

Semi-Annual Report for the **23**rd Fiscal Period

From March 1, 2017 to August 31, 2017

 Daiwa House REIT Investment Corporation

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 Daiwa House REIT Investment Corporation

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



Connecting Hearts



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Overview of the 23rd Fiscal Period (From March 1, 2017 to August 31, 2017)

To sustainably increase unitholder value, on September 1, 2016, Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") conducted a "Merger" and shifted to a "diversified REIT."

Following the Merger, DHR steadily grew its assets, and thanks to all our unitholders, we recently welcomed the one-year anniversary of the Merger.

We would like to give an overview of operations in the 23rd fiscal period (from March 1, 2017 to August 31, 2017) and report on the financial results.

DHR implemented initiatives including 1) in March, conducted its first capital increase through public offering since the Merger (raised ¥46.4 billion), and in April, conducted ¥29.5 billion in new debt financing, 2) in April, acquired 15 properties through the Daiwa House Group's pipeline (acquisition price of ¥67.9 billion, including the first multi-tenant logistics property DHR has acquired), and 3) in July and August, replaced its portfolio (acquired assets: two retail properties for an acquisition price of ¥5.4 billion, sold assets: seven residential properties for a sales price of ¥10.1 billion).

As a result of acquisitions and replacement of assets, DHR's asset holdings as of the end of the current fiscal period consisted of 199 properties with an asset value of ¥577.7 billion, realizing continued stable external growth.

Moreover, DHR maintained a good portfolio occupancy rate, with the occupancy rate at the end of the current fiscal period rising 0.2 percentage points from the previous fiscal period to 99.2%.

As for financial results, we recorded operating revenues of ¥21,015 million, operating income of ¥9,392 million and net income of ¥7,968 million.

To calculate distribution, DHR reversed ¥1,980 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustment to top up net income, while at the same time, ¥1,559 million of gain on sale of real estate properties and refunded consumption taxes relating to properties that DHR acquired in prior years has been accumulated in retained earnings as reserve for distribution. As a result, total distributions amounted to ¥8,389 million, for distributions per unit of ¥4,964, exceeding the forecast by ¥164.

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 know-how 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

23rd Fiscal period

(From March 1, 2017 to August 31, 2017)

Distribution payments start date is November 8, 2017.

¥**4,964**

Forecast distributions per unit (Note)

24th Fiscal period

(From September 1, 2017 to February 28, 2018)

¥**5,050**

25th Fiscal period

(From March 1, 2018 to August 31, 2018)

¥**4,900**

(Note) Forecast distributions refer to the forecast as of October 18, 2017, and actual distributions per unit may vary from this figure. These forecasts also do not guarantee the amount of distributions.

Financial Highlights of the 23rd Fiscal Period

Statements of Income and Retained Earnings (Summary)

(Yen in millions)

Account title	Feb. 2017 (22nd period)	Aug. 2017 (23rd period)	Change
Operating revenues	17,531	21,015	3,484
Rental revenues	17,531	19,479	1,948
Gain on sale of real estate properties	–	1,536	1,536
Operating expenses	11,963	11,623	(340)
Rental expenses	7,493	7,906	412
Rental expenses (excluding depreciation)	4,132	4,193	60
Depreciation	3,361	3,713	352
Other operating expenses	4,469	3,716	(753)
Amortization of goodwill	1,982	1,982	–
Operating income	5,567	9,392	3,825
Non-operating income	32	29	(2)
Non-operating expenses	1,125	1,448	322
Interest expenses and borrowing related expenses	1,123	1,216	92
Ordinary income	4,474	7,974	3,500
Extraordinary losses	80	5	(74)
Net income	4,393	7,968	3,574
Reversal of reserve for temporary difference adjustment	–	1,980	1,980
Reversal (accumulation) of reserve for distribution ^(Note)	2,899	(1,559)	(4,459)
Total distributions	7,292	8,389	1,096
Distributions per unit	¥4,800	¥4,964	¥164

Rental revenues and depreciation
Increase due to acquisition in the 23rd period (17 properties)
Rental revenues + ¥1,623 million
Depreciation + ¥342 million

Gain on sale of real estate properties
Sale of 7 residential properties including Castalia Nipponbashi Kouzu

Other operating expenses
Increase in asset management fees due mainly to increase in total assets + ¥270 million
Merger expenses (only in the 22nd period) – ¥1,042 million

Non-operating expenses
Investment unit issuance expenses + ¥229 million

Reserve for temporary difference adjustment
In the 23rd period, amount equivalent to amortization of goodwill reversed

Reserve for distribution
In the 23rd period, gain on sale of real estate properties accumulated

(Note) Amount of reversal of reserve for distribution in the 22nd period: net amount of reversal (¥2,920 million) and accumulation (¥21 million)

Balance Sheets (Summary)

(Yen in millions)

Account title	Feb. 2017 (22nd period)	Aug. 2017 (23rd period)	Change
Total assets	604,142	682,359	78,216
Current assets	21,630	38,119	16,488
Non-current assets	582,418	644,136	61,735
Investment properties	494,701	557,708	63,007
Intangible assets	82,811	80,788	(2,022)
Goodwill	77,306	75,324	(1,982)
Deferred assets	92	85	(7)
Total liabilities	273,837	305,038	31,200
Current liabilities	57,428	21,274	(36,153)
Interest-bearing debt	52,495	16,000	(36,495)
Non-current liabilities	216,409	283,763	67,354
Interest-bearing debt	200,668	266,268	65,600
Net assets	330,304	377,321	47,016
Reserve for temporary difference adjustment	–	14,748	14,748
Reserve for distribution	17,705	57	(17,647)
LTV (including goodwill)	41.9%	41.4%	(0.5) points
LTV (excluding goodwill)	48.1%	46.5%	(1.6) points
Number of investment units issued	1,519,280 units	1,690,000 units	170,720 units
Net assets per unit	¥217,408	¥223,267	¥5,859

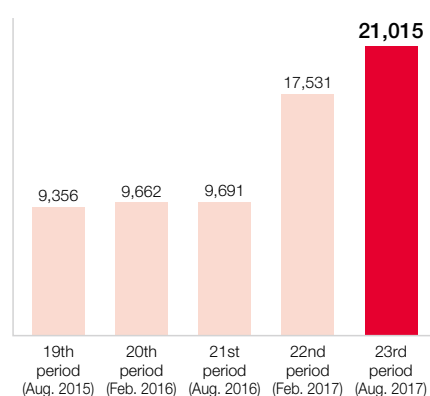
Current assets
Increase in cash and deposits + ¥14,830 million

Investment properties
Increase due to acquisition in the 23rd period (17 properties) + ¥74,022 million
Decrease due to sale in the 23rd period (7 properties) – ¥8,338 million
Depreciation in the 23rd period – ¥3,713 million

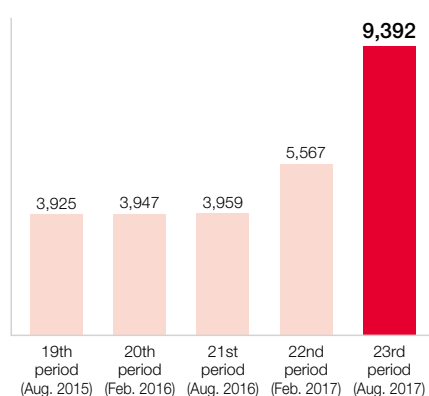
Interest-bearing debt (non-current liabilities)
Increase due to refinancing + ¥36,100 million
New loans + ¥29,500 million

Net assets
Capital increase in the 23rd period + ¥46,432 million

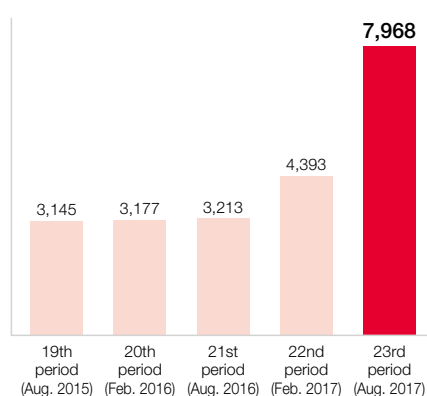
Operating revenues (Yen in millions)



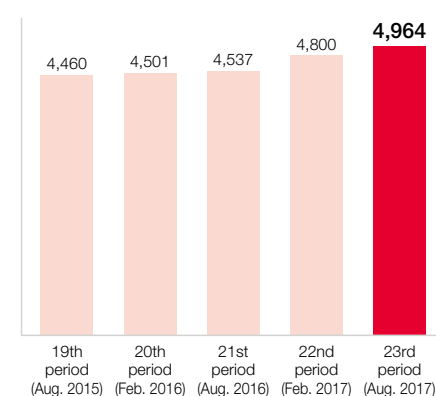
Operating income (Yen in millions)



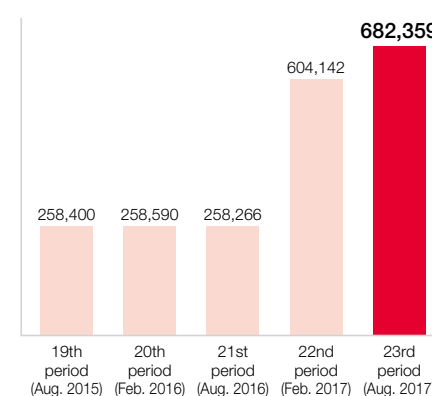
Net income (Yen in millions)



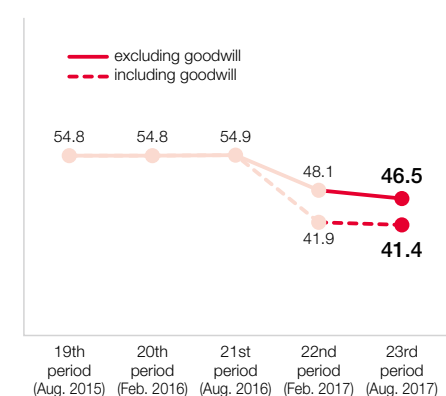
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)



External Growth Strategy

Q Please provide a summary of the properties acquired in the 23rd period.

In April 2017, we acquired 15 properties through capital increase by public offering, and in August, we acquired two properties. Moreover, we sold five properties in July and two in August, working to increase the quality of our portfolio. As a result, DHR's portfolio had an asset value of ¥577.7 billion.

List of Acquisitions and Sales during the Period

Acquisitions during the period

Property number	Property name	Location (city or county, prefecture)	Asset class	Acquisition price (Yen in millions)	Leasable area (m²)
■ Acquired on April 11, 2017					
LM-001	DPL Misato	Misato City, Saitama	Logistics	16,831	55,864.47
LB-035	D Project Kawagoe III	Kawagoe City, Saitama	Logistics	7,200	39,572.32
LB-036	D Project Kazo	Kazo City, Saitama	Logistics	3,300	18,371.10
LB-037	D Project Urayasu III	Urayasu City, Chiba	Logistics	8,500	39,441.32
LB-038	D Project Tomisato	Tomisato City, Chiba	Logistics	5,000	36,113.25
LB-039	D Project Kyotanabe	Kyotanabe City, Kyoto	Logistics	3,520	10,965.68
LB-040	D Project Sendai Izumi	Sendai City, Miyagi	Logistics	1,510	10,764.05
LB-041	D Project Oyama	Oyama City, Tochigi	Logistics	2,000	14,106.91
LB-042	D Project Sano	Sano City, Tochigi	Logistics	1,780	15,668.44
LB-043	D Project Tatebayashi	Tatebayashi City, Gunma	Logistics	3,100	13,521.56
LB-044	D Project Kakegawa	Kakegawa City, Shizuoka	Logistics	6,000	39,341.44
LB-045	D Project Hiroshima Seifu	Hiroshima City, Hiroshima	Logistics	3,820	19,004.72
LB-046	D Project Tosu II	Tosu City, Saga	Logistics	1,700	13,012.50
RE-143	Castalia Shinsakae II	Nagoya City, Aichi	Residential	1,800	4,425.46
OT-004	Sharp Hiroshima Building	Hiroshima City, Hiroshima	Other assets	1,850	3,064.89
Acquired on April 11, 2017				Total	67,911
Acquired on August 29, 2017				Total	333,238.11
RM-007	ASOBOX (Land)	Kitakyushu City, Fukuoka	Retail	1,600	11,207.90
RM-008	FOLEO Ome Imai	Ome City, Tokyo	Retail	3,800	8,637.91
Acquired on August 29, 2017				Total	5,400
Acquisitions during the period				Total	19,845.81
				Total	353,083.92

Sales during the period

Property number	Property name	Location (city or county, prefecture)	Asset class	Sale price (Yen in millions)
RE-100	Castalia Maihama	Urayasu City, Chiba	Residential	650
RE-101	Castalia Ichikawamyoden	Ichikawa City, Chiba	Residential	765
RE-102	Castalia Urayasu	Ichikawa City, Chiba	Residential	578
RE-103	Castalia Minamigyotoku	Ichikawa City, Chiba	Residential	527
RE-113	Castalia Shinsakae	Nagoya City, Aichi	Residential	1,720
RE-114	Aprile Tarumi	Kobe City, Hyogo	Residential	1,502
RE-120	Castalia Nipponbashi Kouzu	Osaka City, Osaka	Residential	4,450
Sales during the period				Total
				10,193

Acquisitions during the Period

Acquired on April 11, 2017 (Includes DPL Misato on the top of the next page)

LB-035 | D Project Kawagoe III
Logistics

LB-037 | D Project Urayasu III
Logistics

LB-039 | D Project Kyotanabe
Logistics

LB-041 | D Project Oyama
Logistics

LB-036 | D Project Kazo
Logistics

LB-038 | D Project Tomisato
Logistics

LB-040 | D Project Sendai Izumi
Logistics

LB-042 | D Project Sano
Logistics

Acquisitions during the Period LM-001 DPL Misato (Acquired on April 11, 2017) Multi-tenant logistics properties





- Features
- The property is located close to the “Misato Junction,” an intersection of the Metropolitan Expressway, Joban Expressway, and Tokyo Gaikan Expressway, and therefore considered to have an excellent location as a strategic point in the inland of the Greater Tokyo area.
 - Located in an industrial area, the property can operate 24 hours a day. As there is a large population in the surrounding area, businesses are able to recruit employees from the local area.
 - It is a five-story multi-tenant logistics property with a gross floor area of approximately 14,955 tsubo.
 - Equipped with solar panels on the roof.
 - The property has car berths on both sides of the first floor and a two-lane ramp ways that allows trucks direct access on each floor, which enhances operational efficiency for logistics uses.
 - Ceiling height of 5.5 m on the first to fourth floors and 5.75 m on the fifth floor, floor weight capacities of 1.5 t/m², and pillar interval spacing of 11.5 m by 11.5 m, making it an extremely versatile property suitable for a wide range of tenant business types.

Outline of property

Location (city or county, prefecture)	Misato City, Saitama
Date of construction	July 8, 2013
Acquisition price	¥16,831 million
Total leasable area	55,864.47 m²
Lessee	KOKUBU GROUP CORP., ARATA CORPORATION, Kato Sangyo Co., Ltd., Nitori Co., Ltd., etc.

Acquired on August 29, 2017

RM-007 | ASOBOX (Land)
Retail

RM-008 | FOLEO Ome Imai
Retail

External Growth Strategy

Q What is the current status of your portfolio?

As of August 31, 2017, DHR owned 199 properties. 98.0% of the portfolio was comprised of core assets (logistics, residential, retail, and hotel properties), and 84.4% of the portfolio was within the three major metropolitan areas.

Portfolio Highlights (acquisition price basis) (as of August 31, 2017)

AUM*

199 properties

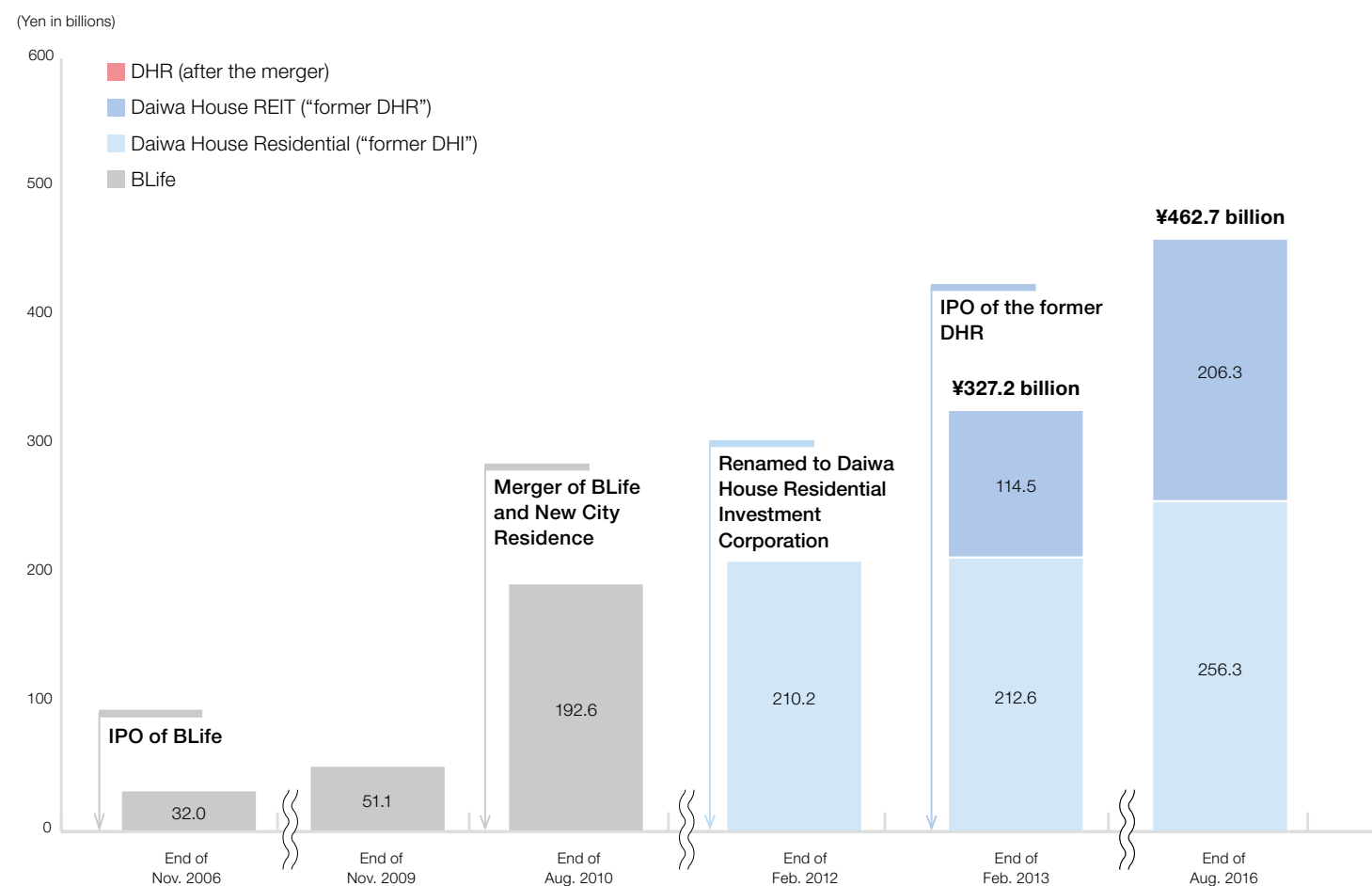
¥577.7 billion

Logistics properties	47 properties	¥260.1 billion
Residential properties	135 properties	¥250.4 billion
Retail properties	13 properties	¥55.7 billion
Other assets	4 properties	¥11.4 billion

Q What are your AUM trend and your future growth objectives?

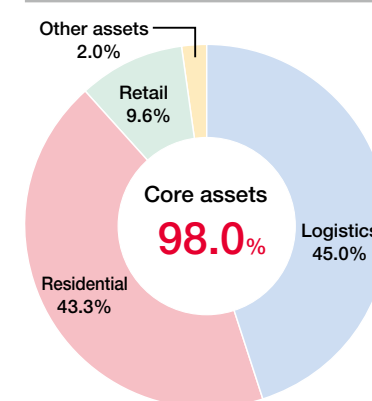
Since the Merger in September 2016, DHR acquired 24 properties in one year with a total acquisition price of ¥96.1 billion, achieving rapid external growth. Looking ahead, DHR will continue making steady external growth towards its medium-term target of ¥800 billion in assets.

Growth Trend of AUM (acquisition price basis)

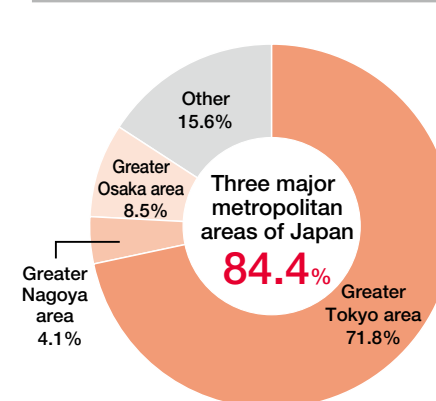


* "AUM" refers to the aggregate of the acquisition price of each asset under management in the portfolio of each investment corporation in each time period.

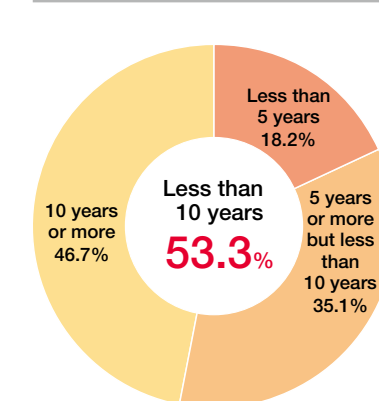
By asset class



By area



By property age



New stage as a diversified REIT upon the merger of the former DHI and the former DHR

24 assets of ¥96.1 billion acquired since the merger in September 2016

¥491.3 billion

¥513.7 billion

¥577.7 billion

Assets acquired in the fiscal period ended February 28, 2017
7 properties, ¥22.8 billion
Assets sold in the fiscal period ended February 28, 2017
1 property, ¥0.3 billion

Further accelerating growth

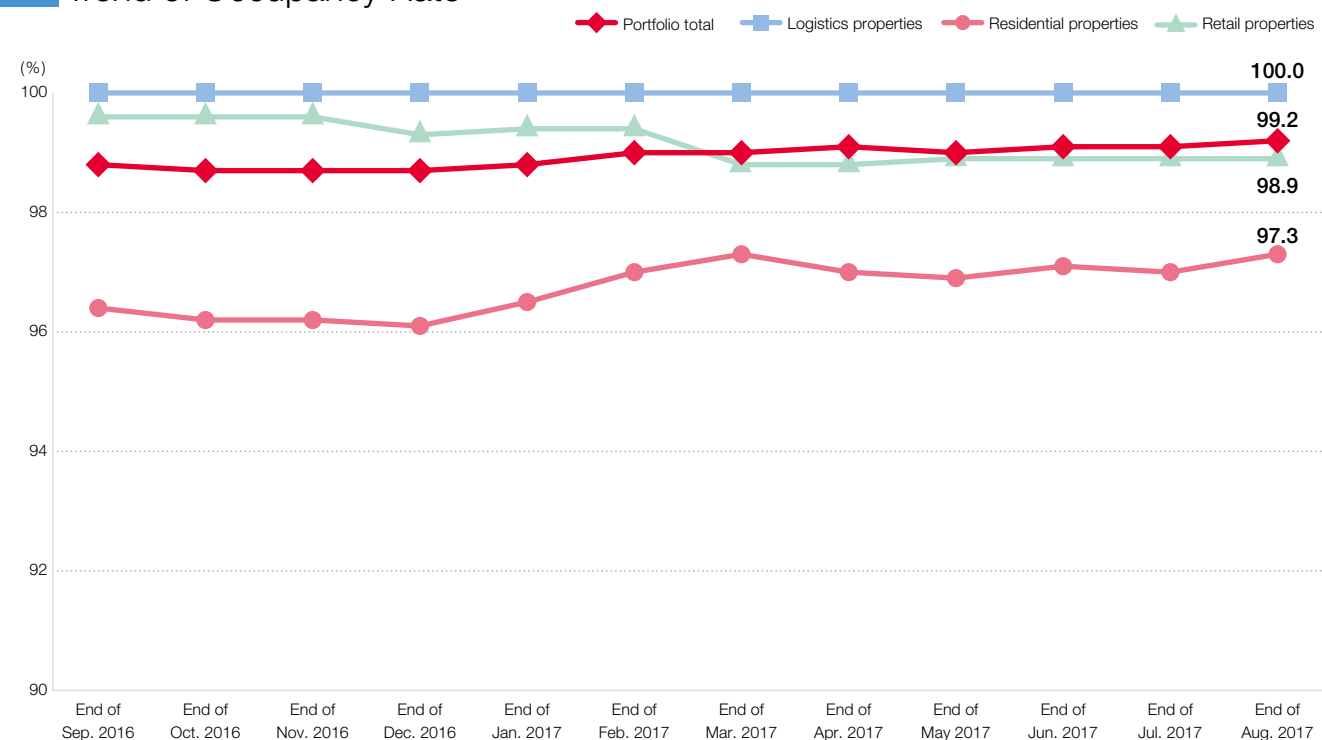
Assets acquired in the fiscal period ended August 31, 2017
17 properties, ¥73.3 billion
Assets sold in the fiscal period ended August 31, 2017
7 properties, ¥9.3 billion

Internal Growth Strategy

Q What is the state of occupancy for DHR properties?

As of August 31, 2017, the occupancy rate was 99.2%, as we continued to maintain stable operations. We worked to maintain the competitiveness of our properties by implementing value enhancement projects based on the characteristics of each property and by changing tenants.

Trend of Occupancy Rate



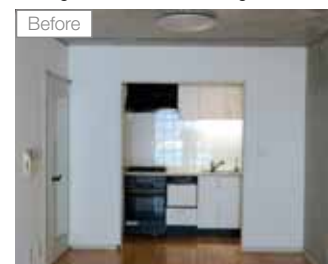
Initiatives to Increase Attractiveness

Residential properties Value enhancement projects

Removed partition walls between kitchen and living room to change from independent-style kitchen to open-style kitchen



Changed kitchen from being affixed to a wall to the popular open-style



Logistics properties D Project Inuyama

Increased revenue by installing solar panels and renting out the roof



Retail properties QiZ GATE URAWA

Changed to a supermarket with competitive advantage



Financial Strategy (as of August 31, 2017)

Q Please provide an update on DHR's financial conditions.

We newly borrowed ¥29,500 million, refinanced ¥36,100 million, and made progress on lengthening and diversifying debt maturities and fixing interest rates on interest-bearing debt.

Interest-bearing Debt

Total interest-bearing debt	¥282,268 million
Total loans	¥266,268 million
Total investment corporation bonds	¥16,000 million
LTV (including goodwill)	41.4%
LTV (excluding goodwill)	46.5%
Long-term interest-bearing debt ratio	94.3%
Fixed interest ratio	93.8%
Average interest rate	0.77%
Average remaining maturity	5.6 years
Commitment line	¥20,000 million

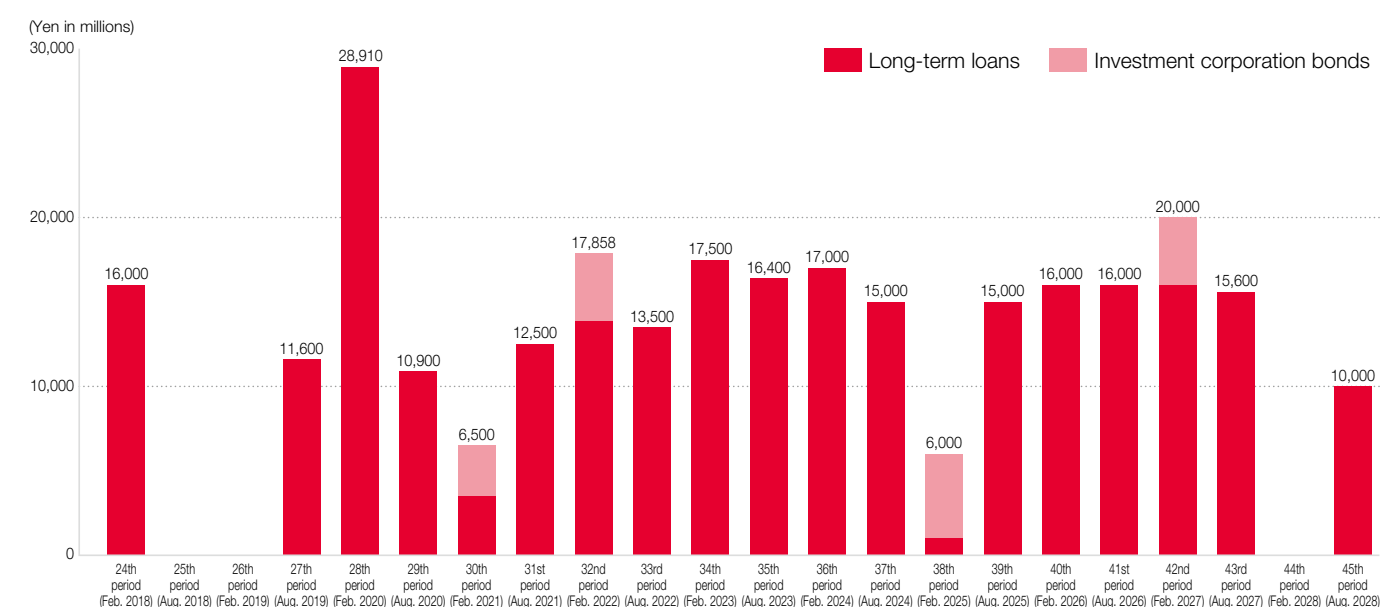
Breakdown by Lender

(Yen in millions)

Sumitomo Mitsui Trust Bank, Limited	49,059
Sumitomo Mitsui Banking Corporation	47,050
Mizuho Bank, Ltd.	42,550
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	42,477
Mitsubishi UFJ Trust and Banking Corporation	15,927
Development Bank of Japan Inc.	14,400
Aozora Bank, Ltd.	12,561
The Norinchukin Bank	11,610
Resona Bank, Limited	9,500
Mizuho Trust & Banking Co., Ltd.	5,908
Nippon Life Insurance Company	3,500
Shinsei Bank, Limited	3,000
Shinkin Central Bank	2,500
Mitsui Sumitomo Insurance Company, Limited	2,000
The Bank of Fukuoka, Ltd.	2,000
The Chiba Bank, Ltd.	1,465
The Shizuoka Bank, Ltd.	760

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

Diversifying Debt Maturities



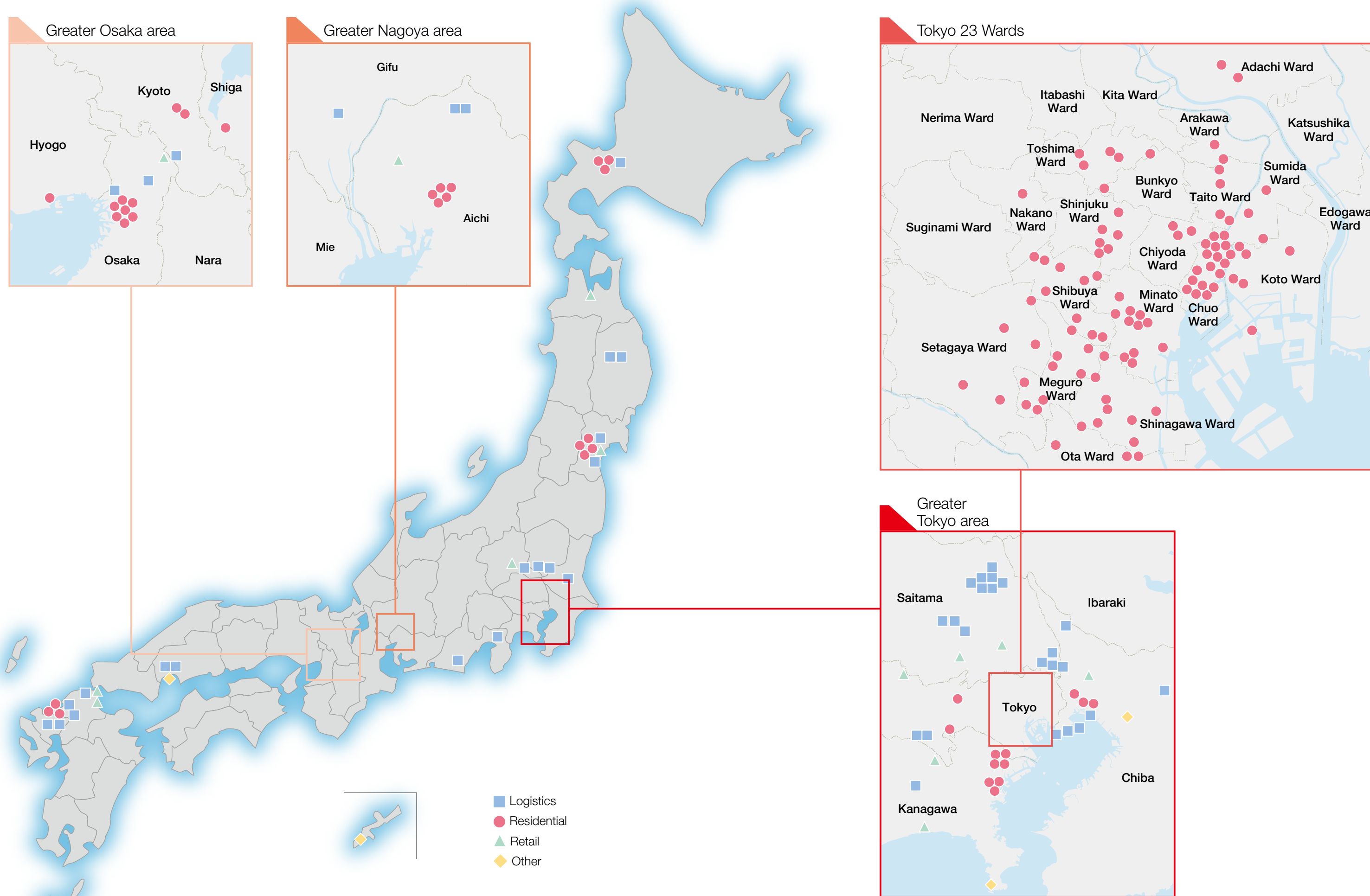
Rating/Outlook (as of October 4, 2017)

JCR
(Japan Credit Rating
Agency, Ltd.)

AA
(Stable)

R&I
(Rating and Investment
Information, Inc.)

A+
(Stable)



Major Portfolio Properties

Logistics properties

LM-001 | DPL Misato



LB-006 | D Project Urayasu II



LB-002 | D Project Hachioji



LB-031 | D Project Nishiyodogawa



LB-009 | D Project Inuyama



Residential properties

RE-110 | Pacific Royal Court Minatomirai Urban Tower



RE-001 | Qiz Ebisu



RE-039 | Castalia Takanawa



RE-059 | Castalia Tower Shinagawa Seaside



RE-043 | Shibaura Island Bloom Tower



RE-002 | Castalia Azabujuban Shichimenzaka



Major Portfolio Properties

Retail properties

RR-002 FOLEO Sendai Miyanomori



RM-001 ACROSSMALL Shinkamagaya



RM-006 DREAM TOWN ALI



RM-004 UNICUS Takasaki



RM-002 FOLEO Hirakata



Other assets

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



Sustainability Initiatives

Sustainability Policy

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

Daiwa House Asset Management Co., Ltd. shares Daiwa House Group's basic approach as DHR's asset manager, and considers that including consideration for environment, society, and governance (hereinafter referred to as "ESG") in its real estate investment management operations contributes to DHR's basic policy of ensuring stable revenue and steady growth of assets over the long term.

Therefore, we have established the following "Sustainability Policy" to guide our real estate investment and management.

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 and so forth. 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 and so forth by promoting reduction, substitution and appropriate management of harmful chemical substances 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 or 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.

DBJ Green Building Certification* Awarded

We acquired certifications for each asset class of logistics, residential and retail properties.



D Project Machida



Royal Parks Toyosu



D Project Hachioji



Pacific Royal Court
Minatomirai Urban Tower



ACROSSMALL
Shinkamagaya



* DBJ Green Building Certification is designed to promote real estate properties that demonstrate environmentally friendly building features, security measures, disaster prevention measures and take into account societal demands from various stakeholders surrounding the properties. Properties with excellence that meet the demands of the times are selected based on a scoring model developed by Development Bank of Japan Inc. (DBJ).

Participating in GRESB Real Estate Assessments

The Global Real Estate Sustainability Benchmark (GRESB) is a yearly benchmark assessment that assesses environmental, social, and governance (ESG) performance in the real estate sector.

We began participating in the assessments in 2017.



I. Asset Management Report

1. Summary of Asset Management

(1) Historical Operating Results

		19th period August 2015	20th period February 2016	21st period August 2016	22nd period February 2017	23rd period August 2017
Operating revenues (Note 1)	Yen in millions	9,356	9,662	9,691	17,531	21,015
Of which, real estate rental revenues	Yen in millions	9,356	9,662	9,691	17,531	19,479
Operating expenses	Yen in millions	5,430	5,715	5,731	11,963	11,623
Of which, real estate rental expenses	Yen in millions	4,438	4,688	4,746	7,493	7,906
Operating income	Yen in millions	3,925	3,947	3,959	5,567	9,392
Ordinary income	Yen in millions	3,146	3,177	3,214	4,474	7,974
Net income	Yen in millions	3,145	3,177	3,213	4,393	7,968
Total assets	Yen in millions	258,400	258,590	258,266	604,142	682,359
Period-on-period changes	%	8.2	0.1	(0.1)	133.9	12.9
Net assets	Yen in millions	111,352	111,194	111,042	330,304	377,321
Period-on-period changes	%	(0.1)	(0.1)	(0.1)	197.5	14.2
Unitholders' capital	Yen in millions	61,703	61,703	61,703	61,703	108,136
Total number of investment units issued	Units	747,740	747,740	747,740	1,519,280	1,690,000
Net assets per unit	Yen	148,918	148,707	148,504	217,408	223,267
Total distributions	Yen in millions	3,334	3,365	3,392	7,292	8,389
Distributions per unit	Yen	4,460	4,501	4,537	4,800	4,964
Of which, earnings distributions per unit	Yen	4,460	4,501	4,537	4,800	4,964
Of which, distributions in excess of earnings per unit	Yen	—	—	—	—	—
Ordinary income to total assets ratio (Note 2)	%	1.3	1.2	1.2	1.0	1.2
Annualized	%	2.5	2.5	2.5	2.1	2.5
Return on equity (Note 3)	%	2.8	2.9	2.9	2.0	2.3
Annualized	%	5.6	5.7	5.7	4.0	4.5
Equity ratio	%	43.1	43.0	43.0	54.7	55.3
Period-on-period changes	%	(3.6)	(0.1)	(0.0)	11.7	0.6
Payout ratio	%	106.0	106.0	105.6	166.0	104.0
<Other Reference Information>						
Rental NOI (Note 4)	Yen in millions	6,814	6,986	6,977	13,398	15,286
FFO per unit (Note 5)	Yen	6,752	6,948	7,024	6,469	7,184
FFO multiple (Note 6)	Times	16.9	16.9	20.9	22.4	18.9
Debt service coverage ratio (Note 7)	Times	9.3	9.6	10.2	12.2	15.4
Interest-bearing debt	Yen in millions	141,663	141,663	141,663	253,163	282,268
Interest-bearing debt to total assets ratio (Note 8)	%	54.8	54.8	54.9	41.9	41.4

(Notes) 1. Operating revenues, etc., do not include consumption taxes.
2. Ordinary income to total assets ratio = Ordinary income / ((Total assets at the beginning of period + Total assets at the end of period) / 2) × 100
3. Return on equity = Net income / ((Net assets at the beginning of period + Net assets at the end of period) / 2) × 100
4. Rental NOI = Real estate rental revenues – Real estate rental expenses + Depreciation and amortization during the period
5. FFO per unit = (Net income + Depreciation and amortization + Amortization of goodwill + Amortization of investment corporation bond issuance costs + Amortization of trademark rights + Amortization of software +/- Loss/gain on sale of real estate properties +/- Extraordinary loss/income) / Total number of investment units issued
6. FFO multiple = Investment unit price at the end of period / Annualized FFO per unit
7. Debt service coverage ratio = Net income before interest, depreciation and amortization / Interest expenses
8. Interest-bearing debt to total assets ratio = Interest-bearing debt at the end of period / Total assets at the end of period × 100

(2) Asset Management during the Period

i) Transition of DHR

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

DHR was listed on the Real Estate Investment Trust (REIT) Market of the 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, the corporate name was changed 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.

Accordingly, leveraging their individual strengths and drawing on sponsor support of the Daiwa House Group (Note), both DHR and the former DHR (hereinafter collectively referred to as the “Investment Corporations”) accumulated asset management results geared to securing stable income over the medium to long term and steadily growing their assets. However, as of September 1, 2016, DHR 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, shifted to a diversified REIT portfolio that targets 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 with the aim of sustainably increasing unitholder value going forward.

(Note) The Daiwa House Group comprises Daiwa House, which is the parent company, 252 consolidated subsidiaries, 3 non-consolidated subsidiaries, 29 equity-method affiliates and 2 non-equity-method affiliates as of June 30, 2017. The Asset Manager is a member of the group. The same shall apply hereinafter.

ii) Performance for the Current Fiscal Period

In its first capital increase through public offering since the Merger, DHR raised ¥46.4 billion, and through a combination of funds raised through capital increase through public offering and loans, on April 11, 2017, 15 properties were acquired through the Daiwa House Group’s pipeline for a total acquisition price of ¥67.9 billion. Furthermore, in July and August, 2017, to replace its assets owned, DHR sold seven residential properties for a total sales price of ¥10.1 billion and acquired two retail properties for a total acquisition price of ¥5.4 billion. As a result, DHR’s portfolio as of the end of the current fiscal period consists of 199 properties with an asset value of ¥577.7 billion (Note 1).

Concerning actual performance of owned assets in the current fiscal period, DHR’s occupancy rate at the end of the fiscal period was 99.2%, and a high level of rental revenues was maintained. Furthermore, as a result of property sales from the replacement of assets owned, gain on sale of real estate properties amounted to ¥1,536 million. As a result, operating revenues amounted to ¥21,015 million, ¥1,674 million higher than the forecast of results disclosed in the financial results report for the fiscal period ended February 28, 2017 (referred to as the “forecast of results” in “ii) Performance for the Current Fiscal Period”).

Regarding rental expenses, on the other hand, DHR brought forward part of the repairs and maintenance expenses and restoration costs, etc. that had been scheduled for the next fiscal period onward in view of reducing the future cost burden. Nevertheless, DHR’s efforts to reduce general and administrative expenses and other costs led to operating income of ¥9,392 million, up ¥1,722 million from the forecast of results, and net income of ¥7,968 million, up ¥1,838 million from the forecast of results.

(Notes) 1. “Asset value” is the aggregate total of the acquisition prices (Note 2) of respective assets held by DHR at respective points in time, except as otherwise noted. The same shall apply hereinafter.
2. “Acquisition prices” are the purchase prices stipulated in the respective purchase agreements of assets owned by DHR (not including expenses pertaining to acquisitions, settlement money such as taxes and duties, 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.

iii) Overview of Financing

To provide for ¥3,000 million in redemptions for the 1st Unsecured Investment Corporation Bonds of Daiwa House Residential Investment Corporation maturing on March 9, 2017, DHR conducted debt financing for the full amount of redemptions, and on March 31, 2017, to provide for the repayment of ¥15,095 million in loans that became due on March 31, 2017, and to provide for the early repayment of ¥6,000 million in short-term loans, conducted debt financing in the amount of ¥21,000 million. Furthermore, to provide for some of the acquisition costs and the related expenses for the acquisition of properties through the Daiwa House Group’s pipeline (total acquisition price of ¥67.9 billion), conducted debt financing totaling ¥29,500 million on April 11, 2017, and on July 31, 2017, conducted additional debt financing of ¥12,100 million for the repayment of ¥12,400 million in loans that became due on the same date.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥282,268 million (loan balance: ¥266,268 million, investment corporation bond balance: ¥16,000 million), which is an increase of ¥29,105 million in comparison with the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 41.4%, and its LTV (excluding goodwill) (Note 2) was 46.5%.

(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	A+ Stable
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating	AA- Positive (Note)

(Note) On October 4, 2017, the rating was changed to “AA Stable” from “AA- Positive.”

iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥622,424 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value was ¥59,410 million, mainly reflecting a decline in the capitalization rate used in determining the appraisal value.

(Note) “Unrealized gain” is the positive valuation difference when the appraisal value exceeds the book value of real estate properties (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 sales of real estate.

v) Overview of Financial Results

As a result of the abovementioned investment management activities, in the current fiscal period, DHR posted operating revenues of ¥21,015 million, operating income of ¥9,392 million, ordinary income of ¥7,974 million, and net income of ¥7,968 million (¥4,714 per investment unit).

Furthermore, based on its distribution policy, DHR reversed ¥1,980 million (¥1,172 per investment unit) as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustment to top up net income, while at the same time, ¥1,559 million (¥923 per investment unit) recorded as gain on sale of real estate properties and refunded consumption taxes relating to properties that DHR acquired in prior years was accumulated as reserve for distribution. As a result, total distributions amounted to ¥8,389 million (¥4,964 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, 2017 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remarks
		Change	Balance	Change	Balance	
March 1, 2013	Split of investment units	160,535	321,070	—	41,602	(Note 1)
March 18, 2013	Capital increase through public offering	28,000	349,070	10,455	52,058	(Note 2)
April 17, 2013	Capital increase through third-party allotment	2,800	351,870	1,045	53,104	(Note 3)
October 28, 2013	Capital increase through public offering	20,000	371,870	7,817	60,921	(Note 4)
November 19, 2013	Capital increase through third-party allotment	2,000	373,870	781	61,703	(Note 5)
March 1, 2015	Split of investment units	373,870	747,740	—	61,703	(Note 6)
September 1, 2016	Delivery by allotment due to merger	771,540	1,519,280	—	61,703	(Note 7)
March 21, 2017	Capital increase through public offering	156,720	1,676,000	42,625	104,328	(Note 8)
April 14, 2017	Capital increase through third-party allotment	14,000	1,690,000	3,807	108,136	(Note 9)

(Notes) 1. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2013.
2. Investment units were issued by public offering with an issue price of ¥388,100 per unit (paid-in amount: ¥373,428) in order to raise funds for the acquisition of new properties, etc.
3. Additional investment units were issued with a paid-in amount of ¥373,428 per unit in order to raise funds for the acquisition of new properties, etc.
4. Investment units were issued by public offering with an issue price of ¥404,137 per unit (paid-in amount: ¥390,873) in order to raise funds for repayments of short-term loans for the acquisition of new properties, etc.
5. Additional investment units were issued with a paid-in amount of ¥390,873 per unit in order to raise funds for repayments of short-term loans for the acquisition of new properties, etc.
6. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.
7. 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.
8. 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.
9. 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.

[Changes in market price of investment securities]

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

	19th period	20th period	21st period	22nd period	23rd period
Fiscal period ended	August 2015	February 2016	August 2016	February 2017	August 2017
Highest	¥285,300	¥255,300	¥308,000	¥298,400	¥289,800
Lowest	¥221,400	¥212,700	¥232,100	¥274,800	¥248,500
Beginning of period	¥269,900	¥224,100	¥236,300	¥284,400	¥289,800
End of period	¥226,200	¥235,000	¥291,800	¥292,000	¥268,800

(4) Distributions

As indicated in “(5) Future Operating Policies and Issues to Be Addressed, ii) Future Operating Policies and Issues to Be Addressed, (b) Distribution Policy” below, DHR established the policy on how to use the retained earnings and implemented its distribution policy by utilizing the retained earnings. For the current fiscal period, DHR reversed ¥1,980 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustment to top up unappropriated retained earnings of ¥7,968 million, while at the same time, ¥1,559 million recorded as gain on sale of real estate properties and refunded consumption taxes relating to properties that DHR acquired in prior years was accumulated as reserve for distribution. Consequently, total distributions amounted to ¥8,389 million, for distributions per unit of ¥4,964.

	19th period From March 1, 2015 to August 31, 2015	20th period From September 1, 2015 to February 29, 2016	21st period From March 1, 2016 to August 31, 2016	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017
Unappropriated retained earnings	¥3,145,903,429	¥3,177,139,345	¥3,213,554,837	¥4,393,259,342	¥7,968,070,160
Voluntary reserve (Note)	¥18,072,729,367	¥17,884,290,972	¥17,705,349,429	¥14,806,064,771	¥14,384,974,831
Total distributions	¥3,334,920,400	¥3,365,577,740	¥3,392,496,380	¥7,292,544,000	¥8,389,160,000
Distributions per unit	¥4,460	¥4,501	¥4,537	¥4,800	¥4,964
Of the above, total earnings distributions	¥3,334,920,400	¥3,365,577,740	¥3,392,496,380	¥7,292,544,000	¥8,389,160,000
Earnings distributions per unit	¥4,460	¥4,501	¥4,537	¥4,800	¥4,964
Of the above, total capital refunds	—	—	—	—	—
Capital refunds per unit	—	—	—	—	—
Of total capital refunds, total distributions from the allowance for temporary difference adjustment	—	—	—	—	—
Of capital refunds per unit, temporary-difference- adjustment- allowance distributions per unit	—	—	—	—	—
Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes	—	—	—	—	—
Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit	—	—	—	—	—

(Note) Voluntary reserve indicates the sum of voluntary reserve including reserve for temporary difference adjustment and reserve for distribution.

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, the Japanese economy continued on a gradual trend of recovery. According to the quarterly Financial Statements Statistics of Corporations by Industry, corporate earnings for April to June 2017 showed sales rising 1.0% from the previous quarter, for the fourth consecutive quarterly increase. Ordinary income rose 4.0% from the previous quarter, rising for the fifth consecutive quarter. Despite a sense of uncertainty in conditions overseas, capital expenditure overall was being underpinned by investment in rationalization and labor saving against the backdrop of strong corporate results and labor shortages, and is expected to remain firm going forward. According to the GDP growth rate for April to June 2017 (the 2nd preliminary), real GDP was up by 0.6% (2.5% annualized), which was positive growth for six consecutive quarters, meaning that the Japanese economy is firm. Consumer spending is generally lacking strength but consumption is on a rise on account of steady improvements in the employment and personal income environments, and it is expected to recover gently in the future. Furthermore, looking toward the future, while the Japanese economy is expected to continue its gradual recovery, amidst expectations for overall stability in the economies of the United States and major European countries, in addition to concerns over a slowdown in the Chinese economy, the situation in North Korea is creating geopolitical risk, and we must continue to be aware of the effects on the Japanese economy if these risks materialize.

In Japan's real estate market, according to the Land Value LOOK Report for the second quarter of 2017 (April 1, 2017 to July 1, 2017) released by the Ministry of Land, Infrastructure, Transport and Tourism in August 2017, among the 100 intensively used districts of major cities, land value rose in 86 districts (compared with 85 districts in the first quarter of 2017), stayed flat in 14 districts (compared with 15 districts in the first quarter of 2017), and dropped in 0 districts (compared with 0 districts in the first quarter of 2017). Therefore, the districts maintaining rising prices were roughly a little over 80%. The main reason that the percentage of districts with rising prices maintained such a high level was a continuing strong real estate investment sentiment reflecting a favorable financing environment owing to monetary easing, etc. on the back of a continuing favorable office market condition particularly in the three major metropolitan areas, ongoing large-scale redevelopment projects, and continuing high-level demand of visitors to Japan for consumption and accommodation.

In the J-REIT market, since entering 2017, the Tokyo Stock Exchange REIT Index (1,855.83 points at the end of last year) trended weakly overall due to concerns over higher domestic long-term interest rates given the trend in monetary policy overseas. Additionally, according to trends in transactions by investor type released by the Tokyo Stock Exchange, investment units for J-REIT investment trusts experienced net selling in and after April, leading the Tokyo Stock Exchange REIT Index to fall to 1,620.38 points on July 14 (a 13% decline since the start of the year). However, the index recovered to 1,700 points by the end of July.

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

DHR now targets a broader range of investments due to its shift to a diversified REIT portfolio as a result of the Merger (thereby enhancing external growth potential). Consequently, DHR has achieved swift external growth, having acquired 24 new properties over the roughly one year since the Merger (at a total acquisition price of ¥96.1 billion). Also, DHR made acquisitions of a multi-use complex consisting of hotel and offices, in addition to existing built-to-suit (BTS) logistics properties (Note 1), residential properties, and retail properties since the Merger, and subsequently also acquired its first multi-tenant logistics property (Note 2) in April 2017. DHR believes that acquiring various types of assets will enable it to diversify its portfolio and generate income more consistently.

Moreover, DHR's asset holdings now include properties such as logistics and retail properties as a result of the Merger, in addition to its previous holdings of residential properties. As such, DHR reckons that its portfolio of asset holdings as of the date of this report promises high occupancy rates across all asset classes, which in turn is likely to generate stable rent income going forward. Accordingly, DHR also deems that it will be able to diversify the portfolio by investing in an extensive range of asset classes featuring varying risk-return profiles, and also that it will be able to boost portfolio income and generate more consistent cash flows as a result of diversifying the portfolio and mitigating risk of excessive reliance on a limited number of tenants by increasing the asset value of the portfolio.

In addition, DHR is committed to steadily promoting external growth through a strategy that involves hastening the pace of growth by leveraging value chains of the Daiwa House Group, in conjunction with efforts to acquire assets by drawing on information channels proprietary to the Asset Manager, thereby making the most of the Daiwa House Group's ample pipeline going forward.

(Notes) 1. "Built-to-suit (BTS) logistics properties" are logistics properties that have been customized to tenant needs, while maintaining general versatility to accommodate successor tenants in the future. The same shall apply hereinafter.
2. "Multi-tenant logistics properties" are logistics properties that have been situated on sites suitable to the logistics needs of various businesses, and that offer facility size, grade, and equipment optimal to such sites. The same shall apply hereinafter.

(b) Distribution Policy

As of the end of the current fiscal period, DHR had a total of ¥35,228 million in tax loss carryforwards (Note 1), ¥14,748 million in reserve for temporary difference adjustment (before reversal for the current fiscal period; the amount after reversal is ¥12,767 million), and ¥57 million in reserve for distribution (before accumulation for the current fiscal period; the amount after accumulation is ¥1,617 million).

As a result of partial revisions to the "Regulations on Accounting of Investment Corporations" and The Investment Trusts Association, Japan's "Rules on Real Estate Investment Trusts and Real Estate Investment Corporations," DHR intends for ¥14,748 million, itemized as gains on negative goodwill, to be transferred in reserve for temporary difference adjustment, and, from the fiscal period ended August 31, 2017 onward, for an amount, inside the scope of the said reserve, that equals or exceeds the fifty-year-uniform amount to be reversed in each fiscal period and distributed.

In situations where there has been gain on sale of real estate properties, and so forth, and where net income for the period has been higher than initially expected, DHR has accumulated all or part of that income as reserve for distribution by utilizing tax loss carryforwards.

In order to make earnings distributions deductible for tax purposes, J-REITs must distribute more than 90% of distributable earnings, but J-REITs that have tax loss carryforwards can reduce their taxable income to the extent of tax loss carryforwards. By utilizing tax loss carryforwards inherited from the merger with NCR, DHR is able to accumulate all or part of income in cases where net income exceeds the initial forecast due to gain on sale of real estate properties without having taxes imposed until August 2018 to the extent that the tax loss carryforwards are available (Note 1).

DHR changed part of its distribution policy in the fiscal period ended February 28, 2017 and reverses the amount equivalent to amortization of goodwill from the reserve for temporary difference adjustment and uses this to top up net income.

In case net income falls below the initially expected amount due to 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, in case sufficient revenues could not be secured due to short operation periods of properties acquired during a fiscal period along with a capital increase, or in the case of extraordinary expenses such as issuance expenses arising, DHR plans to reverse the reserve for temporary difference adjustment (Note 2).

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 adjustment and distribute it, after the reversal of the reserve for temporary difference adjustment is complete, DHR plans to pay distributions in excess of earnings of the amount equivalent to amortization of goodwill (distribution of reserve for temporary difference adjustment).

DHR's policy is to flexibly utilize loss carryforwards and retained earnings and subsequently pay distributions in excess of earnings (distribution of reserve for temporary difference adjustment) to realize stabilization of distributions on a medium- to long-term basis (Note 3) while ensuring the level of distributions not impacted by the amortization of goodwill that accompanied the Merger.

(Notes) 1. The carryforward period of loss carryforwards inherited from the merger with NCR is until the end of the fiscal period ending August 31, 2018. In addition the loss carryforwards inherited from the former DHR as a result of the Merger is ¥507 million and the carryforward period for such loss carryforwards is until the end of the fiscal period ending February 28, 2021.
2. DHR's reversals of reserve for temporary difference adjustment do not fall under distributions in excess of earnings (return of unitholders' capital).
3. 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

Not applicable.

2. Overview of the Investment Corporation

(1) Status of Investment Units

	19th period As of August 31, 2015	20th period As of February 29, 2016	21st period As of August 31, 2016	22nd period As of February 28, 2017	23rd period As of August 31, 2017
Total number of authorized investment units	4,000,000	4,000,000	4,000,000	8,000,000	8,000,000
Total number of investment units issued	747,740	747,740	747,740	1,519,280 (Note)	1,690,000
Unitholders' capital (Yen in thousands)	61,703,224	61,703,224	61,703,224	61,703,224	108,136,162
Number of unitholders	6,998	7,073	6,431	10,851	13,779

(Note) At the time of the Merger, which became effective as of September 1, 2016, DHR allotted 2.2 units of DHR per unit of the former DHR, and as a result, 771,540 new investment units were issued.

(2) Matters concerning Investment Units

The major unitholders as of August 31, 2017 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)	329,674	19.5
Daiwa House Industry Co., Ltd.	185,200	11.0
The Master Trust Bank of Japan, Ltd. (Trust account)	175,277	10.4
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	108,475	6.4
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	57,760	3.4
State Street Bank - West Client - Treaty 505234	30,343	1.8
State Street Bank - West Pension Fund Clients - Exempt 505233	29,809	1.8
State Street Bank and Trust Company 505012	25,162	1.5
Nomura Bank (Luxembourg) S.A.	23,112	1.4
The Fuji Fire and Marine Insurance Co., Ltd.	21,236	1.3
Total	986,048	58.3

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

(3) Officers

i) The following table provides information about the officers.

Title and post	Name	Major concurrent position	Total compensation per title during the 23rd period (Yen in thousands)
Executive Director	Jiro Kawanishi	Auditor, Fujita Kanko Inc. (part time)	2,400
Supervisory Directors	Tetsuya Iwasaki	Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	2,100
	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	2,100
Accounting Auditor	Ernst & Young ShinNihon LLC	—	36,000

(Notes) 1. The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name. Any Supervisory Director may serve as an executive of a corporation other than those listed above, but such corporations including those listed above do not have any interest in DHR.
2. Dismissal or non-reappointment of the Accounting Auditor shall be discussed at DHR's board of directors pursuant to the provisions of the Investment Trusts Act for dismissal, taking into full account all relevant factors for non-reappointment such as the quality of audits and compensation for audits.
3. Compensation for the Accounting Auditor includes fees for the creation of comfort letters for the issuance of new investment units in March 2017.

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

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

- (a) Name of the firm
- Ernst & Young ShinNihon LLC
- (b) Summary of order
- Suspension from accepting new engagements for three months from January 1, 2016 to March 31, 2016.
- (c) Reason of order
- Seven certified public accountants of the firm had, in negligence of due care, attested the financial statements of TOSHIBA CORPORATION for the years ended March 31, 2010, 2012 and 2013 containing material misstatements as if the statements contained no material misstatements.
 - The firm's operations are significantly inappropriate.

(4) Asset Manager, Custodian and General Administrators

Business	Name
Asset Manager	Daiwa House Asset Management Co., Ltd.
Custodian	Sumitomo Mitsui Trust Bank, Limited
General Administrator	Sumitomo Mitsui Trust Bank, Limited
Transfer agent / Special account administrator	Sumitomo Mitsui Trust Bank, Limited
Administrator of investment corporation bonds	Sumitomo Mitsui Trust Bank, Limited, The Bank of Tokyo-Mitsubishi UFJ, 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)	22nd period February 28, 2017		23rd period August 31, 2017		
			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	25,316	4.2	25,203	3.7
			Greater Nagoya area	931	0.2	926	0.1
			Greater Osaka area	16,891	2.8	13,611	2.0
		Other	5,498	0.9	5,450	0.8	
		Subtotal		48,638	8.1	45,191	6.6
Trust beneficiary interests in real estate	Logistics properties	Three major metropolitan areas of Japan	Greater Tokyo area	138,378	22.9	179,252	26.3
			Greater Nagoya area	13,647	2.3	13,564	2.0
			Greater Osaka area	16,195	2.7	19,646	2.9
		Other	26,814	4.4	46,640	6.8	
	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	174,511	28.9	171,063	25.1
			Greater Nagoya area	6,090	1.0	4,356	0.6
			Greater Osaka area	10,534	1.7	9,214	1.4
		Other	5,354	0.9	7,156	1.0	
	Retail properties	Three major metropolitan areas of Japan	Greater Tokyo area	23,282	3.9	27,039	4.0
			Greater Nagoya area	2,390	0.4	2,390	0.4
			Greater Osaka area	4,552	0.8	4,518	0.7
		Other	20,221	3.3	21,757	3.2	
	Other assets	Three major metropolitan areas of Japan	Greater Tokyo area	2,004	0.3	1,981	0.3
		Other		7,586	1.3	9,394	1.4
		Subtotal		451,563	74.7	517,976	75.9
		Deposits and other assets		103,941	17.2	119,191	17.5
		Total assets		604,142	100.0	682,359	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, 2017 and August 31, 2017), which are rounded down to the nearest million yen. For real estate properties and trust beneficiary interest in real estate (may be referred to as "real estate in trust" or "trust beneficiary interest in real estate"), the amounts are their acquisition costs (including expenses associated with the acquisition) less accumulated depreciation.

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

(2) Principal Assets Held

The overview of principal assets held by DHR as of August 31, 2017 (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	25,844	72,320.01	72,320.01	100.0	(Note 6)	Logistics
DPL Misato	16,875	55,864.47	55,864.47	100.0	(Note 6)	Logistics
D Project Hachioji	15,242	62,394.17	62,394.17	100.0	(Note 6)	Logistics
D Project Nishiyodogawa	10,178	39,584.80	39,584.80	100.0	(Note 6)	Logistics
D Project Urayasu I	9,225	36,515.81	36,515.81	100.0	(Note 6)	Logistics
D Project Machida	9,211	50,490.39	50,490.39	100.0	(Note 6)	Logistics
Pacific Royal Court Minatomirai Urban Tower	8,971	26,294.49	26,294.49	100.0	2.7	Residential
D Project Inuyama	8,583	43,723.70	43,723.70	100.0	(Note 6)	Logistics
D Project Urayasu III	8,526	39,441.32	39,441.32	100.0	(Note 6)	Logistics
D Project Kuki V	8,239	47,320.89	47,320.89	100.0	(Note 6)	Logistics
Total	120,898	473,950.05	473,950.05	100.0	17.5	—

(Notes) 1. "Book value" is the amount recorded on the balance sheets as of August 31, 2017 (in case of real estate or real estate in trust, "Book value" is the acquisition costs (including expenses associated with the acquisition) less accumulated depreciation), which were rounded down to the nearest million yen.

2. "Leasable area" 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, 2017.

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, 2017. 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, 2017, 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.

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, 2017, and it is rounded to the first decimal place.

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

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

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of August 31, 2017 (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	9,420	9,211
	D Project Hachioji	3-21-1, Minami-Osawa, Hachioji City, Tokyo	Real estate in trust	62,394.17	15,800	15,242
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa	Real estate in trust	14,240.84	4,260	3,721
	D Project Shin-Misato	Lala City, Shin-Misato, Misato City, Saitama (Note 5)	Real estate in trust	11,289.91	5,760	5,668
	D Project Urayasu I	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	36,515.81	9,510	9,225
	D Project Urayasu II	11-5, Chidori, Urayasu City, Chiba	Real estate in trust	72,320.01	26,700	25,844
	D Project Akanehama	3-2-8, Akanehama, Narashino City, Chiba	Real estate in trust	11,663.39	3,030	2,927
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda City, Chiba	Real estate in trust	29,232.53	6,450	6,178
	D Project Inuyama	5-5, Takanebora, Inuyama City, Aichi	Real estate in trust	43,723.70	9,000	8,583
	D Project Gifu	449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu	Real estate in trust	7,669.91	1,130	1,084
	D Project Neyagawa	2-24-12, Shimeno, Neyagawa City, Osaka	Real estate in trust	11,151.51	6,200	5,932
	D Project Sapporo Minami	5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido	Real estate in trust	6,749.10	846	803
	D Project Morioka	3-18, Kazabayashi, Ogama, Takizawa City, Iwate	Real estate in trust	9,558.32	1,210	1,181
	D Project Sendai Minami	3-2-39, Kuko-Minami, Iwanuma City, Miyagi	Real estate in trust	11,052.27	1,550	1,505
	D Project Tsuchiura	20-29, Aza Harayama, Hongou, Tsuchiura City, Ibaraki	Real estate in trust	17,448.86	3,450	3,341
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka	Real estate in trust	6,737.53	1,150	1,126
	D Project Nishi-Hiroshima	2-3-11, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	5,093.51	1,200	1,198
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka	Real estate in trust	24,729.56	4,290	4,189
	D Project Tosu	1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	17,858.01	5,910	5,649
	D Project Kuki I	6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	22,708.72	4,110	3,859
	D Project Kuki II	6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	50,490.00	8,580	8,007
	D Project Kawagoe I	3-2-3, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	16,150.88	3,710	3,499

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 Kawagoe II	3-2-4, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	19,872.00	5,150	4,804
	DPL Inuyama	1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi	Real estate in trust	21,628.50	4,060	3,896
	D Project Fukuoka Hakozaiki	5-2-1, Hakozaikifuto, Higashi Ward, Fukuoka City, Fukuoka	Real estate in trust	34,710.80	4,520	4,292
	D Project Kuki III	6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	26,937.41	8,130	7,540
	D Project Kuki IV	6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	26,460.00	5,810	5,462
	D Project Kuki V	6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	47,320.89	8,790	8,239
	D Project Kuki VI	48-3, Kiyoku-cho, Kuki, Saitama	Real estate in trust	29,244.66	5,420	5,071
	D Project Yashio	50-1, Oaza Shin-machi, Yashio City, Saitama	Real estate in trust	21,965.04	6,600	6,339
	D Project Nishiyodogawa	2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka	Real estate in trust	39,584.80	10,700	10,178
	D Project Matsudo	700-3, Aza Nishonoda, Kamihongo, Matsudo City, Chiba	Real estate in trust	26,776.67	7,620	7,309
	D Project Hibiki Nada	3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka	Real estate in trust	23,933.75	2,130	2,063
	D Project Morioka II	3-15, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	4,481.00	1,330	1,274
	D Project Kawagoe III	2-8-55, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	39,572.32	7,460	7,227
	D Project Kazo	2-16-1, Okuwa, Kazo City, Saitama	Real estate in trust	18,371.10	3,430	3,314
	D Project Urayasu III	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	39,441.32	9,340	8,526
	D Project Tomisato	7-2, Misawa, Tomisato City, Chiba	Real estate in trust	36,113.25	5,040	5,015
	D Project Kyotanabe	3-50-1, Kannabidai, Kyotanabe City, Kyoto	Real estate in trust	10,965.68	3,620	3,535
	D Project Sendai Izumi	2-9-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	10,764.05	1,590	1,520
	D Project Oyama	2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi	Real estate in trust	14,106.91	2,020	2,008
	D Project Sano	570-9, Nishiura-cho, Sano City, Tochigi	Real estate in trust	15,668.44	1,790	1,791
	D Project Tatebayashi	110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma	Real estate in trust	13,521.56	3,150	3,111
	D Project Kakegawa	653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka	Real estate in trust	39,341.44	6,140	6,023
	D Project Hiroshima Seifu	2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	19,004.72	3,930	3,836
	D Project Tosu II	1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	13,012.50	1,840	1,709
	DPL Misato	1-3-5, Inter-Minami, Misato City, Saitama	Real estate in trust	55,864.47	17,400	16,875
	Logistics properties – Subtotal			1,187,932.21	270,276	258,948
	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	8,520	7,238
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,220	4,170
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,190	2,410
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,220	2,353
	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	1,830	2,077
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,170	1,073
	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,250	2,116
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,660	2,792
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,500	2,530
	Castalia Shinjuku Natsumezaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,610	1,770
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,730	1,667
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,100	1,340
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,260	2,316
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,120	1,706
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,520	1,470
	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,390	1,199
	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,260	1,101
	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	1,030	914
	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	914	814
	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	940	859
	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	713	646
	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	612	558
	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	529	441
	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,230	865
	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,360	979
	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo	Real estate in trust	1,308.38	1,090	858
	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,680	1,265
	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,450	1,085
	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	759	618
	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	3,100	2,623

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 Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	1,030	818
	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	807	612
	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	511	475
	Castalia Shintomicho IV	3-10-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	681.00	471	375
	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,350	1,161
	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	697	611
	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	2,970	2,735
	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	3,100	2,525
	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	7,800	7,143
	Castalia Higashi Nihonbashi	9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo	Real estate	6,442.28	4,000	3,266
	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,370	2,851
	Castalia Ichigaya	14-4, YakuOji-machi, Ichigaya, Shinjuku Ward, Tokyo	Real estate in trust	1,546.34	1,330	880
	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	8,780	6,910
	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,350	1,988
	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,040	1,882
	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,550	1,418
	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,350	4,059
	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	559	596
	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,110	1,006
	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,280	1,332
	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,620	1,336
	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	778	731
	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	992	845
	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,250	990
	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,390	1,166
	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,070	937
	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	2,810	2,461
	Castalia Kaname-cho	5-26-10 Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,230	1,065
	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	8,740	6,836
	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	773	833
	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	1,930	1,472
	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,120	990
	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	812	762
	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	547	459
	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	215	182
	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	1,020	805
	Castalia Wakabayashikoen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	847	748
	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	944	739
	Castalia Iriya	3-1-28, Shitaya, Taito Ward, Tokyo	Real estate in trust	1,415.15	656	505
	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	2,720	2,418
	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	788	623
	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,550	1,306
	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	602	502
	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,230	978
	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,140	874
	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	1,010	857
	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,670	2,002
	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,120	996
	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,460	1,151
	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,580	1,673
	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	9,720	6,402
	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,510	1,617
	Castalia Ooimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,480	1,170
	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,780	1,450
	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,290	1,864
	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,140	1,574
	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	2,830	2,292
	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,270	3,787
	Castalia Meguro Chojyamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,250	2,018
	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,820	1,760
	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,650	1,494
	Morino Tonari	1-1-5, Koyamadai, Shinagawa Ward, Tokyo	Real estate	1,668.24	1,170	1,056
	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,270	1,215
	Royal Parks SEASIR	1-16-2, Sakae-chou, Nishiarai, Adachi Ward, Tokyo	Real estate in trust	17,269.74	4,940	4,313
	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,710	1,540

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	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	1,970	1,618
	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	731	601
	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	783	710
	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	908	753
	Castalia Nogeeyama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	744.90	328	300
	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	530	412
	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	6,190	4,900
	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	1,840	1,662
	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo	Real estate in trust	21,367.93	4,960	4,111
	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	10,900	8,971
	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa	Real estate in trust	3,009.74	2,010	1,752
	Royal Parks Musashikosugi	13-8, Shinjuku-kochi, Nakamaruko-aza, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	3,808.97	1,280	1,046
	Crest Kusatsu	5-3-27, Kasayama, Kusatsu City, Shiga	Real estate in trust	13,452.80	1,960	2,882
	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,700	1,339
	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,520	1,229
	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	4,940	4,060
	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,210	926
	Castalia Maruyama Urasando	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	1,522.89	509	370
	Castalia Maruyama Omotesando	21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	6,100.31	2,020	1,571
	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	1,000	858
	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,460	3,016
	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,520	1,093
	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	556	424
	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	948	707
	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	763	619
	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,680	1,986
	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,540	2,424
	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido	Real estate in trust	8,661.19	2,630	1,385
	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	3,040	2,031
	Castalia Meieki Minami	1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	916	677
	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,140	899
	Castalia Mibu	79, Mibu, Aiai-chou, Nakagyo Ward, Kyoto City, Kyoto	Real estate in trust	2,828.39	1,450	1,134
	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,700	1,173
	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,810	2,716
	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	2,970	2,628
	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,080	1,647
	Castalia Kyoto Nishioji	100-1, Shichijo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto	Real estate	2,035.37	1,060	1,030
	Castalia Ningyocho III	1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo	Real estate in trust	2,897.06	2,300	2,031
	Royal Parks Umejima	5-25-33, Umeda, Adachi Ward, Tokyo	Real estate in trust	6,828.78	2,180	2,058
	Castalia Shinsakae II	1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	4,425.46	1,940	1,880
	Residential properties – Subtotal			487,242.91	281,828	236,982
Retail properties	ACROSSMALL Shinkamagaya	2-12-1, Shin-Kamagaya, Kamagaya City, Chiba	Real estate in trust	41,742.84	7,950	7,662
	FOLEO Hirakata	1-20-10, Koyamichi, Hirakata City, Osaka	Real estate in trust	16,381.42	4,580	4,518
	QIZ GATE URAWA	3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama	Real estate in trust	9,705.31	4,350	4,292
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma	Real estate in trust	9,277.08	3,020	2,977
	ACROSSPLAZA Miyoshi (Land)	855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama	Real estate in trust	24,018.00	3,840	3,740
	DREAM TOWN ALi	3-1-1, Hamada, Aomori City, Aomori	Real estate in trust	22,196.81	8,270	8,026
	ASOBOX (Land)	2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka	Real estate in trust	11,207.90	1,830	1,617

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)
Retail properties	FOLEO Ome Imai	3-10-9, Imai, Ome City, Tokyo	Real estate in trust	8,637.91	3,850	3,823
	LIFE Sagamihara Wakamatsu	5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa	Real estate in trust	2,973.44	1,720	1,664
	FOLEO Sendai Miyanomori	4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi	Real estate in trust	19,845.72	7,160	6,917
	ACROSSPLAZA Inazawa (Land)	5-1-1, Otsuka Minami, Inazawa City, Aichi	Real estate in trust	31,981.70	2,440	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	2,340	2,218
	Hiratsuka Retail Property (Land)	1-2, Kuryozutsumi, Hiratsuka City, Kanagawa	Real estate in trust	28,002.92	6,630	5,857
	Retail properties – Subtotal			234,870.94	57,980	55,705
Other assets	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba	Real estate in trust	4,177.52	1,300	884
	Aburatsubo Marina HILLS	1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa	Real estate in trust	3,901.14	1,290	1,096
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	1-1-12, Omoromachi, Naha City, Okinawa	Real estate in trust	13,480.00	7,840	7,532
	Sharp Hiroshima Building	2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	3,064.89	1,910	1,861
Other – Subtotal				24,623.55	12,340	11,376
Total				1,934,669.61	622,424	563,013

- (Notes)
1. "Location" means displayed address of each real estate and real estate in trust. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.
 2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust 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, 2017. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
 3. "Assessed value at the end of period" is the appraisal value as of August 31, 2017 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., Tanizawa Sogo Appraisal Co., Ltd., Japan Real Estate Institute and Morii Appraisal & Investment Consulting Inc.) in accordance with the Articles of Incorporation of DHR as well as "Ordinance on Accountings of Investment Corporations." The amounts were rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.
 4. "Book value" is the amount recorded on the balance sheets as of August 31, 2017 (in case of real estate or real estate in trust, "Book value" is the acquisition costs (including expenses associated with the acquisition) less accumulated depreciation), which were rounded down to the nearest million yen.
 5. Undisclosed as consent has not been obtained from the lessee.

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

Asset class	Property name	22nd period (From September 1, 2016 to February 28, 2017)			23rd period (From March 1, 2017 to August 31, 2017)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Logistics properties	D Project 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	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Akanehama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Noda	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gifu	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	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	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	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishi-Hiroshima	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Umi	100.0	127,869	0.7	100.0	126,633	0.7
	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	102,762	0.6	100.0	102,762	0.5
	D Project Kawagoe II	100.0	140,520	0.8	100.0	140,520	0.7
	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)
	D Project Kazo	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Urayasu III	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Tomisato	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Kyotanabe	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Oyama	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Sano	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Tatebayashi	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Kakegawa	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Hiroshima Seifu	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Tosu II	–	–	–	100.0	(Note 3)	(Note 3)
	DPL Misato	–	–	–	100.0	(Note 3)	(Note 3)
Residential properties	Logistics properties – Subtotal	100.0	5,552,480	31.7	100.0	7,090,088	36.4
	Qiz Ebisu	98.8	231,580	1.3	95.5	233,954	1.2
	Castalia Azabujuban Shichimenzaka	95.2	118,322	0.7	99.2	119,608	0.6
	Castalia Shibakoen	97.5	66,962	0.4	98.6	69,830	0.4
	Castalia Ginza	93.7	65,482	0.4	96.9	66,720	0.3
	Castalia Hiroo	100.0	51,862	0.3	100.0	51,673	0.3
	Castalia Nihonbashi	100.0	38,171	0.2	96.4	38,338	0.2
	Castalia Hacchobori	96.9	64,891	0.4	98.2	66,719	0.3

Asset class	Property name	22nd period (From September 1, 2016 to February 28, 2017)			23rd period (From March 1, 2017 to August 31, 2017)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Azabujuban	96.7	72,439	0.4	96.6	71,116	0.4
	Castalia Azabujuban II	94.8	64,342	0.4	98.5	65,850	0.3
	Castalia Shinjuku Natsumezaka	79.4	47,892	0.3	100.0	37,154	0.2
	Castalia Ginza II	96.0	50,311	0.3	97.4	51,205	0.3
	Castalia Shibuya Sakuragaoka	97.1	33,686	0.2	97.9	35,412	0.2
	Castalia Nishi Azabu Kasumicho	91.3	63,992	0.4	90.7	68,473	0.4
	Castalia Ochanomizu	100.0	58,648	0.3	94.4	59,164	0.3
	Castalia Sangubashi	100.0	45,339	0.3	100.0	44,050	0.2
	Castalia Suitengu	100.0	45,398	0.3	98.7	45,965	0.2
	Castalia Suitengu II	100.0	41,568	0.2	100.0	41,955	0.2
	Castalia Shintomicho	97.5	31,740	0.2	95.2	33,125	0.2
	Castalia Shintomicho II	97.1	28,538	0.2	100.0	29,307	0.2
	Castalia Harajuku	100.0	28,155	0.2	100.0	25,803	0.1
	Castalia Yoyogi Uehara	93.2	22,214	0.1	100.0	21,184	0.1
	Castalia Sendagaya	100.0	19,681	0.1	100.0	20,007	0.1
	Castalia Shinjuku 7 chome	100.0	18,624	0.1	100.0	19,221	0.1
	Castalia Ningyocho	100.0	36,540	0.2	100.0	37,412	0.2
	Castalia Ningyocho II	97.4	39,809	0.2	100.0	40,565	0.2
	Castalia Shin-Ochanomizu	100.0	33,446	0.2	100.0	32,994	0.2
	Castalia Higashi Nihonbashi II	100.0	49,977	0.3	100.0	51,499	0.3
	Castalia Jinbocho	98.4	42,313	0.2	100.0	43,197	0.2
	Castalia Shintomicho III	97.8	25,146	0.1	95.4	24,041	0.1
	Castalia Shinjuku Gyoen	100.0	83,844	0.5	100.0	83,827	0.4
	Castalia Takanawadai	94.0	30,601	0.2	100.0	29,784	0.2
	Castalia Higashi Nihonbashi III	100.0	24,336	0.1	100.0	24,357	0.1
	Castalia Shinjuku Gyoen II	100.0	16,025	0.1	100.0	16,141	0.1
	Castalia Shintomicho IV	100.0	15,580	0.1	100.0	15,983	0.1
	Castalia Takanawadai II	100.0	38,178	0.2	100.0	39,529	0.2
	Castalia Minami Azabu	100.0	20,469	0.1	100.0	21,533	0.1
	Castalia Ginza III	96.9	85,614	0.5	100.0	87,199	0.4
	Castalia Kayabacho	100.0	96,988	0.6	99.0	95,029	0.5
	Castalia Takanawa	97.0	244,089	1.4	97.6	248,987	1.3
	Castalia Higashi Nihonbashi	99.1	138,716	0.8	100.0	139,295	0.7
	Castalia Shinjuku	100.0	92,554	0.5	100.0	92,554	0.5
	Castalia Ichigaya	96.1	41,338	0.2	93.3	38,767	0.2
	Shibaura Island Bloom Tower	97.8	378,077	2.2	97.7	383,808	2.0
	Castalia Hatsudai	98.5	69,721	0.4	99.1	70,824	0.4
	Castalia Hatsudai II	98.9	59,514	0.3	100.0	59,452	0.3
	Castalia Ebisu	95.1	42,752	0.2	97.7	43,600	0.2
	Castalia Meguro Kamurozaka	94.7	127,208	0.7	97.6	127,248	0.7
	Castalia Toritsudaigaku	97.4	19,536	0.1	95.9	20,406	0.1
	Castalia Yukigaya	100.0	36,255	0.2	98.1	35,536	0.2
	Castalia Yutenji	97.8	35,332	0.2	100.0	37,267	0.2
	Castalia Otsuka	98.3	46,613	0.3	95.5	47,049	0.2
	Castalia Kikukawa	98.0	27,141	0.2	97.8	27,404	0.1
	Castalia Meguro	100.0	30,106	0.2	92.4	30,352	0.2
	Castalia Otsuka II	94.9	37,246	0.2	97.9	37,870	0.2
	Castalia Jiyugaoka	93.9	36,991	0.2	100.0	39,070	0.2
	Castalia Mejiro	92.3	32,996	0.2	100.0	34,253	0.2
	Castalia Ikebukuro	98.8	84,917	0.5	97.6	87,230	0.4
	Castalia Kaname-cho	98.6	38,120	0.2	100.0	39,569	0.2
	Castalia Tower Shinagawa Seaside	97.9	273,467	1.6	98.8	278,348	1.4
	Castalia Yakumo	100.0	25,022	0.1	84.9	24,005	0.1
	Castalia Togoshiekimae	100.0	50,762	0.3	100.0	50,724	0.3
	Castalia Honjo Azumabashi	94.4	35,062	0.2	100.0	38,122	0.2
	Castalia Kitazawa	93.4	27,418	0.2	87.0	25,234	0.1

I. Asset Management Report

Asset class	Property name	22nd period (From September 1, 2016 to February 28, 2017)			23rd period (From March 1, 2017 to August 31, 2017)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Residential properties	Castalia Monzennakacho	100.0	17,017	0.1	100.0	17,026	0.1
	Castalia Kamiikedai	92.9	7,876	0.0	100.0	8,068	0.0
	Castalia Morishita	100.0	32,273	0.2	95.6	32,387	0.2
	Castalia Wakabayashikoen	100.0	26,407	0.2	100.0	28,643	0.1
	Castalia Asakusabashi	98.0	31,954	0.2	100.0	32,407	0.2
	Castalia Iriya	92.1	21,742	0.1	100.0	22,938	0.1
	Castalia Kita Ueno	97.8	89,201	0.5	99.1	91,151	0.5
	Castalia Morishita II	100.0	27,749	0.2	95.0	28,370	0.1
	Castalia Minowa	94.8	47,302	0.3	95.8	49,298	0.3
	Castalia Oyamadai	97.1	18,159	0.1	100.0	17,955	0.1
	Castalia Nakano	97.7	34,189	0.2	97.7	36,361	0.2
	Castalia Yoga	94.9	32,157	0.2	94.9	33,099	0.2
	Castalia Sumiyoshi	98.1	33,711	0.2	98.4	33,196	0.2
	Castalia Monzennakacho II	100.0	69,654	0.4	100.0	70,249	0.4
	Castalia Oshiage	97.1	35,724	0.2	100.0	38,900	0.2
	Castalia Kuramae	100.0	43,839	0.3	100.0	43,839	0.2
	Castalia Nakanobu	98.8	73,423	0.4	93.5	72,547	0.4
	Royal Parks Toyosu	100.0	333,847	1.9	100.0	333,962	1.7
	Castalia Togoshi	96.7	74,492	0.4	95.8	75,104	0.4
	Castalia Ooimachi	100.0	37,886	0.2	100.0	37,888	0.2
	Castalia Omori	100.0	52,731	0.3	96.9	53,730	0.3
	Castalia Mishuku	96.7	68,568	0.4	98.5	68,160	0.3
	Castalia Arakawa	100.0	67,254	0.4	96.1	64,959	0.3
	Castalia Omori II	96.3	78,992	0.5	96.3	80,765	0.4
	Castalia Nakameguro	94.2	115,683	0.7	94.7	119,190	0.6
	Castalia Meguro Chojiyamaru	92.6	61,535	0.4	97.2	58,763	0.3
	Castalia Meguro Takaban	91.9	53,479	0.3	98.4	51,211	0.3
	Castalia Omori III	100.0	48,470	0.3	97.5	48,937	0.3
	Morino Tonari	100.0	31,830	0.2	90.9	30,786	0.2
	Castalia Meguro Tairamachi	96.7	32,178	0.2	100.0	32,057	0.2
	Royal Parks SEASIR	100.0	244,323	1.4	100.0	245,679	1.3
	Castalia Honkomagome	92.1	47,870	0.3	100.0	49,820	0.3
	Cosmo Heim Musashikosugi	100.0	56,713	0.3	100.0	58,893	0.3
	Castalia Tsurumi	100.0	27,262	0.2	96.9	27,552	0.1
	Castalia Funabashi	96.6	29,623	0.2	97.8	31,314	0.2
	Castalia Nishi Funabashi	98.8	32,779	0.2	98.8	34,113	0.2
	Castalia Maihama (Note 4)	100.0	23,429	0.1	–	18,203	0.1
	Castalia Ichikawamyoden (Note 5)	100.0	26,796	0.2	–	26,420	0.1
	Castalia Urayasu (Note 6)	100.0	21,408	0.1	–	14,001	0.1
	Castalia Minamigyotoku (Note 6)	89.8	18,301	0.1	–	15,873	0.1
	Castalia Minamigyotoku II (Note 7)	–	13,407	0.1	–	41	0.0
	Castalia NogeYama	100.0	13,759	0.1	100.0	14,063	0.1
	Castalia Ichikawa	100.0	19,681	0.1	100.0	19,711	0.1
	Royal Parks Hanakoganei	100.0	245,413	1.4	100.0	247,239	1.3
	Castalia Musashikosugi	100.0	56,605	0.3	95.4	57,302	0.3
	Royal Parks Wakabadai	100.0	257,441	1.5	100.0	257,795	1.3
	Pacific Royal Court Minatomirai Urban Tower	100.0	521,398	3.0	100.0	519,590	2.7
	L-Place Shinkoyasu	100.0	56,673	0.3	100.0	56,542	0.3
	Royal Parks Musashikosugi	100.0	68,176	0.4	100.0	68,239	0.4
	Castalia Shinsakae (Note 8)	98.0	57,273	0.3	–	49,176	0.3
	Aprile Tarumi (Note 9)	100.0	55,933	0.3	–	47,510	0.2
	Crest Kusatsu	85.9	119,371	0.7	99.4	130,242	0.7
	Castalia Sakaisuji Honmachi	95.8	59,500	0.3	99.1	62,765	0.3
	Castalia Shin-Umeda	97.2	56,154	0.3	99.2	56,360	0.3
	Castalia Abeno	97.9	161,731	0.9	99.4	176,593	0.9

Asset class	Property name	22nd period (From September 1, 2016 to February 28, 2017)			23rd period (From March 1, 2017 to August 31, 2017)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Residential properties	Castalia Sakae	94.5	44,729	0.3	93.2	46,226	0.2
	Castalia Nipponbashi Kouzu (Note 10)	95.8	150,753	0.9	–	126,711	0.7
	Castalia Maruyama Urasando	100.0	20,346	0.1	91.2	20,413	0.1
	Castalia Maruyama Omotesando	100.0	77,961	0.4	93.7	79,233	0.4
	Castalia Higashi Hie	98.4	43,594	0.2	100.0	43,955	0.2
	Castalia Tower Nagahoribashi	98.0	162,791	0.9	95.8	159,231	0.8
	Castalia Sannomiya	97.4	53,207	0.3	92.9	52,272	0.3
	Castalia Kotodaikoen	100.0	24,056	0.1	95.2	24,287	0.1
	Castalia Ichibancho	96.8	37,133	0.2	96.9	38,418	0.2
	Castalia Omachi	98.6	32,310	0.2	97.2	32,930	0.2
	Castalia Uemachidai	100.0	87,175	0.5	100.0	88,907	0.5
	Castalia Tower Higobashi	97.0	132,556	0.8	97.5	133,347	0.7
	Big Tower Minami Sanjo	98.3	111,494	0.6	93.8	111,238	0.6
	Castalia Fushimi	94.1	106,374	0.6	93.5	104,901	0.5
	Castalia Meieki Minami	97.3	32,555	0.2	95.8	32,252	0.2
	Castalia Yakuin	96.7	41,191	0.2	96.6	42,154	0.2
	Castalia Mibu	94.5	48,920	0.3	98.8	51,513	0.3
	Castalia Tsutsujigaoka	97.9	60,308	0.3	98.6	62,733	0.3
	Castalia Ohori Bay Tower	59.8	147,129	0.8	57.2	147,475	0.8
	Royal Parks Namba	100.0	135,772	0.8	100.0	137,148	0.7
	Castalia Shigahondori	98.1	75,859	0.4	93.6	74,027	0.4
	Castalia Kyoto Nishioji	94.0	32,887	0.2	100.0	33,662	0.2
	Castalia Ningyocho III	100.0	64,117	0.4	100.0	69,278	0.4
	Royal Parks Umejima	100.0	87,932	0.5	100.0	105,299	0.5
	Castalia Shinsakae II	–	–	–	100.0	47,147	0.2
	Residential properties – Subtotal	97.0	9,781,221	55.8	97.3	9,877,701	50.7
Retail properties	ACROSSMALL Shinkamagaya	100.0	276,087	1.6	100.0	275,700	1.4
	FOLEO Hirakata	96.7	273,805	1.6	94.7	267,171	1.4
	QIZ GATE URAWA	97.1	216,252	1.2	86.9	310,927	1.6
	UNICUS Takasaki	100.0	130,181	0.7	100.0	129,870	0.7
	ACROSSPLAZA Miyoshi (Land)	100.0	94,284	0.5	100.0	94,284	0.5
	DREAM TOWN ALI	98.4	397,978	2.3	98.5	400,184	2.1
	ASOBOX (Land)	–	–	–	100.0	760	0.0
	FOLEO Ome Imai	–	–	–	100.0	2,077	0.0
	LIFE Sagamihara Wakamatsu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Sendai Miyanomori	100.0	238,653	1.4	100.0	238,500	1.2
	ACROSSPLAZA Inazawa (Land)	100.0	69,660	0.4	100.0	69,660	0.4
	Sports Depo and GOLF5 Kokurahigashi IC Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Hiratsuka Retail Property (Land)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Retail properties – Subtotal	99.4	1,842,714	10.5	98.9	2,053,208	10.5
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)	99.2	271,917	1.6	100.0	330,566	1.7
	Sharp Hiroshima Building	–	–	–	100.0	(Note 3)	(Note 3)
	Other – Subtotal	99.5	354,726	2.0	100.0	458,641	2.4
Total		99.0	17,531,143	100.0	99.2	19,479,640	100.0

- (Notes) 1. "Occupancy rate (as of the end of period)" is the leased floor space expressed as a percentage of the leasable floor space of each real estate and each real estate in trust as of February 28, 2017 and August 31, 2017, rounded to the first decimal place.
2. "Rate to total real estate rental revenues" is the rental revenue from each real estate and each real estate in trust expressed as a percentage of total rental revenue from the entire portfolio, rounded to the first decimal place.
3. Undisclosed as consent has not been obtained from the lessee.
4. The sale of property was completed on July 25, 2017.
5. The sale of property was completed on July 31, 2017.
6. The sale of property was completed on July 27, 2017.
7. The sale of property was completed on February 23, 2017.
8. The sale of property was completed on August 1, 2017.
9. The sale of property was completed on August 4, 2017.
10. The sale of property was completed on July 28, 2017.

(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, 2017.

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	95,768,000	95,768,000	(1,841,344)
	Receive floating/Pay fixed			
Total		95,768,000	95,768,000	(1,841,344)

(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, 2017.

(Yen in thousands)								
Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remarks
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	9,308	—	—	8,919	(389)	Deposited as business security deposit
	Total	10,000	9,308	—	—	8,919	(389)	

(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, 2017. The estimated construction cost includes the portion charged to expenses.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Yen in thousands)		
			Total amount	Payment during the period	Total amount paid
D Project Hachioji (Hachioji City, Tokyo)	Repair work of exterior walls	From June 2017 to February 2018	259,200	86,400	86,400
D Project Aikawa-Machi (Aiko District, Kanagawa)	Installation of freezing facility	From August 2017 to October 2017	145,800	48,600	48,600
D Project Sendai Minami (Iwanuma City, Miyagi)	Sealing work of exterior walls	From December 2017 to February 2018	19,313	—	—
Castalia Suitengu (Chuo Ward, Tokyo)	Large-scale renovations	From October 2017 to February 2018	52,704	—	—
Castalia Ningyocho (Chuo Ward, Tokyo)	Large-scale renovations	From September 2017 to February 2018	51,462	—	—
Castalia Shintomicho IV (Chuo Ward, Tokyo)	Large-scale renovations	From September 2017 to February 2018	29,764	—	—
Castalia Yutenji (Meguro Ward, Tokyo)	Large-scale renovations	From August 2017 to February 2018	41,040	—	—
Castalia Monzennakacho (Koto Ward, Tokyo)	Large-scale renovations	From September 2017 to December 2017	32,778	—	—
FOLEO Hirakata (Hirakata City, Osaka)	Painting renovation of exterior walls	From October 2017 to December 2017	54,000	—	—

(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 ¥865,103 thousand together with ¥473,270 thousand in repairs and maintenance expenses and ¥305,785 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥1,644,159 thousand in construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
D Project Aikawa-Machi (Aiko District, Kanagawa)	Installation of freezing and refrigeration facility	From August 2017 to August 2017	272,515
D Project Aikawa-Machi (Aiko District, Kanagawa)	Installation of air conditioning facility	From July 2017 to August 2017	70,281
Castalia Suitengu II (Chuo Ward, Tokyo)	Large-scale renovations	From May 2017 to August 2017	41,908
Castalia Shintomicho (Chuo Ward, Tokyo)	Large-scale renovations	From May 2017 to August 2017	34,330
Castalia Shintomicho II (Chuo Ward, Tokyo)	Large-scale renovations	From May 2017 to August 2017	41,934
Castalia Funabashi (Funabashi City, Chiba)	Entrance work	From July 2017 to August 2017	7,440
Castalia Funabashi (Funabashi City, Chiba)	Front door replacement work	From July 2017 to August 2017	9,296

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

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

(Yen in thousands)					
Operating period	19th period From March 1, 2015 to August 31, 2015	20th period From September 1, 2015 to February 29, 2016	21st period From March 1, 2016 to August 31, 2016	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017
Balance of reserves at the beginning of period	547,280	561,360	575,440	589,520	1,298,495
Amount of reserves during period	14,080	14,080	14,080	708,974	140,960
Amount of reversal of reserves during period	—	—	—	—	—
Reserves carried forward	561,360	575,440	589,520	1,298,495	1,439,455

5. Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

Item	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017
Asset management fees (Note 1)	983,471	1,254,120
Asset custody fees	26,204	29,053
Administrative service fees	72,780	74,188
Directors' remuneration	6,600	6,600
Other expenses (Note 2)	1,394,393	370,567
Total	2,483,450	1,734,529

(Notes) 1. In addition to the amount shown above for asset management fees, there was a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. (22nd period: ¥71,125 thousand, 23rd period: ¥183,277 thousand), a management fee for property sale (23rd period: ¥39,602 thousand) and a management fee for the merger (22nd period: ¥939,912 thousand) included in "other expenses."
 2. ¥1,042,059 thousand of merger expenses, which includes a management fee for the merger, is included in "other expenses" in 22nd period.

(2) Debt Financing

The status of loans per financial institution as of August 31, 2017 is as follows:

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Short-term loans	Mizuho Bank, Ltd.	May 1, 2015	2,250,000	—	0.21%	April 28, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 1, 2015	2,250,000	—	0.21%	April 28, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	May 1, 2015	750,000	—	0.21%	April 28, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	May 1, 2015	750,000	—	0.21%	April 28, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Subtotal	—	6,000,000	—	—	—	—	—	—
Current portion of long-term loans	Sumitomo Mitsui Banking Corporation		3,000,000	—					
	Aozora Bank, Ltd.	March 27, 2012	1,500,000	—	1.03% (Note 2)	March 31, 2017	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,500,000	—					
	Shinkin Central Bank		1,000,000	—					
	Mizuho Bank, Ltd.		3,000,000	—					
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2012	3,000,000	—	1.03% (Note 2)	March 31, 2017	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		1,000,000	—					
	Resona Bank, Limited	March 26, 2012	1,095,000	—	0.66%	March 31, 2017	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		3,480,000	—					
	Sumitomo Mitsui Banking Corporation	July 31, 2012	3,480,000	—	0.70% (Note 2)	July 31, 2017	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		3,480,000	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,960,000	—					
	Sumitomo Mitsui Banking Corporation		3,000,000	3,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 29, 2012	3,000,000	3,000,000	0.96% (Note 3)	November 29, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Short-term loans	Mizuho Bank, Ltd.		3,000,000	3,000,000					
	Development Bank of Japan Inc.	November 29, 2012	3,000,000	3,000,000	0.96% (Note 3)	November 29, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
	Subtotal	—	43,495,000	16,000,000	—	—	—	—	—
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 27, 2012	4,000,000	4,000,000	1.07% (Note 3)	March 27, 2019	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		3,260,000	3,260,000					
	Sumitomo Mitsui Trust Bank, Limited		4,430,000	4,430,000					
	Aozora Bank, Ltd.	January 31, 2013 and February 28, 2013	2,700,000	2,700,000					
	Mizuho Bank, Ltd.		1,930,000	1,930,000	0.96% (Note 2)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		1,830,000	1,830,000					
Long-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,350,000	1,350,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Mitsubishi UFJ Trust and Banking Corporation		910,000	910,000					
	Development Bank of Japan Inc.	January 31, 2013	1,500,000	1,500,000	0.96% (Note 3)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.90% (Note 2)	January 31, 2021	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		936,000	936,000					
	Sumitomo Mitsui Trust Bank, Limited		1,599,000	1,599,000					
	The Norinchukin Bank		1,510,000	1,510,000					
	Aozora Bank, Ltd.	January 30, 2015	1,169,000	1,169,000	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		603,000	603,000					
	Mizuho Trust & Banking Co., Ltd.		454,000	454,000					
	Mitsubishi UFJ Trust and Banking Corporation		226,000	226,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		211,000	211,000					
	The Chiba Bank, Ltd.		150,000	150,000					
	Development Bank of Japan Inc.	January 30, 2015	2,000,000	2,000,000	0.88% (Note 3)	January 31, 2024	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Long-term loans	Sumitomo Mitsui Trust Bank, Limited		2,030,000	2,030,000					
	Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
	The Norinchukin Bank		1,600,000	1,600,000					
	Aozora Bank, Ltd.	May 1, 2015	1,192,000	1,192,000	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,017,000	1,017,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		616,000	616,000					
	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					

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
Lender								
Mitsubishi UFJ Trust and Banking Corporation	May 1, 2015	291,500	291,500	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
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
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,800,000	1,800,000					
Mitsubishi UFJ Trust and Banking Corporation		1,400,000	1,400,000					
Resona Bank, Limited		1,400,000	1,400,000					
Shinsei Bank, Limited		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited	March 31, 2016	2,000,000	2,000,000	0.23%	March 29, 2019	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		2,000,000	2,000,000					
The Norinchukin Bank		1,000,000	1,000,000					
The Chiba Bank, Ltd.		600,000	600,000					
Sumitomo Mitsui Banking Corporation		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Shizuoka Bank, Ltd.		500,000	500,000					
The Bank of Fukuoka, Ltd.	November 29, 2012	500,000	500,000	1.29% (Note 3)	November 29, 2019	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited		2,000,000	2,000,000					
Mizuho Bank, Ltd.		2,000,000	2,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000,000	2,000,000	1.50% (Note 2)	March 27, 2023	Bullet repayment	(Note 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
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	April 1, 2014	500,000	500,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mitsubishi UFJ Trust and Banking Corporation		500,000	500,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.	April 1, 2014	1,000,000	1,000,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					

Long-term loans

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000,000	1,000,000	1.52% (Note 2)	April 1, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Development Bank of Japan Inc.		500,000	500,000					
Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	500,000	2.03% (Note 2)	April 1, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		500,000	500,000					
Development Bank of Japan Inc.		500,000	500,000					
Nippon Life Insurance Company	September 30, 2014	1,000,000	1,000,000	1.00% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	April 1, 2015	1,000,000	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					
Mizuho 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
Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000,000	3,000,000					
Development Bank of Japan Inc.	April 1, 2015	1,500,000	1,500,000	1.46% (Note 3)	April 1, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	September 28, 2015	1,000,000	1,000,000	0.65% (Note 2)	September 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	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 due date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.51% (Note 2)	November 30, 2021	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mitsubishi UFJ Trust and Banking Corporation		2,000,000	2,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, 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
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, 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
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000					
Sumitomo Mitsui Trust Bank, Limited	September 28, 2016	1,500,000	1,500,000	0.63% (Note 3)	September 29, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,500,000	1,500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,500,000	1,500,000					
Mitsubishi UFJ Trust and Banking Corporation		500,000	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
Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
Sumitomo Mitsui Banking Corporation		1,700,000	1,700,000					
Mizuho Bank, Ltd.		1,700,000	1,700,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,700,000	1,700,000					
Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
Resona Bank, Limited		800,000	800,000					
Sumitomo Mitsui Banking Corporation	September 30, 2016	1,700,000	1,700,000	0.18%	March 31, 2020	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
Mizuho Bank, Ltd.		1,700,000	1,700,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,700,000	1,700,000					
Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
Resona Bank, Limited		800,000	800,000					

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 due date	Method of repayment	Use	Note
Lender								
The Norinchukin Bank	September 30, 2016	500,000	500,000	0.18%	March 31, 2020	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
The Chiba Bank, Ltd.		500,000	500,000					
Shinsei Bank, Limited		300,000	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
Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
Mizuho Bank, Ltd.		1,700,000	1,700,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,700,000	1,700,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
Resona Bank, Limited		800,000	800,000					
Shinsei Bank, Limited		300,000	300,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	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 Trust Bank, Limited		1,800,000	1,800,000					
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
Resona Bank, Limited		900,000	900,000					
Shinsei Bank, Limited	November 29, 2016	400,000	400,000	0.87% (Note 3)	November 30, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		3,000,000	3,000,000					
Mizuho Bank, Ltd.		3,000,000	3,000,000					
Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		3,000,000	3,000,000					
Mitsubishi UFJ Trust and Banking Corporation		2,000,000	2,000,000					
Resona Bank, Limited	March 9, 2017	1,000,000	1,000,000	0.85% (Note 3)	March 31, 2027	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Development Bank of Japan Inc.		–	2,000,000					
Mitsui Sumitomo Insurance Company, Limited		–	1,000,000					
Mizuho Bank, Ltd.		–	4,000,000					
Sumitomo Mitsui Trust Bank, Limited		–	4,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	March 31, 2017	–	1,000,000	0.57% (Note 3)	September 29, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Mizuho Trust & Banking Co., Ltd.		–	1,000,000					
Sumitomo Mitsui Banking Corporation		–	4,000,000					
Aozora Bank, Ltd.	March 31, 2017	–	2,500,000	0.70% (Note 3)	March 31, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Shinkin Central Bank		–	2,000,000					
Mitsubishi UFJ Trust and Banking Corporation		–	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 due date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Banking Corporation	April 11, 2017	–	2,200,000	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		–	1,600,000					
	Mizuho Bank, Ltd.		–	1,600,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	1,600,000					
	The Norinchukin Bank		–	1,500,000					
	Nippon Life Insurance Company	April 11, 2017	–	1,000,000	0.76% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		–	1,800,000					
	Mizuho Bank, Ltd.		–	1,200,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	1,200,000					
	Resona Bank, Limited		–	1,100,000					
	Mitsubishi UFJ Trust and Banking Corporation		–	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		–	1,000,000					
	Shinsei Bank, Limited		–	1,000,000					
	The Bank of Fukuoka, Ltd.		–	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		–	700,000					
	Sumitomo Mitsui Banking Corporation	April 11, 2017	–	2,100,000	1.02% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	3,100,000					
	Sumitomo Mitsui Trust Bank, Limited		–	1,800,000					
	Mizuho Bank, Ltd.		–	1,800,000					
	Mitsubishi UFJ Trust and Banking Corporation		–	600,000					
	Mizuho Trust & Banking Co., Ltd.	July 31, 2017	–	600,000	0.89% (Note 3)	July 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		–	3,400,000					
	Sumitomo Mitsui Banking Corporation		–	3,400,000					
	Mizuho Bank, Ltd.		–	3,400,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		–	1,900,000					
	Subtotal	–	184,668,000	250,268,000	–	–	–	–	–
	Total	–	234,163,000	266,268,000	–	–	–	–	–

(Notes) 1. Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders, and are rounded to the second decimal place.
2. DHR currently uses interest rate swaps to hedge interest rate fluctuation risk and, 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, 2017 is as follows:

Issue name	Issue date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Interest rate	Maturity	Method of redemption	Use	Note
Daiwa House Residential Investment Corporation 1st Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	3,000,000	–	1.12%	March 9, 2017	Bullet repayment	(Note 2)	Unsecured
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
Total	–	19,000,000	16,000,000	–	–	–	–	–

(Notes) 1. The bonds have pari passu conditions among specified investment corporation bonds.
2. The proceeds were used toward the 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)	Date of sale	Sale price (Yen in millions) (Note 1)	Book value (Yen in millions)	Gain or loss on sale (Yen in millions) (Note 2)
D Project Kawagoe III	April 11, 2017	7,200	—	—	—	—
D Project Kazo	April 11, 2017	3,300	—	—	—	—
D Project Urayasu III	April 11, 2017	8,500	—	—	—	—
D Project Tomisato	April 11, 2017	5,000	—	—	—	—
D Project Kyotanabe	April 11, 2017	3,520	—	—	—	—
D Project Sendai Izumi	April 11, 2017	1,510	—	—	—	—
D Project Oyama	April 11, 2017	2,000	—	—	—	—
D Project Sano	April 11, 2017	1,780	—	—	—	—
D Project Tatebayashi	April 11, 2017	3,100	—	—	—	—
D Project Kakegawa	April 11, 2017	6,000	—	—	—	—
D Project Hiroshima Seifu	April 11, 2017	3,820	—	—	—	—
D Project Tosu II	April 11, 2017	1,700	—	—	—	—
DPL Misato	April 11, 2017	16,831	—	—	—	—
Castalia Shinsakae II	April 11, 2017	1,800	—	—	—	—
Sharp Hiroshima Building	April 11, 2017	1,850	—	—	—	—
Castalia Maihama	—	—	July 25, 2017	650	614	11
Castalia Urayasu	—	—	July 27, 2017	578	571	4
Castalia Minamigyotoku	—	—	July 27, 2017	527	507	16
Castalia Nipponbashi Kouzu	—	—	July 28, 2017	4,450	3,155	1,138
Castalia Ichikawamyoden	—	—	July 31, 2017	765	625	111
Castalia Shinsakae	—	—	August 1, 2017	1,720	1,664	3
Aprile Tarumi	—	—	August 4, 2017	1,502	1,199	249
ASOBOX (Land)	August 29, 2017	1,600	—	—	—	—
FOLEO Ome Imai	August 29, 2017	3,800	—	—	—	—
Total		73,311		10,193	8,338	1,536

(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 duties, 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

Type of assets	Acquisition		Sale		Balance at the end of current period	
	Number of units equivalent to face value (Yen in thousands)	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value (Yen in thousands)	Amount (Yen in thousands) (Note 1)	Number of units equivalent to face value (Yen in thousands)	Amount (Yen in thousands) (Note 2)
Bonds	—	—	—	—	10,000	9,308
Total	—	—	—	—	10,000	9,308

(Notes) 1. Amount under Acquisition or Sale indicates the settlement amount (the amount not including accrued interest or various expenses (transaction commissions, etc.)).
2. Amount under Balance at the end of current period indicates the book value using the amortized cost method.
3. Other assets other than the above are mostly bank deposits or bank deposits in trust assets.
4. The above table shows the balance inherited from the absorption-type merger with the former DHR.

(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	D Project Kawagoe III	April 11, 2017	Trust beneficiary interests in real estate	7,200	7,260	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Kazo	April 11, 2017	Trust beneficiary interests in real estate	3,300	3,350	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Urayasu III	April 11, 2017	Trust beneficiary interests in real estate	8,500	8,880	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Tomisato	April 11, 2017	Trust beneficiary interests in real estate	5,000	5,030	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Kyotanabe	April 11, 2017	Trust beneficiary interests in real estate	3,520	3,550	Japan Real Estate Institute	January 31, 2017
Acquisition	D Project Sendai Izumi	April 11, 2017	Trust beneficiary interests in real estate	1,510	1,560	Japan Real Estate Institute	January 31, 2017
Acquisition	D Project Oyama	April 11, 2017	Trust beneficiary interests in real estate	2,000	2,010	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Sano	April 11, 2017	Trust beneficiary interests in real estate	1,780	1,780	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Tatebayashi	April 11, 2017	Trust beneficiary interests in real estate	3,100	3,120	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	D Project Kakegawa	April 11, 2017	Trust beneficiary interests in real estate	6,000	6,070	Japan Real Estate Institute	January 31, 2017
Acquisition	D Project Hiroshima Seifu	April 11, 2017	Trust beneficiary interests in real estate	3,820	3,860	Japan Real Estate Institute	January 31, 2017
Acquisition	D Project Tosu II	April 11, 2017	Trust beneficiary interests in real estate	1,700	1,740	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	DPL Misato	April 11, 2017	Trust beneficiary interests in real estate	16,831	16,900	Tanizawa Sogo Appraisal Co., Ltd.	January 31, 2017
Acquisition	Castalia Shinsakae II	April 11, 2017	Trust beneficiary interests in real estate	1,800	1,850	Daiwa Real Estate Appraisal Co., Ltd.	January 31, 2017
Acquisition	Sharp Hiroshima Building	April 11, 2017	Trust beneficiary interests in real estate	1,850	1,890	Japan Real Estate Institute	January 31, 2017
Sale	Castalia Maihama	July 25, 2017	Trust beneficiary interests in real estate	650	645	Tanizawa Sogo Appraisal Co., Ltd.	February 28, 2017
Sale	Castalia Urayasu	July 27, 2017	Trust beneficiary interests in real estate	578	623	Tanizawa Sogo Appraisal Co., Ltd.	February 28, 2017
Sale	Castalia Minamigyotoku	July 27, 2017	Trust beneficiary interests in real estate	527	503	Tanizawa Sogo Appraisal Co., Ltd.	February 28, 2017
Sale	Castalia Nipponbashi Kouzu	July 28, 2017	Real estate	4,450	3,890	Tanizawa Sogo Appraisal Co., Ltd.	February 28, 2017
Sale	Castalia Ichikawamyoden	July 31, 2017	Trust beneficiary interests in real estate	765	715	Tanizawa Sogo Appraisal Co., Ltd.	February 28, 2017
Sale	Castalia Shinsakae	August 1, 2017	Trust beneficiary interests in real estate	1,720	1,580	Chuo Real Estate Appraisal Co., Ltd.	February 28, 2017

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)
Sale	Aprile Tarumi	August 4, 2017	Trust beneficiary interests in real estate	1,502	1,570	Japan Real Estate Institute	February 28, 2017
Acquisition	ASOBX (Land)	August 29, 2017	Trust beneficiary interests in real estate	1,600	1,830	Japan Real Estate Institute	June 30, 2017
Acquisition	FOLEO Ome Imai	August 29, 2017	Trust beneficiary interests in real estate	3,800	3,850	Japan Real Estate Institute	June 30, 2017

(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 duties, 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.

i) Status of Transactions

Purchase and sale transactions, etc. with interested parties, etc. (Note 1) for the 23rd period are as follows:

Classification	Transaction amount, etc. (Note 2)			
	Purchase		Sale	
Total	¥73,311 million		¥10,193 million	
Breakdown of transactions with interested parties				
Daiwa House Industry Co., Ltd.	¥63,211 million	(86.2%)	¥— million	(—%)
Daiwa Information Service Co., Ltd.	¥1,600 million	(2.2%)	¥— million	(—%)
Nihon Jyutaku Ryutu Co., Ltd.	¥— million	(—%)	¥1,106 million	(10.9%)
Total	¥64,811 million	(88.4%)	¥1,106 million	(10.9%)

ii) Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties, etc. (Note 1)	
		Payment recipient	Rate to total amount paid (B/A) (%)
Management fees	1,272,800	Daiwa House Industry Co., Ltd.	0.0
		Daiwa Living Co., Ltd.	46.8
		Daiwa Information Service Co., Ltd.	10.5
		Daiwa Lease Co., Ltd	0.1
		Daiwa LifeNext Co., Ltd.	2.5
		Daiwa House Property Management Co., Ltd.	9.9
Repairs and maintenance expenses	473,270	Daiwa Living Co., Ltd.	51.4
		Daiwa Information Service Co., Ltd.	16.8
		Daiwa Lease Co., Ltd	1.3
		Daiwa LifeNext Co., Ltd.	1.3
		Daiwa House Property Management Co., Ltd.	9.1
		Daiwa Energy Co., Ltd.	0.3
Restoration costs	305,785	Daiwa Living Co., Ltd.	70.6
Other rental expenses	73,350	Daiwa Living Co., Ltd.	49.2
		Daiwa Information Service Co., Ltd.	3.0
		Daiwa LifeNext Co., Ltd.	0.1
		Daiwa House Property Management Co., Ltd.	0.1

(Notes) 1. "Interested parties, etc." are interested parties, etc., of the Asset Management Company with which DHR has concluded an asset management agreement as provided in Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Order for Enforcement of the Investment Trust Act, Article 244-3 of Ordinance for Enforcement of Investment Trust Act and Article 26, Item 27 of The Investment Trusts Association, Japan's Rules on Management Reports, etc., of Investment Trusts and Investment Corporations.
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 duties, consumption taxes, and leasehold guarantee deposits, etc.

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

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

7. Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notice

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

Date of the Board of Directors meeting	Item	Description
March 1, 2017	Conclusion of underwriting agreement for new investment units, etc.	Concerning issuance of new investment units, resolved the conclusion of the underwriting agreement for new investment units, and entrusted Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., SMBC Nikko Securities Inc., and Mizuho Securities Co., Ltd. as underwriters for Japanese offering, and Morgan Stanley & Co. International plc, Daiwa Capital Markets Europe Limited, and Nomura International plc as joint lead managers for overseas offering, with relevant work for soliciting subscribers of new investment units.

(2) Treatment of Fractions in Amounts and Rates

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

II. Balance Sheets

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of February 28, 2017 and August 31, 2017

	As of	
	February 28, 2017	August 31, 2017
(Yen in thousands)		
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥20,527,065	¥35,357,317
Operating accounts receivable	169,018	179,814
Prepaid expenses	447,439	544,374
Consumption taxes receivable	487,928	2,040,334
Other current assets	4,946	129
Allowance for doubtful accounts	(5,521)	(2,576)
Total current assets	21,630,877	38,119,394
Investment properties (Notes 9 and 10)	494,701,208	557,708,269
Other assets:		
Goodwill (Notes 7 and 8)	77,306,836	75,324,610
Leasehold rights in trust (Note 10)	5,500,051	5,459,918
Lease and guarantee deposits in trust	3,414,720	3,414,720
Guarantee deposits	10,261	261
Long-term prepaid expenses	1,453,688	2,214,945
Investment corporation bond issuance costs	92,831	85,446
Investment securities (Note 5)	9,291	9,308
Software	1,448	1,155
Trademark rights	2,825	2,894
Other	42,488	42,488
Allowance for doubtful accounts	(24,058)	(24,058)
Total other assets	87,810,385	86,531,690
Total assets	¥604,142,471	¥682,359,354

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

II. Balance Sheets

Daiwa House REIT Investment Corporation BALANCE SHEETS, CONTINUED

As of February 28, 2017 and August 31, 2017

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Liabilities		
Current liabilities:		
Operating accounts and other payable	¥1,286,183	¥1,256,909
Short-term loans (Notes 4 and 16)	6,000,000	—
Current portion of investment corporation bonds (Notes 4 and 15)	3,000,000	—
Current portion of long-term loans (Notes 4, 6 and 16)	43,495,000	16,000,000
Accrued expenses	1,089,119	1,205,841
Advances received	1,935,780	2,171,045
Unearned revenue	221,735	221,735
Deposits received	356,801	360,372
Other	43,852	58,852
Total current liabilities	57,428,471	21,274,756
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 15)	16,000,000	16,000,000
Long-term loans (Notes 4, 6 and 16)	184,668,000	250,268,000
Long-term unearned revenue	1,262,357	1,150,578
Tenant leasehold and security deposits	288,912	274,822
Tenant leasehold and security deposits in trust	12,515,805	14,293,230
Provision for loss on litigation (Note 20)	80,147	85,849
Asset retirement obligations (Note 12)	429,379	434,255
Derivatives liabilities (Notes 4 and 6)	1,164,700	1,256,574
Total non-current liabilities	216,409,303	283,763,311
Total liabilities	273,837,775	305,038,068
Net assets (Notes 13 and 14)		
Unitholders' equity:		
Unitholders' capital	61,703,224	108,136,162
Units authorized:		
8,000,000 units as of February 28, 2017 and August 31, 2017		
Units issued and outstanding:		
1,519,280 units as of February 28, 2017 and		
1,690,000 units as of August 31, 2017		
Retained earnings		
Capital surplus	247,667,563	247,667,563
Voluntary reserve		
Reserve for temporary difference adjustment	—	14,748,347
Reserve for distribution	17,705,349	57,717
Total voluntary reserve	17,705,349	14,806,064
Unappropriated retained earnings	4,393,259	7,968,070
Total retained earnings	269,766,172	270,441,698
Total unitholders' equity	331,469,396	378,577,860
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 6)	(1,164,700)	(1,256,574)
Total valuation and translation adjustments	(1,164,700)	(1,256,574)
Total net assets	330,304,696	377,321,286
Total liabilities and net assets	¥604,142,471	¥682,359,354

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

III. Statements of Income and Retained Earnings

Daiwa House REIT Investment Corporation STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended February 28, 2017 and August 31, 2017

	For the six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Operating revenues:		
Rental revenues (Note 11)	¥17,531,143	¥19,479,640
Gain on sale of investment properties (Note 19)	—	1,536,256
Total operating revenues	17,531,143	21,015,897
Operating expenses:		
Rental expenses (Note 11)	7,493,903	7,906,409
Loss on sale of investment properties (Note 19)	4,207	—
Asset management fees	983,471	1,254,120
Asset custody fees	26,204	29,053
Administrative service fees	72,780	74,188
Directors' remuneration	6,600	6,600
Merger expenses (Note 7)	1,042,059	—
Amortization of goodwill (Notes 7 and 8)	1,982,226	1,982,226
Provision of allowance for doubtful accounts	1,974	1,309
Other operating expenses	350,360	369,257
Total operating expenses	11,963,787	11,623,165
Operating income	5,567,356	9,392,731
Non-operating revenues:		
Interest income	109	146
Gain on forfeiture of unclaimed distributions	5,180	4,441
Refunded consumption taxes	21,388	23,643
Gain on adjustment of liabilities	8	—
Gain on donation of non-current assets	5,433	—
Other non-operating revenues	19	1,531
Total non-operating revenues	32,138	29,762
Non-operating expenses:		
Interest expense	827,814	909,040
Interest expense on investment corporation bonds	45,953	41,157
Amortization of investment corporation bond issuance costs	7,898	7,384
Investment unit issuance expenses	—	229,991
Borrowing related expenses	241,696	258,437
Other non-operating expenses	2,119	2,105
Total non-operating expenses	1,125,483	1,448,116
Ordinary income	4,474,011	7,974,377
Extraordinary losses:		
Provision for loss on litigation (Note 20)	80,147	5,702
Total extraordinary losses	80,147	5,702
Income before income taxes	4,393,864	7,968,675
Income taxes-current (Note 18)	605	605
Net income	¥4,393,259	¥7,968,070
Unappropriated retained earnings	¥4,393,259	¥7,968,070

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 six-month periods ended February 28, 2017 and August 31, 2017

	Unitholders' equity							Valuation and translation adjustments	Total net assets
	Retained earnings								
	Number of units	Unitholders' capital	Capital surplus	Voluntary reserve		Unappropriated retained earnings	Total unitholders' equity	Deferred gains or losses on hedges	
				Reserve for temporary difference adjustment	Reserve for distribution				
(Units)	(Yen in thousands)								
Balance as of August 31, 2016	747,740	¥61,703,224	¥28,241,587	¥—	¥17,884,290	¥3,213,554	¥111,042,657	¥—	¥111,042,657
Changes during the period:									
Increase due to merger (Note 7)	771,540	—	219,425,976	—	—	—	219,425,976	—	219,425,976
Reversal of reserve for distribution	—	—	—	—	(202,816)	202,816	—	—	—
Distributions from retained earnings	—	—	—	—	—	(3,392,496)	(3,392,496)	—	(3,392,496)
Reserve for distribution	—	—	—	—	23,874	(23,874)	—	—	—
Net income	—	—	—	—	—	4,393,259	4,393,259	—	4,393,259
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	(1,164,700)	(1,164,700)
Total changes during the period	—	—	219,425,976	—	(178,941)	1,179,704	220,426,738	(1,164,700)	219,262,038
Balance as of February 28, 2017	1,519,280	¥61,703,224	¥247,667,563	¥—	¥17,705,349	¥4,393,259	¥331,469,396	¥(1,164,700)	¥330,304,696
Changes during the period:									
Issuance of investment units: on March 21, 2017	156,720	42,625,175	—	—	—	—	42,625,175	—	42,625,175
on April 14, 2017	14,000	3,807,762	—	—	—	—	3,807,762	—	3,807,762
Reversal of reserve for distribution	—	—	—	—	(17,669,020)	2,920,673	(14,748,347)	—	(14,748,347)
Distributions from retained earnings	—	—	—	—	—	(7,292,544)	(7,292,544)	—	(7,292,544)
Reserve for temporary difference adjustment	—	—	—	14,748,347	—	—	14,748,347	—	14,748,347
Reserve for distribution	—	—	—	—	21,388	(21,388)	—	—	—
Net income	—	—	—	—	—	7,968,070	7,968,070	—	7,968,070
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	(91,874)	(91,874)
Total changes during the period	170,720	46,432,937	—	14,748,347	(17,647,631)	3,574,810	47,108,463	(91,874)	47,016,589
Balance as of August 31, 2017	1,690,000	¥108,136,162	¥247,667,563	¥14,748,347	¥57,717	¥7,968,070	¥378,577,860	¥(1,256,574)	¥377,321,286

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 six-month periods ended February 28, 2017 and August 31, 2017

	For the six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Cash flows from operating activities:		
Income before income taxes	¥4,393,864	¥7,968,675
Depreciation and amortization	3,361,190	3,713,302
Amortization of goodwill	1,982,226	1,982,226
Amortization of investment corporation bond issuance costs	7,898	7,384
Amortization of trademark rights	266	269
Amortization of software	292	292
Loss on retirement of non-current assets	696	18,348
Increase in provision for loss on litigation	80,147	5,702
Investment unit issuance expenses	—	229,991
Interest income	(109)	(146)
Interest expense	873,768	950,197
Decrease (increase) in operating accounts receivable	32,235	(10,795)
(Increase) decrease in accounts receivable	(1,749)	1,749
Increase in consumption taxes receivable	(652,741)	(1,552,406)
Increase in prepaid expenses	(23,819)	(96,934)
(Decrease) increase in operating accounts and other payable	(94,308)	65,577
(Decrease) increase in accrued expenses	(32,303)	153,825
Increase in deposits received	17,806	18,639
Increase in advances received	167,033	253,863
Increase in long-term prepaid expenses	(432,032)	(761,256)
Increase (decrease) in allowance for doubtful accounts	1,442	(2,945)
Decrease in investment properties due to sales	—	3,155,203
Decrease in investment properties in trust due to sales	362,247	5,183,083
Increase in lease and guarantee deposits in trust	(164,586)	—
Other	(49,955)	(55,592)
Subtotal	9,829,511	21,228,256
Interest received	109	146
Interest paid	(1,041,808)	(1,099,079)
Income taxes paid	(1,219)	(608)
Net cash provided by operating activities	8,786,591	20,128,714
Cash flows from investing activities:		
Acquisition of investment properties	(23,636,641)	(75,135,996)
Acquisition of intangible assets in trust	(260,480)	—
Proceeds from tenant leasehold and security deposits	29,876	43,233
Payment of tenant leasehold and security deposits	(16,286)	(35,881)
Proceeds from tenant leasehold and security deposits in trust	1,072,097	2,358,424
Payment of tenant leasehold and security deposits in trust	(196,132)	(547,585)
Other	—	(338)
Net cash used in investing activities	(23,007,565)	(73,318,145)
Cash flows from financing activities:		
Repayment of short-term loans	(8,000,000)	(6,000,000)
Proceeds from long-term loans	56,300,000	65,600,000
Repayment of long-term loans	(46,800,000)	(27,495,000)
Proceeds from issuance of investment corporation bonds	7,950,599	—
Redemption of investment corporation bonds	—	(3,000,000)
Proceeds from issuance of investment units	—	46,202,946
Distribution payment	(6,669,582)	(7,288,263)
Net cash provided by financing activities	2,781,017	68,019,683
Net increase (decrease) in cash and cash equivalents	(11,439,956)	14,830,252
Cash and cash equivalents at beginning of the period	9,388,328	20,527,065
Increase in cash and cash equivalents resulting from merger (Note 7)	22,578,692	—
Cash and cash equivalents at end of the period (Note 3)	¥20,527,065	¥ 35,357,317

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 six-month periods ended February 28, 2017 and August 31, 2017

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 the 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, the corporate name was changed 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.

DHR shifted to a diversified REIT portfolio that targets investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investments in the past. As of August 31, 2017, DHR’s portfolio included 199 properties at a total acquisition price of ¥577.7 billion.

During the six-month period ended August 31, 2017, DHR issued 156,720 new investment units through a public offering with an offer price of ¥280,868 per unit (paid-in amount: ¥271,983 per unit) on March 21, 2017, and 14,000 new investment units through a third-party allotment also with a paid-in amount of ¥271,983 per unit on April 14, 2017.

Basis of Presentation

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

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

DHR maintains its accounting records in Japanese yen, the currency of the country in which DHR operates. As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than thousand yen have been omitted. Unless otherwise specified, amounts of less than the units indicated are truncated, while values of

ratio are rounded up or down to the nearest value of the last digit in the accompanying financial statements. As a result, totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Investment Properties

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

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

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

(c) Intangible Assets

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 period.

(e) Investment Units Issuance Expenses

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

(f) Securities

Held-to-maturity bonds are stated at amortized cost on a straight-line basis.

(g) Revenue Recognition

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

(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) Provision for Loss on Litigation

To cover possible loss that may arise in the future in association with ongoing litigation proceedings, a provision is recorded at an estimated amount as of the balance sheet date.

(l) 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.

(m) 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.

(n) Derivatives and Hedge Accounting

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

The assessment of hedging effectiveness is omitted when notional amount of a hedging instrument and significant conditions of a hedged item is consistent and changes in cash flows of hedged items can be expected to be offset in full at the commencement of a hedge activity 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 bank deposits include restricted bank deposits held in trust that are retained for repayment of tenant security deposits. The balance of cash and bank deposits as of February 28, 2017 and August 31, 2017 included ¥9,416,246 thousand and ¥9,736,167 thousand of cash and bank deposits in trust, respectively.

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Cash and bank deposits	¥20,527,065	¥35,357,317
Cash and cash equivalents	¥20,527,065	¥35,357,317

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, 2017 and August 31, 2017 are as follows:

	As of					
	February 28, 2017			August 31, 2017		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥20,527,065	¥20,527,065	¥—	¥35,357,317	¥35,357,317	¥—
(2) Investment securities:						
Held-to-maturity bonds	9,291	8,724	(567)	9,308	8,919	(389)
Total	¥20,536,356	¥20,535,789	¥(567)	¥35,366,626	¥35,366,236	¥(389)
Liabilities						
(3) Short-term loans	¥6,000,000	¥6,000,000	¥—	¥—	¥—	¥—
(4) Current portion of investment corporation bonds	3,000,000	3,000,000	—	—	—	—
(5) Current portion of long-term loans	43,495,000	43,554,967	59,967	16,000,000	16,016,722	16,722
(6) Investment corporation bonds	16,000,000	16,100,255	100,255	16,000,000	16,139,113	139,113
(7) Long-term loans	184,668,000	187,385,535	2,717,535	250,268,000	253,883,200	3,615,200
(8) Tenant leasehold and security deposits in trust	226,073	226,111	38	485,397	480,225	(5,171)
Total	¥253,389,073	¥256,266,870	¥2,877,796	¥282,753,397	¥286,519,262	¥3,765,865
(9) Derivatives (*)	¥[1,164,700]	¥[1,164,700]	¥—	¥[1,256,574]	¥[1,256,574]	¥—

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

Notes:

1. Methods to estimate fair value of financial instruments

Assets:

(1) Cash and bank deposits

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

(2) Investment securities

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

Liabilities:

(3) Short-term loans

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

(4) Current portion of investment corporation bonds and (6) Investment corporation bonds

The fair value of these bonds is measured at 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. Regarding current portion of investment corporation bonds as of February 28, 2017, the fair value approximates the book value due to the extremely short remaining period until redemption; thus, the book value is used as the fair value.

(5) Current portion of long-term loans and (7) 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.

(8) 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.

(9) Derivatives

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

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

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Tenant leasehold and security deposits	¥288,912	¥274,822
Tenant leasehold and security deposits in trust	12,289,732	13,807,833

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, 2017 and August 31, 2017 is as follows:

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
As of February 28, 2017						
	(Yen in thousands)					
Cash and bank deposits	¥20,527,065	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥20,527,065	¥—	¥—	¥—	¥—	¥10,000
As of August 31, 2017						
	(Yen in thousands)					
Cash and bank deposits	¥35,357,317	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥35,357,317	¥—	¥—	¥—	¥—	¥10,000

4. Repayment schedules for short-term loans, investment corporation bonds and long-term loans after February 28, 2017 and August 31, 2017 are as follows:

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
As of February 28, 2017						
	(Yen in thousands)					
Short-term loans	¥6,000,000	¥—	¥—	¥—	¥—	¥—
Investment corporation bonds (*)	3,000,000	—	—	3,000,000	4,000,000	9,000,000
Long-term loans (*)	43,495,000	—	40,510,000	14,400,000	16,858,000	112,900,000
Total	¥52,495,000	¥—	¥40,510,000	¥17,400,000	¥20,858,000	¥121,900,000
As of August 31, 2017						
	(Yen in thousands)					
Short-term loans	¥—	¥—	¥—	¥—	¥—	¥—
Investment corporation bonds (*)	—	—	—	3,000,000	4,000,000	9,000,000
Long-term loans (*)	16,000,000	11,600,000	39,810,000	16,000,000	27,358,000	155,500,000
Total	¥16,000,000	¥11,600,000	¥39,810,000	¥19,000,000	¥31,358,000	¥164,500,000

(*) 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, 2017 and August 31, 2017 are as

follows:

	As of					
	February 28, 2017			August 31, 2017		
	(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	¥—	¥—	¥—	¥—	¥—	¥—
Subtotal	—	—	—	—	—	—
Fair value not exceeding the book value						
Held-to-maturity bonds:						
Government bonds	9,291	8,724	(567)	9,308	8,919	(389)
Subtotal	9,291	8,724	(567)	9,308	8,919	(389)
Total	¥9,291	¥8,724	¥(567)	¥9,308	¥8,919	¥(389)

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, 2017			August 31, 2017		
Type of derivative transaction	Hedged item	Contract amount		Fair value	Contract amount		Fair value
		Total	Due after one year		Total	Due after one year	
(Yen in thousands)							
<u>Principle method</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	¥47,500,000	¥47,500,000	¥(1,164,700) (Note 1)	¥47,500,000	¥47,500,000	¥(1,256,574) (Note 1)
<u>Special treatment for interest-rate swaps</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	74,668,000	48,268,000	(Note 2)	48,268,000	48,268,000	(Note 2)
Total		¥122,168,000	¥95,768,000	¥(1,164,700)	¥95,768,000	¥95,768,000	¥(1,256,574)

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 – Business Combination**Business Combination through Acquisition**

(1) Outline of the business combination

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

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

(2) Period for which the acquiree’s results of operations were included in DHR’s statement of income and retained earnings for the six-month period ended February 28, 2017

From September 1, 2016 to February 28, 2017

(3) Acquisition cost for the acquiree and the breakdown thereof

	Amount (Yen in thousands)
Consideration for the acquisition	
Fair value of DHR investment units allotted on the business combination date	¥219,425,976
Acquisition cost	¥219,425,976

Capital surplus increased by ¥219,425,976 thousand due to the Merger.

(4) Exchange ratio, calculation method and number of investment units allotted as the consideration for the acquisition

For the Merger, 2.2 units of DHR were allotted to the former DHR unitholders per one former DHR unit. In order to ensure fairness of the calculations of the merger ratio used for the Merger, DHR and the former DHR appointed Nomura Securities Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., respectively as financial advisors for the Merger (hereinafter referred to as the “FA”) to perform the calculation of the merger ratio. After careful discussions and negotiations as well as comprehensive considerations of various factors, including the financial results, the assets, liabilities and future business prospects of DHR and the former DHR, the benefits of the Merger, and the financial analysis performed by the FAs, both parties ultimately determined that the above merger ratio was appropriate. Thus, a total of 771,540 units were allotted through the Merger.

(5) Details and amounts of major expenses related to the acquisition

	Amount (Yen in thousands)
FA remuneration (former DHR)	¥61,244
Merger fees	939,912

(6) Goodwill

Goodwill in the amount of ¥79,289,063 thousand represents the excess of the acquisition cost of ¥219,425,976 thousand over the fair value of the net assets acquired of the former DHR of ¥140,136,912 thousand at the business combination date. It is being amortized over 20 years using the straight-line method.

(7) Amounts and main components of assets acquired and liabilities assumed at the date of the business combination

	Amount (Yen in thousands)
Current assets	¥22,836,921
Other assets (excluding investment corporation bond issuance costs)	235,625,998
Other assets (investment corporation bond issuance costs)	17,042
Total assets	¥258,479,962
Current liabilities	¥24,127,537
Non-current liabilities	94,215,512
Total liabilities	¥118,343,050

(8) Japanese GAAP requires the acquiring company to estimate the impact on its statement of income as if the business combination were completed at the beginning of the fiscal period for business combinations conducted during the fiscal period. However, there is no impact on the DHR’s statement of income and retained earnings since the effective date of the business combination and the beginning date of the six-month period ended February 28, 2017 are the same.

No business combination involving DHR occurred during the six-month period ended August 31, 2017.

Note 8 – Goodwill

On September 1, 2016, DHR merged with Daiwa House REIT Investment Corporation (the “former DHR”) in an absorption-type merger (the “Merger”) with DHR as the surviving corporation and the former DHR as the absorbed corporation. For the Merger, 2.2 units of DHR were allotted to the former DHR unitholders per one former DHR unit, based on the calculation made by the third-party financial advisers. Upon the Merger, DHR changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation and the former DHR was dissolved.

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, 2017 and August 31, 2017, the unamortized balances of goodwill from the Merger were ¥77,306,836 thousand and ¥75,324,610 thousand, respectively.

Note 9 – Investment Properties

As of February 28, 2017 and August 31, 2017, investment properties consist of the following property and equipment and property and equipment in trust.

	As of					
	February 28, 2017			August 31, 2017		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥22,453,490	¥—	¥22,453,490	¥21,637,530	¥—	¥21,637,530
Buildings	29,131,670	3,931,676	25,199,993	26,509,476	3,827,267	22,682,208
Structures	256,404	36,735	219,669	244,045	37,971	206,073
Machinery and equipment	503,802	114,476	389,326	446,686	109,040	337,646
Tools, furniture and fixtures	691,711	316,003	375,707	636,359	308,163	328,195
Property and equipment in trust:						
Land	226,663,386	—	226,663,386	260,076,467	—	260,076,467
Buildings	232,734,347	18,729,575	214,004,771	266,812,957	21,195,083	245,617,874
Structures	3,640,534	251,420	3,389,114	5,104,987	341,218	4,763,769
Machinery and equipment	2,431,487	800,272	1,631,215	2,278,043	766,727	1,511,315
Tools, furniture and fixtures	640,082	270,571	369,510	695,073	302,973	392,100
Construction in progress	5,022	—	5,022	155,088	—	155,088
Total	¥519,151,940	¥24,450,732	¥494,701,208	¥584,596,716	¥26,888,446	¥557,708,269

Note 10 – Fair Value of Investment Properties

DHR owns logistics, residential and retail 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 six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Book value:		
Balance at beginning of the period	¥244,798,501	¥500,201,260
Net change during the period	255,402,759	62,966,927
Balance at end of the period	¥500,201,260	¥563,168,188
Fair value at end of the period	¥547,376,000	¥622,424,000

Notes:

1. The book value above includes leasehold rights in trust of ¥5,500,051 thousand and ¥5,459,918 thousand as of February 28, 2017 and August 31, 2017, respectively.
2. For the period ended February 28, 2017, the increase is mainly due to acquisitions of 41 properties previously owned by the former DHR due to the Merger (¥234,978,000 thousand), six properties including Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi) (¥17,443,437 thousand), and Hiratsuka Retail Property (Land) (¥5,857,669 thousand), while the decrease is principally attributable to the sale of Castalia Minamigyotoku II (¥362,247 thousand) and depreciation. For the period ended August 31, 2017, the increase is mainly due to acquisitions of 15 properties including DPL Misato (¥68,578,904 thousand) and two properties including FOLEO Ome Imai (¥5,443,204 thousand), while the decrease is principally attributable to the sale of seven properties including Castalia Nipponbashi Kouzu (¥8,338,287 thousand) and depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

Note 11 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended February 28, 2017 and August 31, 2017 are as follows:

	For the six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Rental revenues:		
Rental revenues	¥16,184,156	¥17,907,732
Common area charges	422,436	436,924
Subtotal	16,606,592	18,344,657
Other revenues related to property leasing		
Facility charges	338,545	353,388
Incidental revenues	253,928	276,697
Other revenues	332,076	504,897
Subtotal	924,550	1,134,983
Total rental revenues	¥17,531,143	¥19,479,640
Rental expenses:		
Management fees	¥1,233,882	¥1,272,800
Utilities	285,590	299,764
Taxes and public dues	1,175,602	1,228,362
Repairs	569,404	473,270
Restoration costs	293,588	305,785
Insurance premiums	25,089	25,479
Custodian fees	61,639	67,476
Depreciation and amortization	3,361,190	3,713,302
Other operating expenses	487,914	520,167
Total rental expenses	¥7,493,903	¥7,906,409
Operating income from property leasing activities	¥10,037,240	¥11,573,231

Transactions with DHR’s major unitholder for the periods ended February 28, 2017 and August 31, 2017 are as follows:

	For the six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Business transactions		
Operating revenues	¥324,511	¥323,741
Operating expenses	103,018	40
Non-business transactions		
Purchase of trust beneficiary interests in real estate	9,686,000	63,211,000

Note 12 – Asset Retirement Obligations

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

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (54 – 60 years), and uses a 2.1 – 2.4% discount rate for the calculation of asset retirement obligations. Changes in asset retirement obligations for the periods ended February 28, 2017 and August 31, 2017 are as follows:

	For the six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Balance at beginning of the period	¥424,558	¥429,379
Accretion expense	4,820	4,875
Balance at end of the period	¥429,379	¥434,255

Note 13 – 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 14 – 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 Investment Corporations to deduct the amount of cash distributions from taxable income to avoid double taxation if certain requirements are met. For the period ended August 31, 2017, DHR had no taxable income by utilizing the loss carryforward, regardless of the Measures.

Also, DHR implemented its policy of stabilized distributions by utilizing a reserve for distribution. 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

distribution.

Furthermore, in accordance with the cash distribution policy set forth in the Articles of Incorporation, DHR adds the amount equivalent to amortization of goodwill to the distribution amount. For distributions related to the period ended February 28, 2017, the amount equivalent to amortization of goodwill and merger expenses of ¥2,920,673,548 was included in the reversal of reserve for distribution. For distribution related to the period ended August 31, 2017, the amount equivalent to goodwill amortization expenses of ¥1,980,989,899 was included in the reversal of reserve for temporary difference adjustment as discussed below.

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:

	Distributions related to the six-month periods ended			
	February 28, 2017		August 31, 2017	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥4,393,259,342		¥7,968,070,160	
Reversal of voluntary reserve:				
Reserve for temporary difference adjustment	—		1,980,989,899	
Reserve for distribution	17,669,020,696		—	
Accumulation of voluntary reserve:				
Reserve for temporary difference adjustment	(14,748,347,148)		—	
Reserve for distribution	(21,388,890)		(1,559,900,059)	
Cash distributions	¥7,292,544,000	¥4,800	¥8,389,160,000	¥4,964
Retained earnings carried forward	—		—	

The “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015) was promulgated in 2015 and new account names were introduced. The “reserve for temporary difference adjustment” is an account to record voluntary reserves appropriated for future profit distributions up to the total amount of the difference between taxable income and financial income.

Adopting the transitional measure stipulated in the paragraph 3 of supplementary provision of this Ordinance, 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 adjustment” account. 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 adjustment for cash distributions. For distributions related to the periods ended February 28, 2017 and August 31, 2017, DHR appropriated the amounts equivalent to amortization expenses (and merger fees for the period ended February 28, 2017), which were greater than the minimum amount of ¥147,483,472 as set forth by the Ordinance.

Note 15 – 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, 2017 and August 31, 2017. 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, 2017	August 31, 2017
				(Yen in thousands)	
Daiwa House Residential Investment Corporation 1st Unsecured Bonds	March 9, 2012	March 9, 2017	1.12%	¥3,000,000	¥—
The former 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
Total				¥19,000,000	¥16,000,000

(*) DHR assumed the Bonds in accordance with the Merger with the former DHR on September 1, 2016.

Note 16 – Short-Term Loans and Long-Term Loans

Short-term and long-term loans consist of borrowings from financial institutions under loan agreements. None of the loans are secured by collateral or guaranteed. The following table summarizes the short-term and long-term loans as of February 28, 2017 and August 31, 2017.

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Short-term loans:		
0.21% floating-rate short-term loan due 2017	¥6,000,000	¥—
Total short-term loans	¥6,000,000	¥—
Long-term loans:		
1.03% floating-rate long-term loan due 2017 (*)	¥14,000,000	¥—
0.70% floating-rate long-term loan due 2017	1,095,000	—
0.70% floating-rate long-term loan due 2017 (*)	12,400,000	—
0.96% fixed-rate long-term loan due 2017	16,000,000	16,000,000
1.07% fixed-rate long-term loan due 2019	4,000,000	4,000,000
0.23% floating-rate long-term loan due 2019	7,600,000	7,600,000
1.29% fixed-rate long-term loan due 2019	10,000,000	10,000,000
0.96% floating-rate long-term loan due 2020 (*)	17,410,000	17,410,000
0.96% fixed-rate long-term loan due 2020	1,500,000	1,500,000
0.57% fixed-rate long-term loan due 2020	1,000,000	1,000,000
0.18% floating-rate long-term loan due 2020	9,900,000	9,900,000
0.90% floating-rate long-term loan due 2021(*)	3,500,000	3,500,000
1.05% floating-rate long-term loan due 2021 (*)	3,000,000	3,000,000
0.51% floating-rate long-term loan due 2021 (*)	7,000,000	7,000,000
0.40% fixed-rate long-term loan due 2021	—	9,500,000
0.61% floating-rate long-term loan due 2022 (*)	6,858,000	6,858,000
0.66% floating-rate long-term loan due 2022 (*)	10,000,000	10,000,000
0.59% floating-rate long-term loan due 2022 (*)	10,500,000	10,500,000
1.21% floating-rate long-term loan due 2022 (*)	3,500,000	3,500,000
0.87% floating-rate long-term loan due 2022 (*)	3,000,000	3,000,000
0.65% floating-rate long-term loan due 2022 (*)	4,000,000	4,000,000
1.50% floating-rate long-term loan due 2023 (*)	2,000,000	2,000,000
1.00% fixed-rate long-term loan due 2023	1,000,000	1,000,000
0.99% floating-rate long-term loan due 2023 (*)	4,000,000	4,000,000
0.71% floating-rate long-term loan due 2023 (*)	4,000,000	4,000,000
0.41% fixed-rate long-term loan due 2023	10,400,000	10,400,000
0.57% fixed-rate long-term loan due 2023	—	10,000,000
0.88% fixed-rate long-term loan due 2024	2,000,000	2,000,000
1.52% floating-rate long-term loan due 2024 (*)	3,000,000	3,000,000
0.73% fixed-rate long-term loan due 2024	1,000,000	1,000,000
0.48% fixed-rate long-term loan due 2024	11,000,000	11,000,000
0.55% fixed-rate long-term loan due 2024	—	1,000,000
1.23% floating-rate long-term loan due 2025 (*)	4,000,000	4,000,000
1.18% fixed-rate long-term loan due 2025	3,000,000	3,000,000
0.97% floating-rate long-term loan due 2025 (*)	4,000,000	4,000,000
0.63% fixed-rate long-term loan due 2025	9,000,000	9,000,000
0.70% fixed-rate long-term loan due 2025	—	11,000,000
2.03% floating-rate long-term loan due 2026 (*)	2,000,000	2,000,000
1.09% floating-rate long-term loan due 2026 (*)	4,000,000	4,000,000

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
0.69% fixed-rate long-term loan due 2026	1,000,000	1,000,000
0.87% fixed-rate long-term loan due 2026	15,000,000	15,000,000
0.76% fixed-rate long-term loan due 2026	—	10,000,000
1.46% fixed-rate long-term loan due 2027	1,500,000	1,500,000
0.85% fixed-rate long-term loan due 2027	—	2,000,000
0.89% fixed-rate long-term loan due 2027	—	12,100,000
1.02% fixed-rate long-term loan due 2028	—	10,000,000
Total	228,163,000	266,268,000
Less: current portion	(43,495,000)	(16,000,000)
Long-term loans, less current portion	¥184,668,000	¥250,268,000

(*) 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 during the period ended August 31, 2017 and is rounded to the second decimal place.

The repayment schedules for short-term and long-term loans subsequent to February 28, 2017 and August 31, 2017 are disclosed in Note 4 – “Financial Instruments.”

DHR has entered into a commitment line agreement with four financial institutions in order to secure flexible and stable financing. The status of the commitment line agreement as of February 28, 2017 and August 31, 2017 is as follows:

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Total amount of commitment line	¥20,000,000	¥20,000,000
Balance executed as loans	—	—
Unused line of credit	¥20,000,000	¥20,000,000

Note 17 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of February 28, 2017 and August 31, 2017 are as follows:

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Due within one year	¥12,030,811	¥15,546,218
Due after one year	74,018,272	105,051,331
Total	¥86,049,084	¥120,597,550

Note 18 – Deferred Income Taxes

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

(a) Significant Components of Deferred Tax Assets and Liabilities

	As of	
	February 28, 2017	August 31, 2017
	(Yen in thousands)	
Deferred tax assets:		
Excess provision of allowance for doubtful accounts	¥9,353	¥8,418
Deferred interest income	469,361	433,885
Valuation difference at the time of merger (Long-term prepaid expenses, etc.)	847	623
Valuation difference at the time of merger (Land, Buildings)	3,184,522	2,977,582
Loss carryforward assumed at the time of merger	14,291,342	11,180,212
Asset retirement obligations	135,656	137,197
Provision for loss on litigation	25,321	27,123
Deferred gains or losses on hedges	367,972	396,998
Amortization of fixed-term land lease rights	67,451	80,130
Other	987	990
Subtotal	18,552,816	15,243,162
Valuation reserve	(18,552,816)	(15,243,162)
Net deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference at the time of merger (Investment securities)	(820)	(800)
Valuation difference at the time of merger (Land, Buildings)	(14,869,216)	(14,689,536)
Asset retirement costs	(118,925)	(118,925)
Subtotal	(14,988,961)	(14,809,262)
Valuation reserve	14,988,961	14,809,262
Net deferred tax liabilities	—	—
Net deferred tax assets	¥—	¥—

Based on the cash distribution policy set forth in Article 37 of the Articles of Incorporation, DHR can 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 six-month periods ended	
	February 28, 2017	August 31, 2017
Statutory tax rate	31.74%	31.74%
Adjustments:		
Tax-deductible cash distributions paid	(44.89)	—
Use of loss carryforward assumed at the time of merger	—	(39.04)
Amortization of goodwill	14.32	7.89
Change in valuation allowance	(1.17)	(0.60)
Other	0.01	0.02
Effective tax rate	0.01%	0.01%

Note 19 – Gain and Loss on Sale of Investment Properties

For the period ended February 28, 2017, DHR sold one investment property and reported a loss as follows:

	For the six-month period ended
	February 28, 2017
	(Yen in thousands)
Castalia Minamigyotoku II	
Proceeds from sale of investment properties	¥370,000
Cost of investment properties sold	362,247
Other sales expenses	11,960
Loss on sale of investment properties	¥4,207

For the period ended August 31, 2017, DHR sold seven investment properties and reported gains as follows:

	For the six-month period ended
	August 31, 2017
	(Yen in thousands)
Castalia Maihama	
Proceeds from sale of investment properties	¥650,000
Cost of investment properties sold	614,631
Other sales expenses	23,610
Gain on sale of investment properties	¥11,758
Castalia Urayasu	
Proceeds from sale of investment properties	¥578,816
Cost of investment properties sold	571,439
Other sales expenses	3,247

	For the six-month period ended
	August 31, 2017
	(Yen in thousands)
Gain on sale of investment properties	¥4,130
Castalia Minamigyotoku	
Proceeds from sale of investment properties	¥527,326
Cost of investment properties sold	507,670
Other sales expenses	3,118
Gain on sale of investment properties	¥16,538
Castalia Nipponbashi Kouzu	
Proceeds from sale of investment properties	¥4,450,000
Cost of investment properties sold	3,155,203
Other sales expenses	155,810
Gain on sale of investment properties	¥1,138,986
Castalia Ichikawamyoden	
Proceeds from sale of investment properties	¥765,000
Cost of investment properties sold	625,486
Other sales expenses	27,635
Gain on sale of investment properties	¥111,878
Castalia Shinsakae	
Proceeds from sale of investment properties	¥1,720,000
Cost of investment properties sold	1,664,473
Other sales expenses	52,160
Gain on sale of investment properties	¥3,366
Aprile Tarumi	
Proceeds from sale of investment properties	¥1,502,426
Cost of investment properties sold	1,199,382
Other sales expenses	53,444
Gain on sale of investment properties	¥249,598

Note 20 – Provision for Loss on Litigation

Asahi Security Co., Ltd., the tenant of D Project Shin-Misato, filed a claim in the Tokyo District Court on June 27, 2014 against Mitsubishi UFJ Trust and Banking Corporation, the trustee of the property, requesting approval of a reduction in rent of approximately 16% compared with the current level for the period from May 2014. This case is currently pending.

DHR has recognized a provision for loss on litigation since the period ended February 28, 2017. The estimated loss was calculated by DHR based on rent judged most likely as of the balance sheet date after giving comprehensive consideration to how the Case has thus far unfolded, etc. (The amount includes a rent reduction for the period ended August 31, 2017 and prior periods and statutory interest applicable to the potential reduction in the rent.)

Note 21 – Per Unit Information

Earnings per unit for the periods ended February 28, 2017 and August 31, 2017 and net assets per unit as of February

28, 2017 and August 31, 2017 are as follows:

	For the six-month periods ended	
	February 28, 2017	August 31, 2017
	(Yen)	
Earnings per unit:		
Net income per unit	¥2,891	¥4,772
Weighted average number of units outstanding (units)	1,519,280	1,669,617
	As of	
	February 28, 2017	August 31, 2017
	(Yen)	
Net assets per unit	¥217,408	¥223,267

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 22 – Related-Party Transactions

Related-party transactions for the periods ended February 28, 2017 and August 31, 2017 are as follows:

(a) Controlling Company and Major Corporate Investors

For the six-month period ended February 28, 2017										
Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Major corporate investor	Daiwa House Industry Co., Ltd.	Osaka-shi, Osaka	¥161,699	Construction	11.16%	Granting of preferential negotiation rights relating to real estate for investment	Purchase of trust beneficiary interests in real estate	¥9,686,000	¥–	¥–

For the six-month period ended August 31, 2017

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Major corporate investor	Daiwa House Industry Co., Ltd.	Osaka-shi, Osaka	¥161,699	Construction	10.96%	Granting of preferential negotiation rights relating to real estate for investment	Purchase of trust beneficiary interests in real estate	¥63,211,000	¥–	¥–

Notes:

1. In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at end of the period.
2. The terms and conditions are on an arm’s length basis.
3. As for purchase of trust beneficiary interests in real estate, the acquisition price is determined based on appraisal value assessed by third-party real estate appraisers.

(b) Affiliates — None

(c) Transactions under Common Control

For the six-month period ended February 28, 2017

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Subsidiary of DHR’s major corporate investor	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	Consigned asset management operations	Asset management fees	¥1,997,950	Accrued expenses	¥923,067

For the six-month period ended August 31, 2017

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Subsidiary of DHR’s major corporate investor	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	Consigned asset management operations	Asset management fees	¥1,477,000	Accrued expenses	¥1,090,313

Notes:

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

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

Note 23 – 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, 2017 and August 31, 2017, 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, 2017 and August 31, 2017, 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, 2017 and August 31, 2017, 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, 2017 and August 31, 2017, information about a major customer has been omitted.

Note 24 – Subsequent Events

Not applicable.

VII. Independent Auditor’s Report



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Independent Auditor’s Report

The Board of Directors
Daiwa House REIT Investment Corporation

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation, which comprise the balance sheet as at August 31, 2017, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at August 31, 2017, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

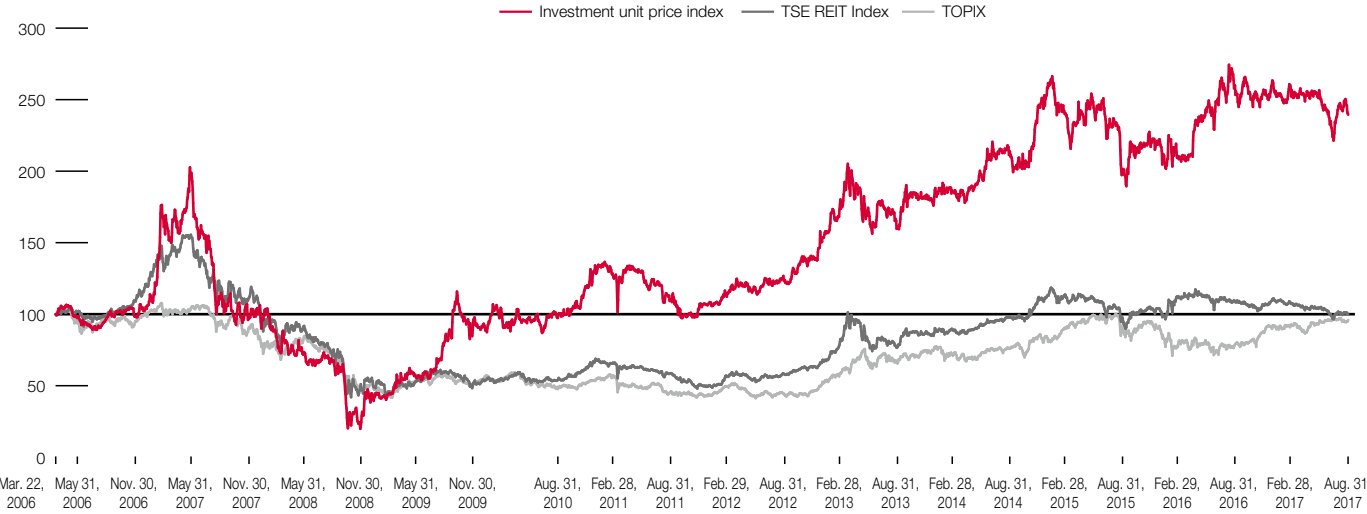
November 17, 2017
Tokyo, Japan

Investment Unit Price



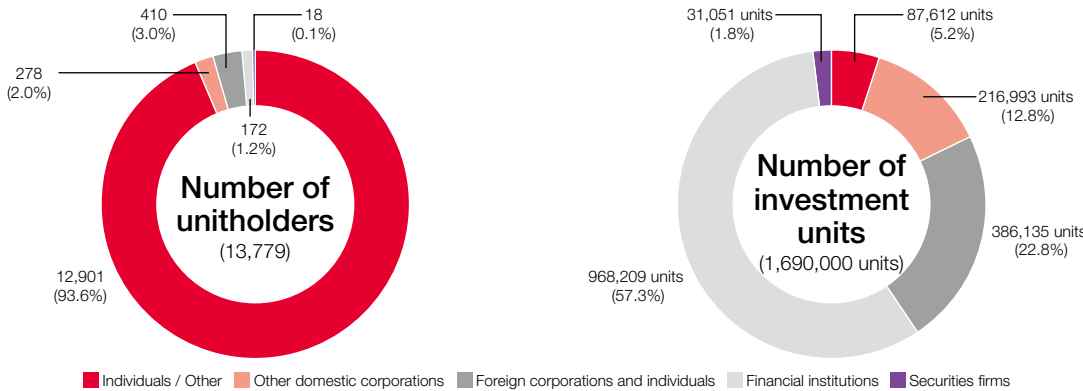
(Note) A 2-for-1 split of investment units was implemented on two occasions, effective as of March 1, 2013 and March 1, 2015. With regard to investment unit price and trading volume until February 25, 2013, the value shown for investment unit price is divided by four, while the value shown for trading volume is multiplied by four in consideration of the said split of investment units. Furthermore, from February 26, 2013 to February 24, 2015, the value shown for investment unit price is divided by two, and the value shown for trading volume is multiplied by two.

Index Comparison



(Notes) 1. Investment unit price index is an index of the closing price of DHR investment units on the Tokyo Stock Exchange. 2. Indexed with the value as of the date of listing of DHR (March 22, 2006) as 100.

Unitholders Data (as of August 31, 2017)



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

Procedures for Changes of Address, etc.

Please submit changes of address, name, etc., to your securities company, 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, you can receive distributions by designating the receiving method on the back of your receipt for distributions and mailing it to the Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited, or at the head office or a branch of Sumitomo Mitsui Trust Bank, Limited.

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

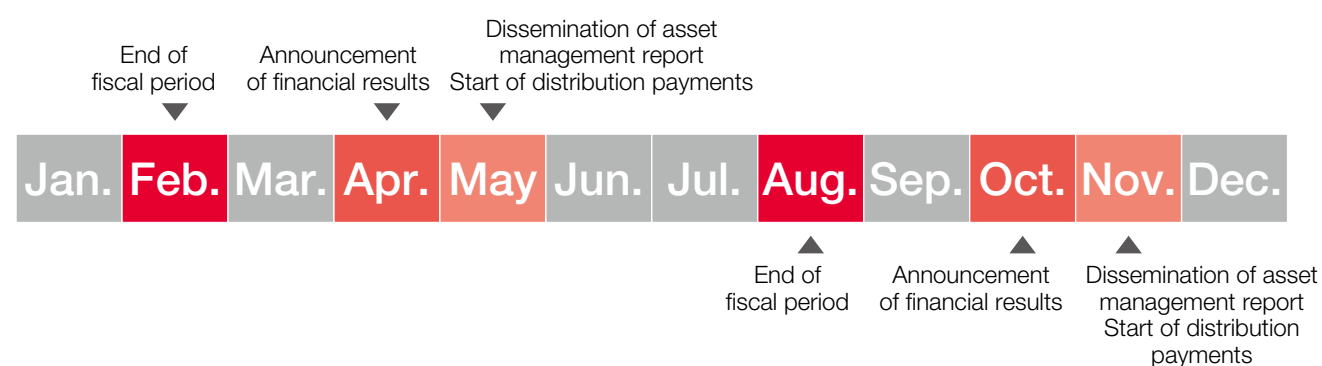
- Unitholders whose investment units are managed by a securities account
 - ➡ Please direct your inquiries to your securities company, etc.
 - Unitholders not conducting transactions via a securities company
 - ➡ Please call the following toll-free phone number.
- Stock Transfer Agency Business Planning 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.

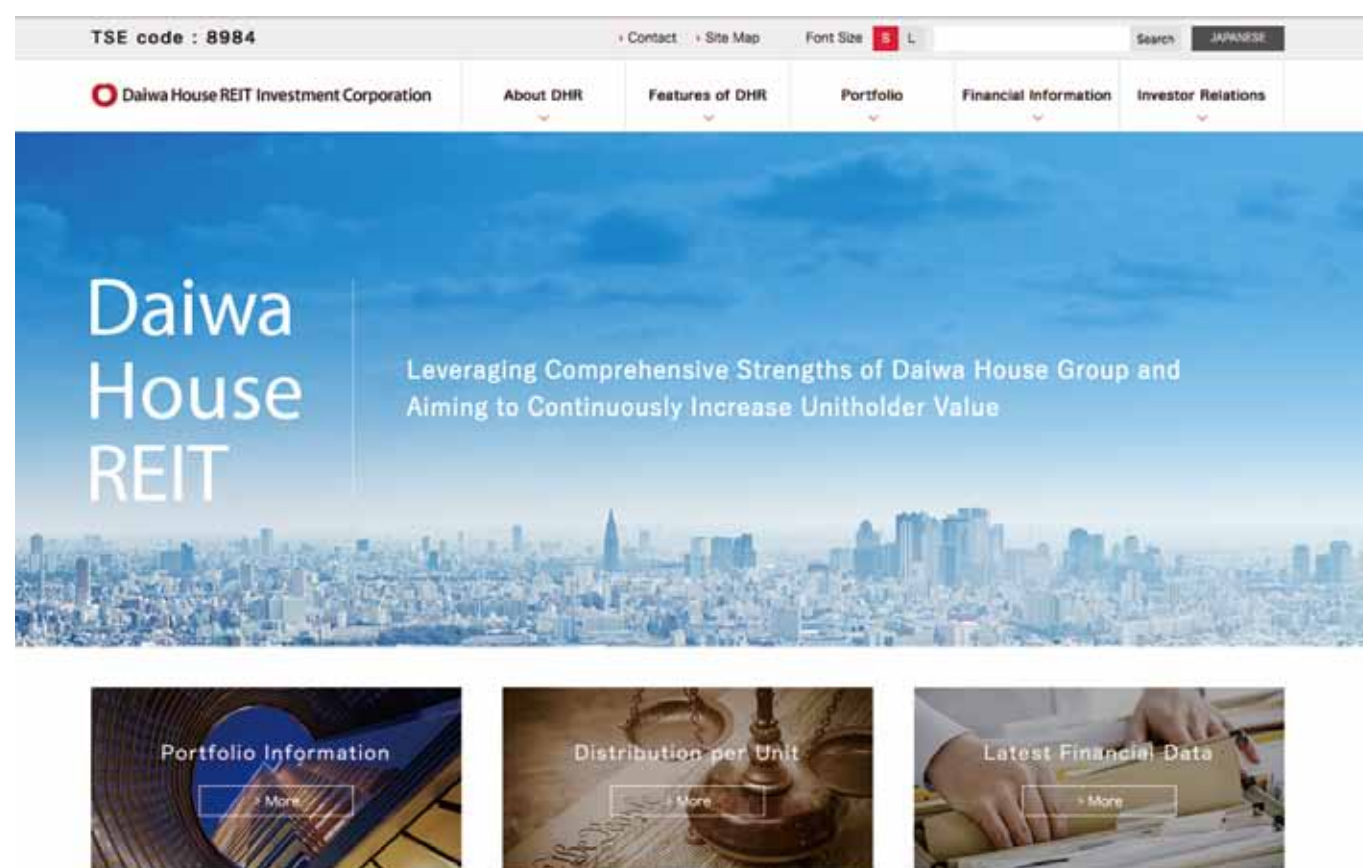
Investor Information

Investor Relations Calendar



DHR Website

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



Outline of the Asset Manager

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

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%)

Q&A concerning Unitholder Benefits Program

Beginning the fiscal period ended August 2013, DHR has established a unitholder benefits program.

Below are some answers to the many questions we have received from unitholders since the program was established.

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

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

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

What conditions apply to accommodation reservations?

Q1 How many people can stay each time?

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

Q2 How many reservations can be made with the pass?

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

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

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

Concerning the content of the unitholder benefits program

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

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