castalia Monzennakacho II	100.0	69,444	0.3	97.2	69,976	0.3
	Castalia Oshiage	100.0	36,404	0.2	100.0	40,118	0.2
	Castalia Kuramae	100.0	44,458	0.2	100.0	43,807	0.2
	Castalia Nakanobu	92.1	70,154	0.3	94.3	65,539	0.3
	Royal Parks Toyosu	100.0	334,281	1.5	100.0	335,216	1.4
	Castalia Togoshi	99.1	75,882	0.3	98.3	75,549	0.3
	Castalia Ooimachi	100.0	39,156	0.2	100.0	39,748	0.2
	Castalia Omori	96.8	53,367	0.2	96.9	53,779	0.2
	Castalia Mishuku	94.8	69,159	0.3	98.9	70,002	0.3
	Castalia Arakawa	96.8	67,666	0.3	94.9	67,624	0.3
	Castalia Omori II	97.8	78,962	0.3	99.3	83,459	0.3
	Castalia Nakameguro	98.4	119,700	0.5	96.4	116,713	0.5
	Castalia Meguro Chojyamaru	98.8	64,900	0.3	97.0	64,180	0.3
	Castalia Meguro Takaban	96.8	53,983	0.2	98.3	54,809	0.2
	Castalia Omori III	98.7	49,171	0.2	98.8	49,973	0.2
	Morino Tonari (Note 6)	–	17,165	0.1	–	–	–
	Castalia Meguro Tairamachi	95.2	33,511	0.1	100.0	33,940	0.1
	Royal Parks SEASIR	100.0	245,852	1.1	100.0	245,883	1.0
	Castalia Honkomagome	100.0	50,744	0.2	96.6	50,293	0.2
	Cosmo Heim Musashikosugi	100.0	59,004	0.3	100.0	59,048	0.2
	Castalia Tsurumi	97.0	27,800	0.1	96.9	27,867	0.1

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		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Funabashi	95.5	30,827	0.1	98.9	30,876	0.1
	Castalia Nishi Funabashi	100.0	33,789	0.1	96.3	34,033	0.1
	Castalia Nozeyama	100.0	14,713	0.1	100.0	14,667	0.1
	Castalia Ichikawa	100.0	19,681	0.1	100.0	19,698	0.1
	Royal Parks Hanakoganei	100.0	246,140	1.1	100.0	246,583	1.0
	Castalia Musashikosugi	100.0	58,186	0.3	94.1	57,134	0.2
	Royal Parks Wakabadai	100.0	266,030	1.2	100.0	275,594	1.1
	Pacific Royal Court Minatomirai Urban Tower	100.0	520,501	2.3	100.0	520,105	2.1
	L-Place Shinkoyasu	100.0	57,036	0.2	100.0	56,964	0.2
	Royal Parks Musashikosugi	100.0	68,338	0.3	100.0	68,136	0.3
	Castalia Sakaisuji Honmachi	96.8	61,610	0.3	95.8	61,418	0.2
	Castalia Shin-Umeda	95.8	56,648	0.2	97.2	55,197	0.2
	Castalia Abeno	100.0	179,731	0.8	97.5	176,916	0.7
	Castalia Sakae	96.4	44,799	0.2	100.0	46,126	0.2
	Castalia Maruyama Urasando	95.4	19,845	0.1	97.7	19,522	0.1
	Castalia Maruyama Omotesando	90.7	75,389	0.3	84.4	71,781	0.3
	Castalia Higashi Hie	96.8	43,309	0.2	96.8	43,938	0.2
	Castalia Tower Nagahoribashi	98.2	166,248	0.7	96.0	159,778	0.6
	Castalia Sannomiya	99.1	52,777	0.2	94.7	53,073	0.2
	Castalia Kotodaikoen	97.6	23,875	0.1	100.0	24,838	0.1
	Castalia Ichibancho	100.0	38,858	0.2	96.8	38,628	0.2
	Castalia Omachi	97.2	34,025	0.1	97.2	33,584	0.1
	Castalia Uemachidai	98.6	89,261	0.4	91.5	87,408	0.4
	Castalia Tower Higobashi	95.6	133,124	0.6	96.8	132,824	0.5
	Big Tower Minami Sanjo	94.6	110,220	0.5	90.3	110,352	0.4
	Castalia Fushimi	96.5	107,179	0.5	87.0	101,530	0.4
	Castalia Meieki Minami	95.9	32,034	0.1	95.8	31,674	0.1
	Castalia Yakuin	99.2	42,223	0.2	100.0	42,553	0.2
	Castalia Mibu	96.3	51,425	0.2	98.8	53,195	0.2
	Castalia Tsutsujigaoka	99.0	60,090	0.3	98.7	61,437	0.2
	Castalia Ohori Bay Tower	51.8	147,473	0.6	48.9	145,532	0.6
	Royal Parks Namba	100.0	135,660	0.6	100.0	137,878	0.6
	Castalia Shigahondori	97.2	74,484	0.3	90.3	71,412	0.3
	Castalia Kyoto Nishioji	100.0	33,923	0.1	98.8	34,885	0.1
	Castalia Ningyocho III	100.0	74,043	0.3	100.0	70,360	0.3
	Royal Parks Umejima	100.0	102,852	0.4	100.0	103,407	0.4
	Castalia Shinsakae II	100.0	60,503	0.3	100.0	61,301	0.2
	Residential properties – Subtotal	97.4	9,544,130	41.5	96.7	9,549,910	38.6
Retail properties	ACROSSMALL Shinkamagaya	100.0	276,055	1.2	100.0	279,700	1.1
	FOLEO Hirakata	92.8	269,536	1.2	92.8	264,820	1.1
	QiZ GATE URAWA	100.0	214,539	0.9	99.7	223,331	0.9
	UNICUS Takasaki	100.0	129,870	0.6	100.0	129,870	0.5
	ACROSSPLAZA Miyoshi (Land)	100.0	94,284	0.4	100.0	94,284	0.4
	DREAM TOWN ALI	100.0	392,653	1.7	100.0	394,677	1.6
	ASOBOX (Land)	100.0	47,076	0.2	100.0	47,076	0.2
	FOLEO Ome Imai	100.0	128,820	0.6	100.0	128,820	0.5
	FOLEO Otsu Ichiriyama	100.0	322,633	1.4	100.0	323,066	1.3
	FOLEO Hakata	100.0	126,216	0.5	100.0	126,216	0.5
	ACROSSMALL Semboku (Land)	100.0	42,388	0.2	100.0	90,606	0.4
	iiias Tsukuba	–	–	–	100.0	261,583	1.1
	LIFE Sagamihara Wakamatsu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Sendai Miyanomori	100.0	238,500	1.0	100.0	238,682	1.0
	ACROSSPLAZA Inazawa (Land)	100.0	69,660	0.3	100.0	69,660	0.3
	Sports Depo and GOLF5 Kokurahigashi IC Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)

Asset class	Property name	26th period (From September 1, 2018 to February 28, 2019)			27th period (From March 1, 2019 to August 31, 2019)		
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		(%) (Note 1)			(%) (Note 1)		
Retail properties	Hiratsuka Retail Property (Land)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Royal Home Center Morinomiya (Land)	100.0	103,488	0.4	100.0	103,488	0.4
	Aoyama Tailor Bunkyo Sengoku Ekimae Store	–	–	–	100.0	(Note 3)	(Note 3)
	FOLEO Shobu	–	–	–	100.0	127,506	0.5
	COMBOX310	100.0	69,600	0.3	100.0	148,800	0.6
	Retail properties – Subtotal	99.7	2,789,389	12.1	99.7	3,335,242	13.5
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	100.0	168,331	0.7	100.0	155,998	0.6
	Super Hotel JR Nara Station Sanjo Street	100.0	24,900	0.1	100.0	52,210	0.2
	Daiwa Roynet Hotel Nagoya Shinkansenguchi	–	–	–	100.0	102,200	0.4
	Hotel properties – Subtotal	100.0	193,231	0.8	100.0	310,408	1.3
Other assets	Urban Living Inage	100.0	39,060	0.2	100.0	39,060	0.2
	Aburatsubo Marina HILLS	100.0	43,749	0.2	100.0	43,749	0.2
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	100.0	328,739	1.4	100.0	331,818	1.3
	Sharp Hiroshima Building	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	–	–	–	100.0	(Note 3)	(Note 3)
	Other – Subtotal	100.0	469,751	2.0	100.0	506,135	2.0
	Total	99.5	23,013,558	100.0	99.4	24,722,954	100.0

(Notes) 1. "Occupancy rate (as of the end of period)" is the leased floor space expressed as a percentage of the leasable floor space of each real estate or each real estate in trust as of February 28, 2019 and August 31, 2019, rounded to the first decimal place.
2. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of total rental revenues from the entire portfolio, rounded to the first decimal place.
3. Undisclosed as consent for disclosure has not been obtained from the lessee.
4. The sale of property was completed on August 30, 2019.
5. The sale of property was completed on September 2, 2019.
6. The sale of property was completed on December 7, 2018.

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

Not applicable.

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

Not applicable.

(6) Summary of Outstanding Contracted Amount and Fair Value of Specified Transactions

The following summarizes contracted amount and fair value of specified transactions of DHR as of August 31, 2019.

Category	Type	Contracted amount (Yen in thousands) (Note 1)		Fair value (Yen in thousands) (Note 2) (Note 3)
			Portion due after one year	
Transaction other than market transaction	Interest rate swap transaction Receipt: floating interest rate Payment: fixed interest rate	106,168,000	88,758,000	(1,607,252)
	Total	106,168,000	88,758,000	(1,607,252)

(Notes) 1. "Contracted amount" is based on the notional principal amount.
2. "Fair value" is quoted by counterparties based on the prevailing market interest rate.
3. With respect to fair value amounts, the transactions for which the special treatment for interest rate swap contracts under the accounting standard for financial instruments is applied are not carried at fair value in the balance sheets.

(7) Status of Other Assets

Real estate and trust beneficiary interests in real estate are all listed in "(3) Description of Portfolio" presented earlier in this report. The following are other specified assets as of August 31, 2019.

(Yen in thousands)

Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remark
Government bonds	30-year principal- stripped government bonds (Series 27)	10,000	9,377	–	–	9,931	553	Deposited as business security deposit
	Total	10,000	9,377	–	–	9,931	553	

(8) Holding of Assets by Country and Region

Not applicable.

4. Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc. for owned properties (real estate, real estate in trust, etc.) as of August 31, 2019. The estimated construction cost includes the portion charged to expenses.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Yen in thousands)		
			Total amount	Payment during the period	Total amount paid
DPL Fukuoka Kasuya (Kasuya District, Fukuoka)	Installment of LED lights in the exclusive area	From July 2019 to September 2019	118,800	35,640	35,640
Qiz Ebisu (Shibuya Ward, Tokyo)	Tenant sign renewal	From April 2019 to November 2019	106,704	28,188	28,188
	Large-scale renovations	From October 2018 to November 2019	292,680	146,340	146,340
Castalia Nihonbashi (Chuo Ward, Tokyo)	Large-scale renovations	From November 2019 to February 2020	42,790	—	—
Castalia Hatsudai (Shibuya Ward, Tokyo)	Large-scale renovations	From September 2019 to February 2020	91,300	—	—
Castalia Tower Shinagawa Seaside (Shinagawa Ward, Tokyo)	Large-scale renovations	From August 2019 to March 2020	207,360	—	—
Castalia Nakano (Nakano Ward, Tokyo)	Large-scale renovations	From November 2019 to March 2020	41,472	—	—
Royal Parks Musashikosugi (Kawasaki City, Kanagawa)	Preventive maintenance construction in mechanical parking lots	From September 2019 to September 2019	12,734	—	—
Castalia Uemachidai (Osaka City, Osaka)	Large-scale renovations	From October 2019 to February 2020	126,940	—	—
DREAM TOWN ALi (Aomori City, Aomori)	HVAC renewal in the common area	From October 2019 to November 2019	94,050	—	—

(2) Capital Expenditures during the Period

For owned properties (real estate, real estate in trust, etc.), an overview of major construction work conducted during the current fiscal period that falls into DHR's capital expenditures is as follows. Capital expenditures during the current fiscal period were ¥778,741 thousand together with ¥833,301 thousand in repairs and maintenance expenses and ¥301,418 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥1,913,461 thousand in construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
D Project Morioka (Takizawa City, Iwate)	Disaster recovery	From June 2019 to August 2019	27,181
Castalia Ichigaya (Shinjuku Ward, Tokyo)	Large-scale renovations	From March 2019 to June 2019	22,500
Royal Parks Hanakoganei (Kodaira City, Tokyo)	Large-scale renovations	From February 2019 to August 2019	100,022
ACROSSMALL Shinkamagaya (Kamagaya City, Chiba)	Groundwater usage facilities installation construction	From November 2018 to March 2019	78,100

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

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

Operating period	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018	25th period From March 1, 2018 to August 31, 2018	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019
Balance of reserves at the beginning of period	1,298,495	1,439,455	1,470,535	1,509,615	1,548,695
Amount of reserves during period	140,960	39,080	39,080	39,080	39,080
Amount of reversal of reserves during period	—	8,000	—	—	—
Reserves carried forward	1,439,455	1,470,535	1,509,615	1,548,695	1,587,775

5. Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

Item	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019
Asset management fees (Note)	1,519,464	1,623,154
Asset custody fees	33,727	36,240
Administrative service fees	89,196	92,336
Directors' remuneration	6,600	6,600
Other expenses	351,000	372,568
Total	1,999,989	2,130,899

(Note) As for the asset management fees, in addition to the amount shown above, there were a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥39,900 thousand and a management fee for sale of properties of ¥6,000 thousand for the 26th period, and a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥167,725 thousand and a management fee for sale of properties of ¥14,387 thousand for the 27th period.

(2) Debt Financing

The status of loans per financial institution as of August 31, 2019 is as follows:

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
MUFG Bank, Ltd.	March 27, 2012	4,000,000	—	1.07% (Note 3)	March 27, 2019	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		2,000,000	—					
Aozora Bank, Ltd.		2,000,000	—					
The Norinchukin Bank		1,000,000	—					
The Chiba Bank, Ltd.	March 31, 2016	600,000	—	0.26%	March 29, 2019	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		500,000	—					
Mizuho Bank, Ltd.		500,000	—					
The Shizuoka Bank, Ltd.		500,000	—					
The Bank of Fukuoka, Ltd.		500,000	—					
Sumitomo Mitsui Banking Corporation		3,260,000	3,260,000					
Sumitomo Mitsui Trust Bank, Limited	January 31, 2013 and February 28, 2013	4,430,000	4,430,000	0.96% (Note 2)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		2,700,000	2,700,000					
MUFG Bank, Ltd.		2,260,000	2,260,000					
Mizuho Bank, Ltd.		1,930,000	1,930,000					
Mizuho Trust & Banking Co., Ltd.		1,830,000	1,830,000					
The Norinchukin Bank		1,000,000	1,000,000					
Development Bank of Japan Inc.	January 31, 2013	1,500,000	1,500,000	0.96% (Note 3)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		2,000,000	2,000,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	November 29, 2012	2,000,000	2,000,000	1.29% (Note 3)	November 29, 2019	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.		2,000,000	2,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Current portion of long-term loans	Sumitomo Mitsui Trust Bank, Limited	September 30, 2016	–	950,000	0.21%	March 31, 2020	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		–	1,950,000					
	Sumitomo Mitsui Banking Corporation		–	950,000					
	Mizuho Bank, Ltd.		–	950,000					
	Resona Bank, Limited		–	800,000					
	The Norinchukin Bank		–	500,000					
	The Chiba Bank, Ltd.		–	500,000					
	Shinsei Bank, Limited		–	300,000					
	Mitsui Sumitomo Insurance Company, Limited	April 1, 2015	–	1,000,000	0.57% (Note 3)	April 1, 2020	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Subtotal	–	40,510,000	36,810,000	–	–	–	–	–
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.90% (Note 2)	January 31, 2021	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	January 30, 2015	936,000	936,000	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,599,000	1,599,000					
	The Norinchukin Bank		1,510,000	1,510,000					
	Aozora Bank, Ltd.		1,169,000	1,169,000					
	Mizuho Bank, Ltd.		603,000	603,000					
	Mizuho Trust & Banking Co., Ltd.		454,000	454,000					
	MUFG Bank, Ltd.		437,000	437,000					
	The Chiba Bank, Ltd.		150,000	150,000					
	Development Bank of Japan Inc.	January 30, 2015	2,000,000	2,000,000	0.88% (Note 3)	January 31, 2024	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	May 1, 2015	2,030,000	2,030,000	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Long-term loans	Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
	The Norinchukin Bank		1,600,000	1,600,000					
	Aozora Bank, Ltd.		1,192,000	1,192,000					
	Mizuho Bank, Ltd.		1,017,000	1,017,000					
	MUFG Bank, Ltd.		907,500	907,500					
	Mizuho Trust & Banking Co., Ltd.		524,000	524,000					
	Nippon Life Insurance Company		500,000	500,000					
	Development Bank of Japan Inc.		400,000	400,000					
	The Shizuoka Bank, Ltd.		260,000	260,000					
	The Chiba Bank, Ltd.		215,000	215,000					
	Sumitomo Mitsui Banking Corporation	December 28, 2015	1,800,000	1,800,000	0.59% (Note 2)	December 28, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		3,200,000	3,200,000					
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Mizuho Bank, Ltd.		1,800,000	1,800,000					
	Resona Bank, Limited		1,400,000	1,400,000					
	Shinsei Bank, Limited		500,000	500,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000,000	2,000,000	1.50% (Note 2)	March 27, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	500,000	1.05% (Note 2)	April 1, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	April 1, 2014	500,000	500,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Bank, Ltd.	April 1, 2014	1,000,000	1,000,000	1.52% (Note 2)	April 1, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Development Bank of Japan Inc.		500,000	500,000					
Long-term loans	Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	500,000	2.03% (Note 2)	April 1, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Development Bank of Japan Inc.	September 30, 2014	500,000	500,000	1.00% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Nippon Life Insurance Company		1,000,000	1,000,000					
	Mitsui Sumitomo Insurance Company, Limited		1,000,000	–	0.57% (Note 3)	April 1, 2020	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.87% (Note 2)	October 3, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.99% (Note 2)	October 2, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Resona Bank, Limited	April 1, 2015	1,000,000	1,000,000	1.23% (Note 2)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	MUFG Bank, Ltd.	April 1, 2015	1,000,000	1,000,000	1.18% (Note 3)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	MUFG Bank, Ltd.	April 1, 2015	3,000,000	3,000,000	1.46% (Note 3)	April 1, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Development Bank of Japan Inc.		1,500,000	1,500,000					

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Trust Bank, Limited	September 28, 2015	1,000,000	1,000,000	0.65% (Note 2)	September 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Nippon Life Insurance Company	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.51% (Note 2)	November 30, 2021	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
MUFG Bank, Ltd.		3,000,000	3,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.71% (Note 2)	May 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.97% (Note 2)	May 30, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	September 28, 2016	1,500,000	1,500,000	0.63% (Note 3)	September 29, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,500,000	1,500,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Mizuho Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		500,000	500,000					
Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
Development Bank of Japan Inc.	September 28, 2016	1,000,000	1,000,000	0.69% (Note 3)	September 28, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed

Long-term loans

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Trust Bank, Limited	September 30, 2016	950,000	—	0.21%	March 31, 2020	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,950,000	—					
Sumitomo Mitsui Banking Corporation		950,000	—					
Mizuho Bank, Ltd.		950,000	—					
Resona Bank, Limited		800,000	—					
The Norinchukin Bank		500,000	—					
The Chiba Bank, Ltd.		500,000	—					
Shinsei Bank, Limited		300,000	—					
Sumitomo Mitsui Banking Corporation	September 30, 2016	1,700,000	1,700,000	0.41% (Note 3)	March 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,700,000	2,700,000					
Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
Mizuho Bank, Ltd.		1,700,000	1,700,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		800,000	800,000					
Shinsei Bank, Limited		300,000	300,000					
MUFG Bank, Ltd.		2,800,000	2,800,000					
Sumitomo Mitsui Trust Bank, Limited	September 30, 2016	1,800,000	1,800,000	0.48% (Note 3)	March 29, 2024	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		900,000	900,000					
Shinsei Bank, Limited		400,000	400,000					
Sumitomo Mitsui Banking Corporation		3,000,000	3,000,000					
Mizuho Bank, Ltd.		3,000,000	3,000,000					
MUFG Bank, Ltd.	November 29, 2016	5,000,000	5,000,000	0.87% (Note 3)	November 30, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Development Bank of Japan Inc.	March 9, 2017	2,000,000	2,000,000	0.85% (Note 3)	March 31, 2027	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	March 9, 2017	1,000,000	1,000,000	0.55% (Note 3)	March 29, 2024	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.	March 31, 2017	4,000,000	4,000,000	0.57% (Note 3)	September 29, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		4,000,000	4,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	March 31, 2017	4,000,000	4,000,000	0.70% (Note 3)	March 31, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		2,500,000	2,500,000					
Shinkin Central Bank		2,000,000	2,000,000					
MUFG Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		1,000,000	1,000,000					

Long-term loans

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Banking Corporation	April 11, 2017	2,200,000	2,200,000	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,600,000	1,600,000					
	Sumitomo Mitsui Trust Bank, Limited		1,600,000	1,600,000					
	Mizuho Bank, Ltd.		1,600,000	1,600,000					
	The Norinchukin Bank		1,500,000	1,500,000					
	Nippon Life Insurance Company		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	April 11, 2017	1,800,000	1,800,000	0.76% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		2,200,000	2,200,000					
	Mizuho Bank, Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		1,100,000	1,100,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Shinsei Bank, Limited		1,000,000	1,000,000					
	The Bank of Fukuoka, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		700,000	700,000					
	Sumitomo Mitsui Banking Corporation	April 11, 2017	2,100,000	2,100,000	1.02% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		3,700,000	3,700,000					
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Mizuho Bank, Ltd.		1,800,000	1,800,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	Sumitomo Mitsui Trust Bank, Limited	July 31, 2017	3,400,000	3,400,000	0.89% (Note 3)	July 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		3,400,000	3,400,000					
	Mizuho Bank, Ltd.		3,400,000	3,400,000					
	MUFG Bank, Ltd.		1,900,000	1,900,000					
	Sumitomo Mitsui Banking Corporation		2,500,000	2,500,000					
	MUFG Bank, Ltd.	November 29, 2017	2,000,000	2,000,000	0.90% (Note 3)	November 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Development Bank of Japan Inc.		3,000,000	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited		2,500,000	2,500,000					
	Mizuho Bank, Ltd.		2,500,000	2,500,000					
	The 77 Bank, Ltd.		1,000,000	1,000,000					
	The Nishi-Nippon City Bank, Ltd.		1,000,000	1,000,000					
	The Iyo Bank, Ltd.		500,000	500,000					
	The Bank of Kyoto, Ltd.		500,000	500,000					
	The Chugoku Bank, Limited		500,000	500,000					
	Mitsui Sumitomo Insurance Company, Limited	March 27, 2018	1,000,000	1,000,000	0.44% (Note 3)	March 31, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.	March 27, 2018	1,500,000	1,500,000	0.75% (Note 3)	September 30, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Nippon Life Insurance Company	April 10, 2018	1,000,000	1,000,000	0.43% (Note 3)	September 9, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Long-term loans	Development Bank of Japan Inc.	April 10, 2018	2,000,000	2,000,000	0.65% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	1,000,000	1,000,000	0.42% (Note 3)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		500,000	500,000					
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	The Chiba Bank, Ltd.		500,000	500,000					
	The 77 Bank, Ltd.		500,000	500,000					
	The Nishi-Nippon City Bank, Ltd.		500,000	500,000					
	The Shizuoka Bank, Ltd.		500,000	500,000					
	The Iyo Bank, Ltd.		500,000	500,000					
	The Bank of Kyoto, Ltd.		500,000	500,000					
	The Chugoku Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	500,000	500,000	0.52% (Note 3)	April 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Aozora Bank, Ltd.		500,000	500,000					
	The Norinchukin Bank		500,000	500,000					
	Shinsei Bank, Limited	April 10, 2018	500,000	500,000	0.60% (Note 3)	April 30, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Shinkin Central Bank		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000					
	Mizuho Bank, Ltd.		500,000	500,000					
	Aozora Bank, Ltd.	April 10, 2018	500,000	500,000	0.60% (Note 3)	April 30, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	The Norinchukin Bank		500,000	500,000					
	Resona Bank, Limited		500,000	500,000					
	Shinsei Bank, Limited		500,000	500,000					
	Shinkin Central Bank		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	3,000,000	3,000,000	0.89% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		3,000,000	3,000,000					
	Mizuho Bank, Ltd.		2,500,000	2,500,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Resona Bank, Limited		500,000	500,000					
	The Dai-ichi Life Insurance Company, Limited	September 27, 2018	1,000,000	1,000,000	0.43% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Taiyo Life Insurance Company	September 27, 2018	1,000,000	1,000,000	0.60% (Note 3)	September 30, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	December 7, 2018	1,100,000	1,100,000	0.88% (Note 3)	December 29, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,100,000	1,100,000					
Mizuho Bank, Ltd.		1,100,000	1,100,000					
Japan Post Insurance Co., Ltd.		1,100,000	1,100,000					
MUFG Bank, Ltd.		600,000	600,000					
Sumitomo Mitsui Trust Bank, Limited	March 27, 2019	—	1,000,000	0.24%	August 31, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		—	1,000,000					
MUFG Bank, Ltd.		—	1,000,000					
Mizuho Bank, Ltd.		—	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		—	2,200,000					
Aozora Bank, Ltd.	March 29, 2019	—	1,500,000	0.43% (Note 3)	September 30, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
The Norinchukin Bank		—	1,100,000					
Sumitomo Mitsui Banking Corporation		—	700,000					
The Chiba Bank, Ltd.		—	600,000					
Mizuho Bank, Ltd.		—	500,000					
The Bank of Fukuoka, Ltd.		—	500,000					
The Shizuoka Bank, Ltd.		—	500,000					
Mitsui Sumitomo Insurance Company, Limited	April 5, 2019	—	1,000,000	0.45% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Nippon Life Insurance Company	April 5, 2019	—	500,000	0.50% (Note 3)	April 30, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 5, 2019	—	1,500,000	0.59% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	April 10, 2019	—	1,500,000	0.29%	October 31, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		—	1,500,000					
MUFG Bank, Ltd.		—	1,500,000					
Mizuho Bank, Ltd.		—	1,500,000					
Sumitomo Mitsui Banking Corporation	April 10, 2019	—	1,000,000	0.39% (Note 3)	October 31, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Norinchukin Bank		—	1,100,000					
Sumitomo Mitsui Trust Bank, Limited		—	1,000,000					
Shinsei Bank, Limited		—	1,000,000					
Shinkin Central Bank		—	1,000,000					
The Bank of Fukuoka, Ltd.		—	500,000					
The Chiba Bank, Ltd.		—	500,000					
The 77 Bank, Ltd.		—	500,000					
THE NISHI-NIPPON CITY BANK, LTD.		—	500,000					
The Iyo Bank, Ltd.		—	500,000					
The Chugoku Bank, Limited		—	500,000					

Long-term loans

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 10, 2019	—	2,500,000	0.75% (Note 2)	April 27, 2029	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		—	2,700,000					
Sumitomo Mitsui Trust Bank, Limited		—	2,500,000					
Resona Bank, Limited		—	1,000,000					
Mizuho Trust & Banking Co., Ltd.		—	1,000,000					
MUFG Bank, Ltd.		—	700,000					
Subtotal	—	261,758,000	292,958,000	—	—	—	—	—
Total	—	302,268,000	329,768,000	—	—	—	—	—

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

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of August 31, 2019 is as follows:

Issue name	Issue date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Interest rate	Maturity	Method of redemption	Use	Note
Daiwa House REIT Investment Corporation 1st Unsecured Investment Corporation Bonds (Note 1)	December 24, 2014	2,000,000	2,000,000	0.826%	December 24, 2024	Bullet repayment	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation 2nd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.35%	January 22, 2021	Bullet repayment	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation 3rd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.67%	January 22, 2025	Bullet repayment	(Note 3)	Unsecured
Daiwa House REIT Investment Corporation 5th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.24%	December 20, 2021	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 6th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.57%	December 18, 2026	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 7th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	2,000,000	2,000,000	0.69%	July 30, 2030	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 8th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	1,000,000	1,000,000	1.03%	July 30, 2038	Bullet repayment	(Note 2)	Unsecured
Total	—	19,000,000	19,000,000	—	—	—	—	—

(Notes) 1. The bonds have pari passu conditions among specified investment corporation bonds.
2. To be used for repayment of existing loans.
3. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(4) Short-Term Investment Corporation Bonds

Not applicable.

(5) Unit Acquisition Rights

Not applicable.

6. Status of Acquisition and Sale during the Period

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

Property name	Acquisition		Sale			
	Acquisition date	Acquisition price (Yen in millions) (Note 1)	Sale date	Sale price (Yen in millions) (Note 1)	Book value (Yen in millions)	Gain or loss on sale (Yen in millions) (Note 2)
Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	March 12, 2019	1,380	—	—	—	—
D Project Kitahachioji I	April 5, 2019	4,300	—	—	—	—
D Project Kitahachioji II	April 5, 2019	5,700	—	—	—	—
D Project Kitahachioji III	April 5, 2019	7,300	—	—	—	—
iias Tsukuba	April 5, 2019	10,320	—	—	—	—
Aoyama Tailor Bunkyo Sengoku Ekimae Store	April 5, 2019	750	—	—	—	—
FOLEO Shobu	April 5, 2019	5,000	—	—	—	—
Daiwa Roynet Hotel Nagoya Shinkansenguchi	April 5, 2019	4,500	—	—	—	—
D Project Itabashi Shingashi	April 10, 2019	12,300	—	—	—	—
D Project Sagamihara	April 10, 2019	3,900	—	—	—	—
D Project Kuki VIII	April 10, 2019	6,100	—	—	—	—
D Project Yokkaichi	April 10, 2019	1,490	—	—	—	—
D Project Ibaraki Ishioka	April 10, 2019	4,050	—	—	—	—
D Project Shin-Misato	—	—	August 30, 2019	5,755	5,584	154
Total		67,090		5,755	5,584	154

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

(2) Transaction of Other Assets

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

(3) Review on Value of Specified Assets

Properties, etc.

Acquisition or sale	Property name	Transaction date	Type of assets	Acquisition price or sale price (Yen in millions) (Note 1)	Appraisal value (Yen in millions) (Note 2)	Appraisal agency (Note 2)	Date of value appraised (Note 2)
Acquisition	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	March 12, 2019	Trust beneficiary interests in real estate	1,380	1,380	Daiwa Real Estate Appraisal Co., Ltd.	December 31, 2018
Acquisition	D Project Kitahachioji I	April 5, 2019	Trust beneficiary interests in real estate	4,300	4,360	Japan Real Estate Institute	December 31, 2018
Acquisition	D Project Kitahachioji II	April 5, 2019	Trust beneficiary interests in real estate	5,700	5,760	Japan Real Estate Institute	December 31, 2018
Acquisition	D Project Kitahachioji III	April 5, 2019	Trust beneficiary interests in real estate	7,300	7,450	Japan Real Estate Institute	December 31, 2018
Acquisition	ias Tsukuba	April 5, 2019	Trust beneficiary interests in real estate	10,320	10,320	Japan Real Estate Institute	December 31, 2018
Acquisition	Aoyama Tailor Bunkyo Sengoku Ekimae Store	April 5, 2019	Trust beneficiary interests in real estate	750	762	Japan Real Estate Institute	December 31, 2018
Acquisition	FOLEO Shobu	April 5, 2019	Trust beneficiary interests in real estate	5,000	5,050	Japan Real Estate Institute	December 31, 2018
Acquisition	Daiwa Roynet Hotel Nagoya Shinkansenguchi	April 5, 2019	Trust beneficiary interests in real estate	4,500	4,540	Daiwa Real Estate Appraisal Co., Ltd.	December 31, 2018
Acquisition	D Project Itabashi Shingashi	April 10, 2019	Trust beneficiary interests in real estate	12,300	12,400	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2018
Acquisition	D Project Sagamihara	April 10, 2019	Trust beneficiary interests in real estate	3,900	3,940	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2018
Acquisition	D Project Kuki VIII	April 10, 2019	Trust beneficiary interests in real estate	6,100	6,110	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2018
Acquisition	D Project Yokkaichi	April 10, 2019	Trust beneficiary interests in real estate	1,490	1,500	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2018
Acquisition	D Project Ibaraki Ishioka	April 10, 2019	Trust beneficiary interests in real estate	4,050	4,090	The Tanizawa Sōgō Appraisal Co., Ltd.	December 31, 2018
Sale	D Project Shin-Misato	August 30, 2019	Trust beneficiary interests in real estate	5,755	5,750	The Tanizawa Sōgō Appraisal Co., Ltd.	February 28, 2019

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

(4) Transactions with Interested Parties, etc.

Purchase and sale transactions, etc. with interested parties, etc. (Note 1) for the 27th period are as follows:

i) Status of Transactions

Classification	Transaction amount, etc. (Note 2)			
	Purchase		Sale	
Total	¥67,090 million		¥5,755 million	
Breakdown of transactions with interested parties				
Daiwa House Industry Co., Ltd.	¥45,290 million	(67.5%)	¥— million	(—%)
Nihon Jyutaku Ryutu Co., Ltd.	¥4,500 million	(6.7%)	¥— million	(—%)
Total	¥49,790 million	(74.2%)	¥— million	(—%)

ii) Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties, etc. (Note 1)		
		Payment recipient	Amount paid (B) (Yen in thousands)	Rate to total amount paid (B/A) (%)
Management fees	1,314,771	Daiwa Living Co., Ltd.	557,609	42.4
		Daiwa House Property Management Co., Ltd.	199,985	15.2
		Daiwa Information Service Co., Ltd.	178,274	13.6
		Daiwa LifeNext Co., Ltd.	31,348	2.4
		Daiwa Lease Co., Ltd.	3,332	0.3
Repairs and maintenance expenses	833,301	Daiwa Living Co., Ltd.	340,843	40.9
		Daiwa House Property Management Co., Ltd.	194,865	23.4
		Daiwa Information Service Co., Ltd.	183,749	22.1
		Daiwa Lease Co., Ltd.	12,082	1.4
		Daiwa LifeNext Co., Ltd.	11,744	1.4
Restoration costs	301,418	Daiwa Living Co., Ltd.	212,484	70.5
Other rental expenses	125,046	Daiwa Living Co., Ltd.	52,977	42.4
		Daiwa Information Service Co., Ltd.	11,564	9.2
		Daiwa House Property Management Co., Ltd.	434	0.3
		Daiwa LifeNext Co., Ltd.	284	0.2
		Daiwa Lease Co., Ltd.	15	0.0

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

(5) Status of Transactions with Asset Manager Pertaining to Business Operated by Asset Manager as Subsidiary Business

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

7. Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notice

There are no conclusions and changes of major contracts approved by DHR’s board of directors during the current fiscal period.

(2) Treatment of Fractions in Amounts and Rates

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

II. Balance Sheets

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of February 28, 2019 and August 31, 2019

	As of	
	February 28, 2019	August 31, 2019
(Yen in thousands)		
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥41,250,978	¥47,271,920
Operating accounts receivable	275,683	175,551
Prepaid expenses	609,658	627,313
Consumption taxes receivable	—	1,199,509
Other current assets	25	3,166
Allowance for doubtful accounts	(1,225)	(989)
Total current assets	42,135,120	49,276,472
Investment properties (Notes 8 and 9)	654,523,691	712,856,413
Other assets:		
Goodwill (Note 7)	69,377,930	67,395,703
Leasehold rights in trust (Note 9)	5,987,926	5,940,513
Lease and guarantee deposits in trust	3,489,293	3,489,293
Guarantee deposits	261	195
Long-term prepaid expenses	2,110,873	2,184,143
Investment corporation bond issuance costs	90,823	82,464
Investment securities (Note 5)	9,360	9,377
Software	276	71
Trademark rights	2,059	1,780
Total other assets	81,068,804	79,103,544
Total assets	¥777,727,616	¥841,236,430

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

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of February 28, 2019 and August 31, 2019

	As of	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Liabilities		
Current liabilities:		
Operating accounts and other payable	¥1,364,351	¥1,512,500
Current portion of long-term loans (Notes 4, 6 and 15)	40,510,000	36,810,000
Accrued expenses	1,418,415	1,544,776
Accrued consumption taxes	398,538	—
Advances received	2,757,226	2,988,375
Unearned revenue	222,342	222,342
Deposits received	345,273	343,242
Other	91,929	94,179
Total current liabilities	47,108,077	43,515,417
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 14)	19,000,000	19,000,000
Long-term loans (Notes 4, 6 and 15)	261,758,000	292,958,000
Long-term unearned revenue	818,279	706,501
Tenant leasehold and security deposits	276,389	273,928
Tenant leasehold and security deposits in trust	17,854,492	19,885,704
Asset retirement obligations (Note 11)	626,251	640,015
Derivative liabilities (Notes 4 and 6)	1,063,056	1,085,876
Total non-current liabilities	301,396,469	334,550,025
Total liabilities	348,504,547	378,065,443
Net assets (Notes 12 and 13)		
Unitholders' equity:		
Unitholders' capital	163,230,367	198,492,847
Units authorized:		
8,000,000 units as of February 28, 2019 and August 31, 2019		
Units issued and outstanding:		
1,927,000 units as of February 28, 2019 and		
2,075,000 units as of August 31, 2019		
Surplus		
Capital surplus	247,667,563	247,667,563
Voluntary reserve		
Reserve for temporary difference adjustments	8,804,571	6,823,576
Reserve for distribution	1,986,536	2,106,789
Total voluntary reserve	10,791,107	8,930,366
Unappropriated retained earnings	8,597,087	9,166,085
Total surplus	267,055,758	265,764,015
Total unitholders' equity	430,286,126	464,256,863
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 6)	(1,063,056)	(1,085,876)
Total valuation and translation adjustments	(1,063,056)	(1,085,876)
Total net assets	429,223,069	463,170,986
Total liabilities and net assets	¥777,727,616	¥841,236,430

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

Daiwa House REIT Investment Corporation
STATEMENTS OF INCOME AND RETAINED EARNINGS
For the fiscal periods ended February 28, 2019 and August 31, 2019

	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Operating revenues:		
Rental revenues (Note 10)	¥23,013,558	¥24,722,954
Gain on sale of investment properties (Note 18)	113,532	154,968
Total operating revenues	23,127,090	24,877,922
Operating expenses:		
Rental expenses (Note 10)	9,184,698	10,062,619
Asset management fees	1,519,464	1,623,154
Asset custody fees	33,727	36,240
Administrative service fees	89,196	92,336
Directors' remuneration	6,600	6,600
Amortization of goodwill (Note 7)	1,982,226	1,982,226
Provision of allowance for doubtful accounts	—	107
Other operating expenses	351,000	372,460
Total operating expenses	13,166,914	14,175,746
Operating income	9,960,176	10,702,176
Non-operating revenues:		
Interest income	166	197
Gain on forfeiture of unclaimed distributions	4,436	4,508
Reversal of allowance for doubtful accounts	266	—
Property tax adjustment at settlement	1,564	—
Refunded consumption taxes	6,720	—
Interest on tax refund	1,518	—
Gain on adjustment of liabilities	—	107,238
Other non-operating revenues	1	17
Total non-operating revenues	14,674	111,961
Non-operating expenses:		
Interest expense	1,036,887	1,114,268
Interest expense on investment corporation bonds	51,092	52,527
Amortization of investment corporation bond issuance costs	8,358	8,358
Investment unit issuance expenses	—	173,770
Borrowing related expenses	278,819	296,456
Other non-operating expenses	2,000	2,065
Total non-operating expenses	1,377,157	1,647,447
Ordinary income	8,597,692	9,166,690
Income before income taxes	8,597,692	9,166,690
Income taxes-current (Note 17)	605	605
Net income	¥8,597,087	¥9,166,085
Unappropriated retained earnings	¥8,597,087	¥9,166,085

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

IV. Statements of Changes in Net Assets

Daiwa House REIT Investment Corporation									
STATEMENTS OF CHANGES IN NET ASSETS									
For the fiscal periods ended February 28, 2019 and August 31, 2019									
	Unitholders' equity						Valuation and translation adjustments		
	Surplus								
	Voluntary reserve								
Number of units issued and out-standing	Unitholders' capital	Capital surplus	Reserve for temporary difference adjustments	Reserve for distribution	Unappropriated retained earnings	Total unitholders' equity	Deferred gains or losses on hedges	Total net assets	
(Units)									
	(Yen in thousands)								
Balance as of August 31, 2018	1,927,000	¥163,230,367	¥247,667,563	¥10,785,218	¥1,964,241	¥7,765,290	¥431,412,680	¥(816,561)	¥430,596,119
Changes during the period:									
Reversal of reserve for temporary difference adjustments	—	—	—	(1,980,646)	—	1,980,646	—	—	—
Reserve for distribution	—	—	—	—	22,295	(22,295)	—	—	—
Distributions from surplus	—	—	—	—	—	(9,723,642)	(9,723,642)	—	(9,723,642)
Net income	—	—	—	—	—	8,597,087	8,597,087	—	8,597,087
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	(246,495)	(246,495)
Total changes during the period	—	—	—	(1,980,646)	22,295	831,797	(1,126,554)	(246,495)	(1,373,049)
Balance as of February 28, 2019	1,927,000	¥163,230,367	¥247,667,563	¥8,804,571	¥1,986,536	¥8,597,087	¥430,286,126	¥(1,063,056)	¥429,223,069
Changes during the period:									
Issuance of investment units: on March 1, 2019	138,000	32,879,880	—	—	—	—	32,879,880	—	32,879, 880
on March 26, 2019	10,000	2,382,600	—	—	—	—	2,382,600	—	2,382,600
Reversal of reserve for temporary difference adjustments	—	—	—	(1,980,994)	—	1,980,994	—	—	—
Reserve for distribution	—	—	—	—	120,252	(120,252)	—	—	—
Distributions from surplus	—	—	—	—	—	(10,457,829)	(10,457,829)	—	(10,457,829)
Net income	—	—	—	—	—	9,166,085	9,166,085	—	9,166,085
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	(22,819)	(22,819)
Total changes during the period	148,000	35,262,480	—	(1,980,994)	120,252	568,998	33,970,736	(22,819)	33,947,917
Balance as of August 31, 2019	2,075,000	¥198,492,847	¥247,667,563	¥6,823,576	¥2,106,789	¥9,166,085	¥464,256,863	¥(1,085,876)	¥463,170,986

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

V. Statements of Cash Flows

Daiwa House REIT Investment Corporation STATEMENTS OF CASH FLOWS For the fiscal periods ended February 28, 2019 and August 31, 2019		
	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Cash flows from operating activities:		
Income before income taxes	¥8,597,692	¥9,166,690
Depreciation and amortization	4,454,820	4,764,371
Amortization of goodwill	1,982,226	1,982,226
Amortization of investment corporation bond issuance costs	8,358	8,358
Amortization of trademark rights	278	278
Amortization of software	292	205
Loss on retirement of non-current assets	17,768	23,340
Investment unit issuance expenses	—	173,770
Interest income	(166)	(197)
Interest expense	1,087,979	1,166,796
(Increase) decrease in operating accounts receivable	(98,934)	100,131
Decrease (increase) in accounts receivable	127	(1,032)
Decrease (increase) in consumption taxes receivable	3,950,194	(1,598,047)
Decrease (increase) in prepaid expenses	8,790	(17,655)
(Decrease) increase in operating accounts and other payable	(229,900)	386,328
Increase in accrued expenses	29,267	125,303
Increase (decrease) in deposits received	18,038	(2,030)
Increase in advances received	81,741	231,149
Decrease (increase) in long-term prepaid expenses	174,045	(73,270)
Decrease in allowance for doubtful accounts	(911)	(236)
Decrease in investment properties due to sales	1,044,407	—
Decrease in investment properties in trust due to sales	—	5,584,343
Other	104,553	(77,839)
Subtotal	21,230,670	21,942,986
Interest received	166	197
Interest paid	(1,199,579)	(1,277,516)
Income taxes paid	(603)	(609)
Net cash provided by operating activities	20,030,654	20,665,057
Cash flows from investing activities:		
Acquisition of investment properties	(13,850,790)	(68,893,608)
Proceeds from tenant leasehold and security deposits	26,682	30,950
Repayment of tenant leasehold and security deposits	(82,788)	(15,939)
Proceeds from tenant leasehold and security deposits in trust	844,486	2,825,798
Repayment of tenant leasehold and security deposits in trust	(457,861)	(728,043)
Net cash used in investing activities	(13,520,271)	(66,780,841)
Cash flows from financing activities:		
Proceeds from long-term loans	7,000,000	39,100,000
Repayment of long-term loans	—	(11,600,000)
Proceeds from issuance of investment corporation bonds	—	35,088,709
Distribution payment	(9,719,912)	(10,451,983)
Net cash provided by (used in) financing activities	(2,719,912)	52,136,726
Net increase in cash and cash equivalents	3,790,470	6,020,942
Cash and cash equivalents at beginning of the period	37,460,508	41,250,978
Cash and cash equivalents at end of the period (Note 3)	¥41,250,978	¥47,271,920

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

VI. Notes to Financial Statements

Daiwa House REIT Investment Corporation
Notes to Financial Statements

As of and for the fiscal periods ended February 28, 2019 and August 31, 2019

Note 1 – Organization and Basis of Presentation

Organization

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

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

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

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

After the merger, DHR shifted to a diversified portfolio strategy, targeting investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investment in the past. As of August 31, 2019, DHR’s portfolio included 228 properties at a total acquisition price of ¥744.8 billion.

During the fiscal period ended August 31, 2019, DHR issued 138,000 new investment units through a public offering with an offer price of ¥245,784 per unit (paid-in amount: ¥238,260 per unit) on March 1, 2019, and 10,000 new investment units through a third-party allotment also with a paid-in amount of ¥238,260 per unit on March 26, 2019.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Act on Investment Trust and Investment Corporations (the “Investment Trust Act,” Act No. 198 of 1951, as amended) the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

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

DHR maintains its accounting records in Japanese yen, the currency of the country in which DHR operates. As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than one thousand

yen have been omitted. Unless otherwise specified, amounts of less than the units indicated are truncated, while values of ratios are rounded up or down to the nearest value of the last digit in the accompanying financial statements. As a result, totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Investment Properties

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

	Years
Buildings	2 – 69
Structures	3 – 63
Machinery and equipment	7 – 28
Tools, furniture and fixtures	2 – 28

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

(c) Intangible Assets

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

	Years
Goodwill	20
Computer software	5

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

(d) Investment Corporation Bond Issuance Costs

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

(e) Investment Unit Issuance Expenses

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

(f) Investment Securities

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

(g) Revenue Recognition

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

(h) Taxes on Property and Equipment

Property and equipment are subject to various taxes, such as property taxes and city planning taxes. An owner of a property is registered in a record maintained by the local government of the applicable jurisdiction, and taxes are imposed on the owner registered in the record as of January 1, based on an assessment made by the local government. The taxes are determined in April to June of each year and are paid in four installments during the year.

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

(i) Income Taxes

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

(j) Allowance for Doubtful Accounts

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

(k) Consumption Taxes

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

(l) Trust Beneficiary Interests

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

(m) Derivatives and Hedge Accounting

Deferral hedge accounting is applied for derivatives. DHR uses interest-rate swaps as hedging instruments in order to hedge the risk of interest rate fluctuations related to borrowings. Pursuant to Japanese GAAP, DHR applies the special accounting treatment to interest-rate swaps which qualify for hedge accounting and meet specific criteria. Under the special accounting treatment, the related differentials paid or received under such swap contracts can be

recognized and included in interest expenses or income of the hedged assets or liabilities, and the interest-rate swaps are not required to be measured at fair value separately.

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

Note 3 – Cash and Cash Equivalents

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

	As of	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Cash and bank deposits	¥41,250,978	¥47,271,920
Cash and cash equivalents	¥41,250,978	¥47,271,920

Note 4 – Financial Instruments

(a) Qualitative Information on Financial Instruments

Policy on financial instruments

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

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

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

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

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

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

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

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

Supplemental explanation concerning fair value of financial instruments

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

(b) Estimated Fair Value of Financial Instruments

Book value on the balance sheet, fair value and the difference as of February 28, 2019 and August 31, 2019 are as follows:

	As of					
	February 28, 2019			August 31, 2019		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥41,250,978	¥41,250,978	¥—	¥47,271,920	¥47,271,920	¥—
(2) Investment securities:						
Held-to-maturity bonds	9,360	9,228	(132)	9,377	9,931	553
Total	¥41,260,338	¥41,260,206	¥(132)	¥47,281,298	¥47,281,851	¥553
Liabilities						
(3) Current portion of long-term loans	¥40,510,000	¥40,614,396	¥104,396	¥36,810,000	¥36,857,747	¥47,747
(4) Investment corporation bonds	19,000,000	19,129,020	129,020	19,000,000	19,314,231	314,231
(5) Long-term loans	261,758,000	265,438,709	3,680,709	292,958,000	297,760,711	4,802,711
(6) Tenant leasehold and security deposits in trust	603,606	596,174	(7,432)	598,329	603,296	4,967
Total	¥321,871,606	¥325,778,301	¥3,906,694	¥349,366,329	¥354,535,986	¥5,169,657
(7) Derivatives (*)	¥(1,063,056)	¥(1,063,056)	¥—	¥(1,085,876)	¥(1,085,876)	¥—

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

Notes:

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

Assets:

(1) Cash and bank deposits

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

(2) Investment securities

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

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

Liabilities:

(3) Current portion of long-term loans and (5) Long-term loans

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

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

(4) Investment corporation bonds

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

(6) Tenant leasehold and security deposits in trust

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

(7) Derivatives

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

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

	As of	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Tenant leasehold and security deposits	¥276,389	¥273,928
Tenant leasehold and security deposits in trust	17,250,886	19,287,375

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

3. Redemption schedule for monetary claims after February 28, 2019 and August 31, 2019 is as follows:

As of February 28, 2019	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥41,250,978	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥41,250,978	¥—	¥—	¥—	¥—	¥10,000

As of August 31, 2019	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥47,271,920	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥47,271,920	¥—	¥—	¥—	¥—	¥10,000

4. Repayment schedule for investment corporation bonds and long-term loans after February 28, 2019 and August 31, 2019 is as follows:

As of February 28, 2019	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Investment corporation bonds	¥—	¥3,000,000	¥4,000,000	¥—	¥—	¥12,000,000
Long-term loans (*)	40,510,000	11,400,000	26,358,000	38,500,000	35,400,000	150,100,000
Total	¥40,510,000	¥14,400,000	¥30,358,000	¥38,500,000	¥35,400,000	¥162,100,000

As of August 31, 2019	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Investment corporation bonds	¥—	¥3,000,000	¥4,000,000	¥—	¥—	¥12,000,000
Long-term loans (*)	36,810,000	16,000,000	37,858,000	41,900,000	38,000,000	159,200,000
Total	¥36,810,000	¥19,000,000	¥41,858,000	¥41,900,000	¥38,000,000	¥171,200,000

(*) The figures above include the current portion.

Note 5 – Investment Securities

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

Book value on the balance sheet, fair value and the difference as of February 28, 2019 and August 31, 2019 are as follows:

	As of					
	February 28, 2019			August 31, 2019		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Fair value exceeding the book value						
Held-to-maturity bonds:						
Government bonds	¥—	¥—	¥—	¥9,377	¥9,931	¥553
Subtotal	—	—	—	9,377	9,931	553
Fair value not exceeding the book value						
Held-to-maturity bonds:						
Government bonds	9,360	9,228	(132)	—	—	—
Subtotal	9,360	9,228	(132)	—	—	—
Total	¥9,360	¥9,228	¥(132)	¥9,377	¥9,931	¥553

Note 6 – Derivative Transactions

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

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

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

		As of					
		February 28, 2019			August 31, 2019		
		(Yen in thousands)					
Type of derivative transaction	Hedged item	Contract amount		Fair value	Contract amount		Fair value
		Total	Due after one year		Total	Due after one year	
<u>Principle method</u>							
Interest-rate swap	Long-term loan						
Receive floating/		¥47,500,000	¥47,500,000	¥(1,063,056)	¥47,500,000	¥47,500,000	¥(1,085,876)
Pay fixed				(Note 1)			(Note 1)
<u>Special treatment for interest-rate swaps</u>							
Interest-rate swap	Long-term loan						
Receive floating/		48,268,000	30,858,000	(Note 2)	58,668,000	41,258,000	(Note 2)
Pay fixed							
Total		¥95,768,000	¥78,358,000	¥(1,063,056)	¥106,168,000	¥88,758,000	¥(1,085,876)

Notes:

1. Fair value is quoted by counterparties based on the prevailing market interest rates.
2. Under the special accounting treatment, interest-rate swaps are accounted for as part of the long-term loans, the hedged item; thus, the fair value is included in the fair value of the long-term loans. (Please refer to Note 4 – “Financial Instruments” above.)

Note 7 – Goodwill

On September 1, 2016, DHR merged with the former DHR in an absorption-type merger (the “Merger”) with DHR as the surviving corporation and the former DHR as the absorbed corporation.

On the business combination date, consideration given for the acquisition was ¥219,425,976 thousand, which was the amount equivalent to the fair value of DHR investment units allotted, while the fair value of the net assets acquired from the former DHR was ¥140,136,912 thousand. The excess of the acquisition cost over the fair value of the net assets acquired, in the amount of ¥79,289,063 thousand, was recognized as goodwill upon the Merger. The amount of goodwill is amortized over 20 years using the straight-line method. As of February 28, 2019 and August 31, 2019, the unamortized balances of goodwill from the Merger were ¥69,377,930 thousand and ¥67,395,703 thousand, respectively.

Note 8 – Investment Properties

As of February 28, 2019 and August 31, 2019, investment properties consist of the following property and equipment and property and equipment in trust.

	As of					
	February 28, 2019			August 31, 2019		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥20,879,124	¥—	¥20,879,124	¥20,879,124	¥—	¥20,879,124
Buildings	26,298,220	4,602,743	21,695,476	26,340,267	4,873,131	21,467,135
Structures	245,467	45,395	200,072	248,224	48,206	200,017
Machinery and equipment	472,105	138,790	333,314	478,877	149,748	329,128
Tools, furniture and fixtures	676,056	377,657	298,398	701,691	403,055	298,636
Property and equipment in trust:						
Land	310,001,420	—	310,001,420	348,445,376	—	348,445,376
Buildings	323,844,247	31,322,569	292,521,677	346,715,583	35,285,398	311,430,184
Structures	7,302,031	688,505	6,613,525	8,370,382	846,472	7,523,909
Machinery and equipment	2,417,497	1,017,666	1,399,830	2,528,596	1,106,294	1,422,301
Tools, furniture and fixtures	967,046	401,423	565,623	1,098,003	463,313	634,689
Construction in progress	15,228	—	15,228	225,909	—	225,909
Total	¥693,118,444	¥38,594,752	¥654,523,691	¥756,032,035	¥43,175,621	¥712,856,413

Note 9 – Fair Value of Investment Properties

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

	As of / For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Book value:		
Balance at beginning of the period	¥652,230,280	¥660,511,618
Net change during the period	8,281,337	58,285,309
Balance at end of the period	¥660,511,618	¥718,796,927
Fair value at end of the period	¥753,721,000	¥822,248,000

Notes:

1. The book value above includes leasehold rights in trust of ¥5,987,926 thousand and ¥5,940,513 thousand as of February 28, 2019 and August 31, 2019, respectively.
2. For the period ended February 28, 2019, the increase is mainly due to acquisitions of four properties including COMBOX310 (¥12,912,161 thousand), while the decrease is mainly attributable to the sale of Morino Tonari (¥1,044,407 thousand) and depreciation. For the period ended August 31, 2019, the increase is mainly due to acquisitions of 13 properties including D Project Itabashi Shingashi (¥67,660,160 thousand), while the decrease is mainly attributable to the sale of D Project Shin-Misato (¥5,584,343 thousand) and depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

Note 10 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended February 28, 2019 and August 31, 2019 are as follows:

	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Rental revenues:		
Rental revenues	¥21,511,590	¥23,149,693
Common area charges	473,366	489,934
Subtotal	21,984,957	23,639,627
Other revenues related to property leasing:		
Facility charges	382,753	388,843
Incidental revenues	283,633	282,426
Other revenues	362,213	412,056
Subtotal	1,028,600	1,083,326
Total rental revenues	¥23,013,558	¥24,722,954

	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Rental expenses:		
Management fees	¥1,283,640	¥1,314,771
Utilities	349,856	332,752
Taxes and public dues	1,432,107	1,798,996
Repairs	746,985	833,301
Restoration costs	230,219	301,418
Insurance premiums	27,558	29,840
Custodian fees	58,202	62,116
Depreciation and amortization	4,454,820	4,764,371
Other operating expenses	601,307	625,050
Total rental expenses	¥9,184,698	¥10,062,619
Operating income from property leasing activities	¥13,828,859	¥14,660,334

Note 11 – Asset Retirement Obligations

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

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (46 – 60 years), and uses 1.0 – 2.4% discount rates for the calculation of asset retirement obligations. For buildings containing asbestos, DHR estimates the useful life to be 35 years, and uses a 0.6% discount rate. Changes in asset retirement obligations for the periods ended February 28, 2019 and August 31, 2019 are as follows:

	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Balance at beginning of the period	¥620,349	¥626,251
Increase due to acquisitions of property and equipment	—	7,783
Accretion expense	5,901	5,981
Balance at end of the period	¥626,251	¥640,015

Note 12 – Net Assets

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

Note 13 – Distribution Information

In accordance with Article 37.1.1 of the bylaws set forth by DHR for cash distributions, the amount of distribution is limited to the amount of income and more than 90% of income available for distribution as set forth in Article 67.15 of the Special Taxation Measures Act of Japan (the “Measures”), which allows the REITs to deduct the amount of cash distributions from taxable income to avoid double taxation if certain requirements are met.

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

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

In addition, for the fiscal period ended August 31, 2019, DHR sold one property and realized excess taxable income over accounting income. In order to distribute more than 90% of income available for distribution, DHR appropriated the amount equivalent to the tax-accounting mismatch.

Thus, the amounts appropriated for distributions related to the periods ended February 28, 2019 and August 31, 2019 were ¥1,980,994,520 and ¥2,920,127,436, respectively, which were greater than the aforementioned minimum amounts as set forth by the Ordinance.

No cash distribution exceeding the income amount set forth in Article 37.2 of the bylaws of DHR shall be made.

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

	For the fiscal periods ended			
	February 28, 2019		August 31, 2019	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥8,597,087,441		¥9,166,085,941	
Reversal of voluntary reserve:				
Reserve for temporary difference adjustments	1,980,994,520		2,920,127,436	
Accumulation of voluntary reserve:				
Reserve for distribution	(120,252,961)		(107,238,377)	
Cash distributions	¥10,457,829,000	¥5,427	¥11,978,975,000	¥5,773
Retained earnings carried forward	¥—		¥—	

Note 14 – Investment Corporation Bonds

The following summarizes the status of the DHR's unsecured investment corporation bonds with special pari passu conditions among specified investment corporation bonds as of February 28, 2019 and August 31, 2019. The bonds are to be repaid on a lump-sum basis on the maturity date.

Description	Issue date	Maturity date	Interest rate	As of	
				February 28, 2019	August 31, 2019
				(Yen in thousands)	
Daiwa House REIT Investment Corporation 1st Unsecured Bonds	December 24, 2014	December 24, 2024	0.826%	¥2,000,000	¥2,000,000
Daiwa House Residential Investment Corporation 2nd Unsecured Bonds	January 22, 2015	January 22, 2021	0.35%	3,000,000	3,000,000
Daiwa House Residential Investment Corporation 3rd Unsecured Bonds	January 22, 2015	January 22, 2025	0.67%	3,000,000	3,000,000
Daiwa House REIT Investment Corporation 5th Unsecured Bonds	December 20, 2016	December 20, 2021	0.24%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 6th Unsecured Bonds	December 20, 2016	December 18, 2026	0.57%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 7th Unsecured Bonds	July 30, 2018	July 30, 2030	0.69%	2,000,000	2,000,000
Daiwa House REIT Investment Corporation 8th Unsecured Bonds	July 30, 2018	July 30, 2038	1.03%	1,000,000	1,000,000
Total				¥19,000,000	¥19,000,000

Note 15 – Long-Term Loans

Long-term loans consist of borrowings from financial institutions under loan agreements. None of the loans are secured by collateral or guaranteed. The following table summarizes long-term loans as of February 28, 2019 and August 31, 2019.

Due date	As of			
	February 28, 2019		August 31, 2019	
	(Yen in thousands)	Interest rate	(Yen in thousands)	Interest rate
Long-term loans:				
Fixed-rate long-term loan	March 27, 2019	¥4,000,000	1.07%	¥— —%
Floating-rate long-term loan	March 29, 2019	7,600,000	0.26	— —
Fixed-rate long-term loan	November 29, 2019	10,000,000	1.29	10,000,000 1.29
Floating-rate long-term loan (*)	January 31, 2020	17,410,000	0.96	17,410,000 0.96
Fixed-rate long-term loan	January 31, 2020	1,500,000	0.96	1,500,000 0.96
Fixed-rate long-term loan	April 1, 2020	1,000,000	0.57	1,000,000 0.57
Floating-rate long-term loan	March 31, 2020	6,900,000	0.21	6,900,000 0.21
Floating-rate long-term loan (*)	January 31, 2021	3,500,000	0.90	3,500,000 0.90
Floating-rate long-term loan (*)	April 1, 2021	3,000,000	1.05	3,000,000 1.05
Floating-rate long-term loan (*)	November 30, 2021	7,000,000	0.51	7,000,000 0.51
Fixed-rate long-term loan	April 30, 2021	9,500,000	0.40	9,500,000 0.40
Floating-rate long-term loan (*)	January 31, 2022	6,858,000	0.61	6,858,000 0.61
Floating-rate long-term loan (*)	April 28, 2022	10,000,000	0.66	10,000,000 0.66
Floating-rate long-term loan (*)	December 28, 2022	10,500,000	0.59	10,500,000 0.59
Floating-rate long-term loan (*)	April 1, 2022	3,500,000	1.21	3,500,000 1.21
Floating-rate long-term loan (*)	October 3, 2022	3,000,000	0.87	3,000,000 0.87
Floating-rate long-term loan (*)	September 28, 2022	4,000,000	0.65	4,000,000 0.65
Fixed-rate long-term loan	September 9, 2022	1,000,000	0.43	1,000,000 0.43
Fixed-rate long-term loan	April 28, 2022	6,500,000	0.42	6,500,000 0.42
Floating-rate long-term loan	August 31, 2022	—	—	4,000,000 0.24
Floating-rate long-term loan	October 31, 2022	—	—	6,000,000 0.29
Floating-rate long-term loan (*)	March 27, 2023	2,000,000	1.50	2,000,000 1.50
Fixed-rate long-term loan	September 29, 2023	1,000,000	1.00	1,000,000 1.00
Floating-rate long-term loan (*)	October 2, 2023	4,000,000	0.99	4,000,000 0.99
Floating-rate long-term loan (*)	May 31, 2023	4,000,000	0.71	4,000,000 0.71
Fixed-rate long-term loan	March 31, 2023	10,400,000	0.41	10,400,000 0.41
Fixed-rate long-term loan	September 29, 2023	10,000,000	0.57	10,000,000 0.57
Fixed-rate long-term loan	March 31, 2023	1,000,000	0.44	1,000,000 0.44
Fixed-rate long-term loan	September 29, 2023	1,000,000	0.43	1,000,000 0.43
Fixed-rate long-term loan	January 31, 2024	2,000,000	0.88	2,000,000 0.88
Floating-rate long-term loan (*)	April 1, 2024	3,000,000	1.52	3,000,000 1.52
Fixed-rate long-term loan	September 30, 2024	1,000,000	0.73	1,000,000 0.73
Fixed-rate long-term loan	March 29, 2024	11,000,000	0.48	11,000,000 0.48
Fixed-rate long-term loan	March 29, 2024	1,000,000	0.55	1,000,000 0.55
Fixed-rate long-term loan	April 30, 2024	5,000,000	0.52	5,000,000 0.52
Fixed-rate long-term loan	October 31, 2024	—	—	8,100,000 0.39

	Due date	As of			
		February 28, 2019		August 31, 2019	
		(Yen in thousands)	Interest rate	(Yen in thousands)	Interest rate
Floating-rate long-term loan (*)	October 1, 2025	4,000,000	1.23	4,000,000	1.23
Fixed-rate long-term loan	October 1, 2025	3,000,000	1.18	3,000,000	1.18
Floating-rate long-term loan (*)	May 30, 2025	4,000,000	0.97	4,000,000	0.97
Fixed-rate long-term loan	September 29, 2025	9,000,000	0.63	9,000,000	0.63
Fixed-rate long-term loan	March 31, 2025	11,000,000	0.70	11,000,000	0.70
Fixed-rate long-term loan	April 30, 2025	5,000,000	0.60	5,000,000	0.60
Fixed-rate long-term loan	September 30, 2025	1,000,000	0.60	1,000,000	0.60
Fixed-rate long-term loan	September 30, 2025	—	—	7,600,000	0.43
Floating-rate long-term loan (*)	April 1, 2026	2,000,000	2.03	2,000,000	2.03
Floating-rate long-term loan (*)	May 29, 2026	4,000,000	1.09	4,000,000	1.09
Fixed-rate long-term loan	September 28, 2026	1,000,000	0.69	1,000,000	0.69
Fixed-rate long-term loan	November 30, 2026	15,000,000	0.87	15,000,000	0.87
Fixed-rate long-term loan	April 30, 2026	10,000,000	0.76	10,000,000	0.76
Fixed-rate long-term loan	April 30, 2026	2,000,000	0.65	2,000,000	0.65
Fixed-rate long-term loan	April 30, 2026	—	—	1,000,000	0.45
Fixed-rate long-term loan	April 1, 2027	1,500,000	1.46	1,500,000	1.46
Fixed-rate long-term loan	March 31, 2027	2,000,000	0.85	2,000,000	0.85
Fixed-rate long-term loan	July 30, 2027	12,100,000	0.89	12,100,000	0.89
Fixed-rate long-term loan	November 30, 2027	16,000,000	0.90	16,000,000	0.90
Fixed-rate long-term loan	September 30, 2027	1,500,000	0.75	1,500,000	0.75
Fixed-rate long-term loan	April 30, 2027	—	—	500,000	0.50
Fixed-rate long-term loan	April 28, 2028	10,000,000	1.02	10,000,000	1.02
Fixed-rate long-term loan	April 28, 2028	10,000,000	0.89	10,000,000	0.89
Fixed-rate long-term loan	December 29, 2028	5,000,000	0.88	5,000,000	0.88
Fixed-rate long-term loan	April 28, 2028	—	—	1,500,000	0.59
Floating-rate long-term loan (*)	April 27, 2029	—	—	10,400,000	0.75
Total long-term loans		302,268,000		329,768,000	
Less: current portion		(40,510,000)		(36,810,000)	
Long-term loans, less current portion		¥261,758,000		¥292,958,000	

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

The stated interest rate is the weighted average interest rate for the applicable fiscal period and is rounded to the second decimal place.

The repayment schedule for short-term and long-term loans subsequent to February 28, 2019 and August 31, 2019 is disclosed in Note 4 – “Financial Instruments.”

DHR has entered into a commitment line agreement with four financial institutions in order to secure flexible and stable financing. The status of the commitment line agreement as of February 28, 2019 and August 31, 2019 is as follows:

	As of	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Total amount of commitment line	¥25,000,000	¥25,000,000
Balance executed as loans	—	—
Unused line of credit	¥25,000,000	¥25,000,000

Note 16 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of February 28, 2019 and August 31, 2019 are as follows:

	As of	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Due within one year	¥21,668,874	¥24,663,669
Due after one year	142,417,289	173,714,404
Total	¥164,086,163	¥198,378,073

(This part is intentionally left blank)

Note 17 – Deferred Income Taxes

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

(a) Significant Components of Deferred Tax Assets and Liabilities

	As of	
	February 28, 2019	August 31, 2019
	(Yen in thousands)	
Deferred tax assets:		
Excess provision of allowance for doubtful accounts	¥386	¥311
Deferred interest income	328,554	293,333
Valuation difference at the time of merger (Long-term prepaid expenses, etc.)	90	40
Valuation difference at the time of merger (Land and Buildings)	2,677,223	2,584,908
Loss carryforward assumed at the time of merger	160,288	21,975
Asset retirement obligations	197,832	202,180
Deferred gains or losses on hedges	335,819	343,028
Amortization of fixed-term land lease rights	122,371	137,349
Other	9,589	9,110
Subtotal	3,832,157	3,592,239
Valuation reserve	(3,832,157)	(3,592,239)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference at the time of merger (Investment securities)	(740)	(720)
Valuation difference at the time of merger (Land and Buildings)	(14,519,107)	(14,006,896)
Asset retirement costs	(174,340)	(176,785)
Subtotal	(14,694,188)	(14,184,402)
Valuation reserve	14,694,188	14,184,402
Total deferred tax liabilities	—	—
Net deferred tax assets	¥—	¥—

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

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

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

	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
Statutory tax rate	31.51%	31.51%
Adjustments:		
Tax-deductible cash distributions paid	(37.87)	(41.18)
Use of loss carryforward assumed at the time of merger	—	(1.51)
Amortization of goodwill	7.26	6.81
Change in valuation allowance	(0.92)	4.35
Other	0.01	0.01
Effective tax rate	0.01%	0.01%

Note 18 – Gain on Sale of Investment Properties

For the period ended February 28, 2019, DHR sold one investment property and reported a gain as follows:

	For the fiscal period ended
	February 28, 2019
	(Yen in thousands)
Morino Tonari	
Proceeds from sale of investment properties	¥1,200,000
Cost of investment properties sold	1,044,407
Other sales expenses	42,060
Gain on sale of investment properties	¥113,532

For the period ended August 31, 2019, DHR sold one investment property and reported a gain as follows:

	For the fiscal period ended
	August 31, 2019
	(Yen in thousands)
D Project Shin-Misato	
Proceeds from sale of investment properties	¥5,755,000
Cost of investment properties sold	5,584,343
Other sales expenses	15,687
Gain on sale of investment properties	¥154,968

Note 19 – Per Unit Information

Earnings per unit for the periods ended February 28, 2019 and August 31, 2019 and net assets per unit as of February 28, 2019 and August 31, 2019 are as follows:

	For the fiscal periods ended	
	February 28, 2019	August 31, 2019
	(Yen)	
Earnings per unit:		
Net income per unit	¥4,461	¥4,420
Weighted average number of units outstanding (units)	1,927,000	2,073,641
	As of	
	February 28, 2019	August 31, 2019
	(Yen)	
Net assets per unit	¥222,741	¥223,214

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

Note 20 – Related-Party Transactions

Related-party transactions for the periods ended February 28, 2019 and August 31, 2019 are as follows:

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

(b) *Affiliates* — None

(c) *Transactions under Common Control* — None

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

Note 21 – Segment Information

(a) *Segment Information*

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

(b) *Related Information*

Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHR’s statements of income and retained earnings for the periods ended February 28, 2019 and August 31, 2019, information about products and services has been omitted.

Information about geographic areas

(1) *Operating revenues*

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHR’s statements of income and retained earnings for the periods ended February 28, 2019 and August 31, 2019, information about geographic areas has been omitted.

(2) *Investment properties*

Since over 90% of total investment properties on the balance sheets as of February 28, 2019 and August 31, 2019, are located within Japan, information about geographic areas on such investment properties has been omitted.

Information about major customers

Since there is not any customer accounting for 10% or more of total operating revenues in DHR’s statements of income and retained earnings for the periods ended February 28, 2019 and August 31, 2019, information about major customers has been omitted.

Note 22 – Accounting Standards Issued But Not Yet Applied

As of August 31, 2019, DHR has not yet applied the following accounting standards and their implementation guidance.

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

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Effect of application of the new accounting standard

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

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

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

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

(1) Overview

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

As a basic policy for the development of the new standard, ASBJ determined to generally adopt all the principles of IFRS 13 in order to enhance comparability of financial statements among domestic and overseas companies, by

applying the consistent measurement methods. However, for any item to be considered arising from business practices in Japan, other treatment for the item shall be determined to the extent that comparability is not impaired.

(2) Scheduled date of application

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

(3) Effect of application of the new accounting standard

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

Note 23 – Subsequent Events

Not applicable.

VII. Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
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Independent Auditor's Report

The Board of Directors
Daiwa House REIT Investment Corporation

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation, which comprise the balance sheets as at August 31, 2019 and February 28, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

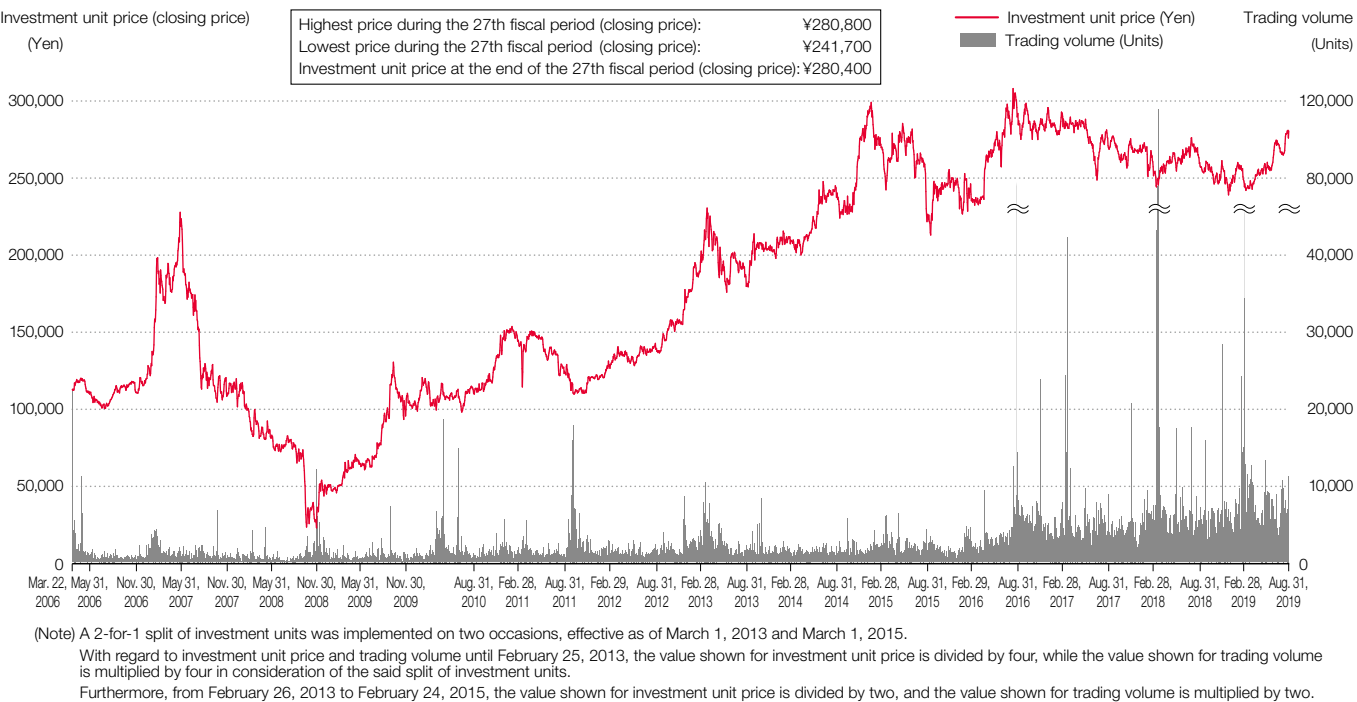
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at August 31, 2019 and February 28, 2019, and its financial performance and cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

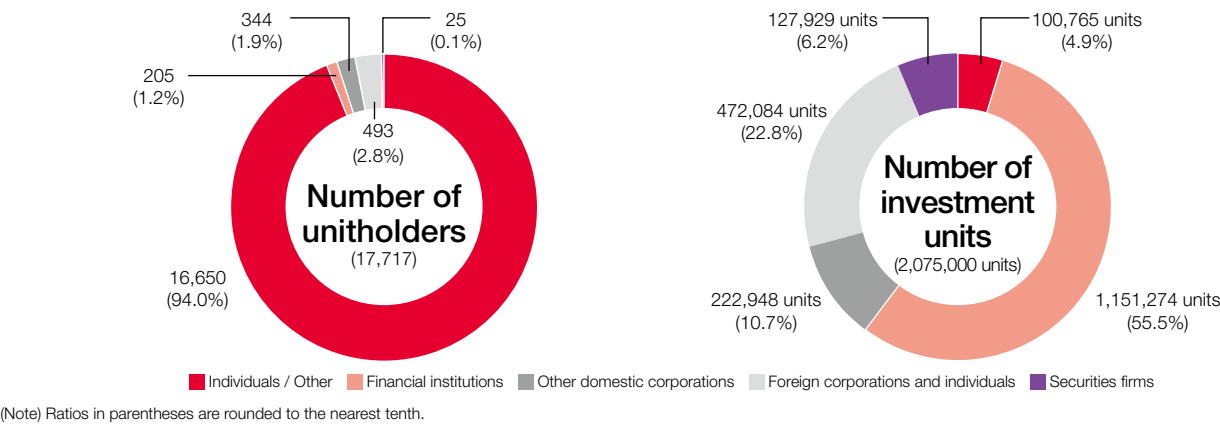
November 22, 2019
Tokyo, Japan

Investor Information

Investment Unit Price



Unitholders Data (as of August 31, 2019)



Outline of the Asset Manager

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

Procedures for Changes of Address, etc.

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

Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions has elapsed, please contact the transfer agent Sumitomo Mitsui Trust Bank, Limited.

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

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

Distribution Statement

The “Distribution Statement” delivered upon payment of distributions includes the “Payment Notice,” referred to in the provisions of the Act on Special Measures Concerning Taxation. This document may be used as a supporting document when declaring income for tax purposes. However, for unitholders who have selected the system of dividend allotment to securities company accounts in proportion to the number of shares held, the amount of withholding tax will be calculated by your securities company, etc. For supporting documents when declaring income for tax purposes please confirm with your securities company, etc. Furthermore, unitholders who receive distributions by way of a receipt for distributions also receive a “Distribution Statement” enclosed with it.

Outline of the Social Security and Tax Number System Nicknamed “My Number System” with Regard to Investment Units

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

Use of the My Number for Investment Unit Related Business	
As stipulated by laws and regulations, it is now required to state the My Number of the unitholder on payment records that are submitted to the tax office. Unitholders are therefore requested to submit their My Number to their securities company.	[Contact address for inquiries on submitting My Number] ■ Unitholders whose investment units are managed by a securities account ➡ Please direct your inquiries to your securities company, etc. ■ Unitholders not conducting transactions via a securities company ➡ Please call the following toll-free phone number. Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited TEL: 0120-782-031

Note for Unitholders

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