

FINANCIAL STATEMENTS FOR THE FIFTEENTH FISCAL PERIOD

(March 1, 2013 — August 31, 2013)

To Our Unitholders

I would like to express my sincere gratitude to unitholders for your unwavering support of Daiwa House Residential Investment Corporation ("DHI").

Recently, DHI marked the closing of the 15th Fiscal Period (from March 1, 2013 to August 31, 2013). I again would like to extend my heartfelt thanks to unitholders for this could not have been achieved without your understanding and support.

I hereby report on the management status and financial results for the 15th Fiscal Period.

Having procured funds in a total amount of ¥11,501 million from issuing a total of 30,800 new investment units in March and April 2013, DHI newly acquired three residential properties in total, including Royal Parks Namba that was purchased from the Daiwa House Group.

In addition, with rapid progress in the aging of the population in Japan, DHI acquired Urban Living Inage, which is a fee-based home for the elderly with nursing care services, from Daiwa House Industry Co., Ltd. as DHI's first property for the elderly in an effort to diversify the portfolio.

This resulted in the addition of a total of four properties (acquisition price total: ¥8,400 million) to the portfolio in the 15th Fiscal Period, bringing the portfolio asset total to 127 properties in terms of the number of properties and ¥221,091 million in terms of asset size (acquisition price basis) at the end of the 15th Fiscal Period.

Meanwhile, favorable conditions were maintained in operations at the properties held by DHI, thereby securing high occupancy rates of 96.5% as the period-average occupancy rate and 96.7% as the occupancy rate as of the end of August 2013.

In addition, the difference in amount between real estate appraisal value and book value took a turn from the unrealized loss of ¥1.2 billion at the end of the 14th Fiscal Period to improve by ¥6.1 billion to an unrealized gain of ¥4.9 billion at the end of the 15th Fiscal Period. Furthermore, of the funds from issuing new investment units, ¥3,800 million was used to repay a loan in an effort to strengthen the financial standing, such as lowering LTV from the 56.6% at the end of the 14th Fiscal Period to 53.0% at the end of the 15th Fiscal Period.

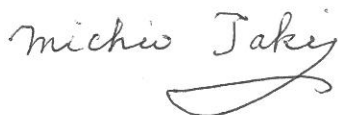
The results of the management above in the 15th Fiscal Period were operating revenues of ¥7,971 million, operating income of ¥3,661 million, ordinary income of ¥2,780 million and net income of ¥2,779 million for results that exceeded the initial forecast. Accordingly, DHI decided to implement a reversal of internal reserves and declared distribution per investment unit of ¥8,300.

Entering the 16th Fiscal Period (from September 1, 2013 to February 28, 2014), DHI has embarked on proactive activities aimed at new growth. Specifically, DHI acquired six properties, mainly in Tokyo, on September 27, 2013, and also passed a resolution to issue 22,000 new investment units in October 2013.

DHI will continue to make utmost efforts to achieve steady growth of the portfolio and maximization of returns for unitholders while making the most of the comprehensive strengths and know-how of the sponsor the Daiwa House Group in the next and subsequent fiscal periods.

The continued support of unitholders is greatly appreciated.

Daiwa House Residential Investment Corporation
Executive Director
Michio Taki



Daiwa House Asset Management Co., Ltd.
CEO & President
Yuji Yamada



Distribution per Unit (Yen) ¥8,300

Actual

Fifteenth Fiscal Period: (March 1, 2013 – August 31, 2013)

Distribution per Unit (Yen) ¥8,470

Forecast *1

Sixteenth Fiscal Period: (September 1, 2013 – February 28, 2014)

Distribution per Unit (Yen) ¥8,340

Forecast *1

Seventeenth Fiscal Period: (March 1, 2014 – August 31, 2014)

*1) Forecast as of October 10, 2013. Actual distributions per unit may vary. Moreover, these forecasts are not intended as a guarantee of distribution amount.

1. FINANCIAL HIGHLIGHT

(1) Management Highlight

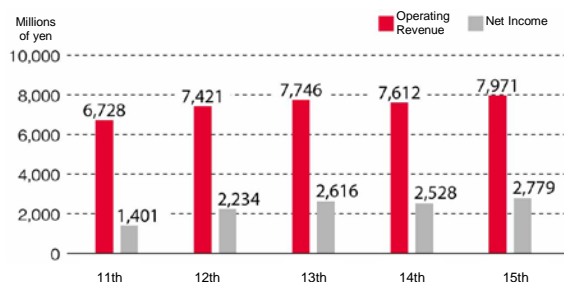
	(Millions of yen)			
	Operating Revenues	Operating Income	Ordinary Income	Net Income
Fifteenth Fiscal Period	¥7,971	¥3,661	¥2,780	¥2,779
Fourteenth Fiscal Period	¥7,612	¥3,398	¥2,529	¥2,528
Thirteenth Fiscal Period	¥7,746	¥3,691	¥2,724	¥2,616
Twelfth Fiscal Period	¥7,421	¥3,434	¥2,357	¥2,234
Eleventh Fiscal Period	¥6,728	¥2,478	¥1,437	¥1,401

	(Millions of yen, Yen; days)		
	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
Fifteenth Fiscal Period	¥8,300	¥2,920	184
Fourteenth Fiscal Period	¥16,947	¥2,720	181
Thirteenth Fiscal Period	¥16,264	¥2,610	184
Twelfth Fiscal Period	¥16,000	¥2,568	182
Eleventh Fiscal Period	¥16,320	¥1,937	184

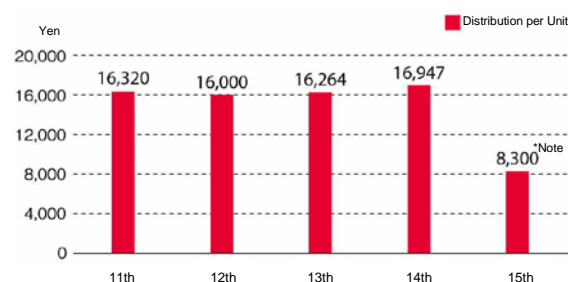
Notes:

- Fifteenth Fiscal Period: March 1, 2013 — August 31, 2013
 Fourteenth Fiscal Period: September 1, 2012 — February 28, 2013
 Thirteenth Fiscal Period: March 1, 2012 — August 31, 2012
 Twelfth Fiscal Period: September 1, 2011 — February 29, 2012
 Eleventh Fiscal Period: March 1, 2011 — August 31, 2011
- “Net income” for the Thirteenth is the amount including the reversal of internal reserves and differ from the funds from which distributions are paid out.
 The funds from which distributions are paid out for the Fifteenth, Fourteenth, Twelfth and Eleventh Fiscal Period are the amount including the reversal of internal reserves and differ from “net income”.

< Operating Revenue / Net Income >



< Distribution per Unit >



*) DHI implemented a 2-for-1 split of investment units on March 1, 2013 as the effective date.

(2) Financial Position

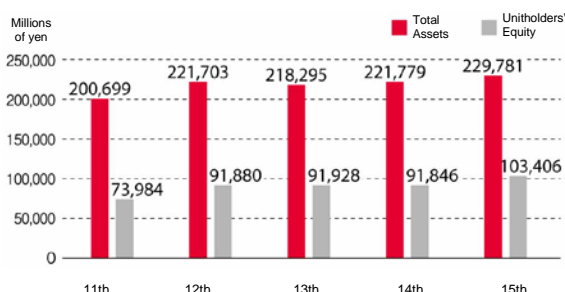
(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Equity Ratio (%)	Unitholders' Equity per Unit (Yen)	Interest-bearing Debt (Millions of yen)	LTV (%)
Fifteenth Fiscal Period	¥229,781	¥103,406	45.0%	¥293,878	¥121,740	53.0%
Fourteenth Fiscal Period	¥221,779	¥91,846	41.4%	¥286,063 *2	¥125,540	56.6%
Thirteenth Fiscal Period	¥218,295	¥91,928	42.1%	¥286,320 *2	¥121,834	55.8%
Twelfth Fiscal Period	¥221,703	¥91,880	41.4%	¥572,339	¥125,325	56.5%
Eleventh Fiscal Period	¥200,699	¥73,984	36.9%	¥623,103	¥122,653	61.1%

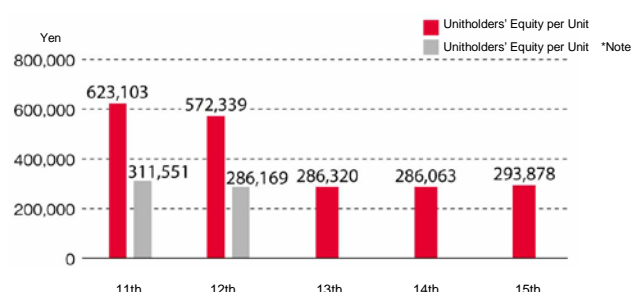
Notes:

- Fifteenth Fiscal Period: March 1, 2013 — August 31, 2013
Fourteenth Fiscal Period: September 1, 2012 — February 28, 2013
Thirteenth Fiscal Period: March 1, 2012 — August 31, 2012
Twelfth Fiscal Period: September 1, 2011 — February 29, 2012
Eleventh Fiscal Period: March 1, 2011 — August 31, 2011
- DHI implemented a 2-for-1 split of investment units on March 1, 2013 as the effective date.
“Unitholders’ equity per unit” was calculated under the assumption that the split was implemented at the beginning of the 13th fiscal period.

< Total Assets / Unitholders' Equity >



< Unitholders' Equity per Unit >



*) “Unitholders’ equity per unit” from the Eleventh Fiscal Period and the Twelfth Fiscal period is calculated in proportion to the investment unit split (half).

Independent Auditor's Report

The Board of Directors
Daiwa House Residential Investment Corporation

We have audited the accompanying financial statements of Daiwa House Residential Investment Corporation which comprise the balance sheet as at August 31, 2013, 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 Residential Investment Corporation as at August 31, 2013, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Note 17 "Significant Subsequent Events," Daiwa House Residential Investment Corporation completed a public offering and a secondary offering through third-party allotment subsequent to August 31, 2013. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying financial statements have been properly translated on the basis described in Note 1.

Ernst & Young Shinrikan LLC

November 19, 2013
Tokyo, Japan

Daiwa House Residential Investment Corporation

Balance Sheets

As of February 28, 2013 and August 31, 2013

	As of February 28, 2013	As of August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Assets			
Current assets:			
Cash and bank deposits (including trust accounts)	¥ 10,625,355	¥ 11,135,779	\$ 113,214
Rental receivables	40,861	41,700	423
Prepaid expenses	297,628	285,617	2,903
Consumption taxes receivable	5,691	27,820	282
Other current assets	680	194	1
Allowance for doubtful accounts	(7,816)	(4,735)	(48)
Total current assets	10,962,400	11,486,376	116,778
Property and equipment:			
Land	21,150,419	21,150,419	215,030
Buildings and structures	28,231,288	28,265,862	287,371
Machinery and equipment	432,205	432,205	4,394
Tools, furniture and fixtures	648,997	651,242	6,621
Land in trust	74,632,549	76,137,759	774,072
Buildings and structures in trust	88,700,994	95,601,560	971,955
Machinery and equipment in trust	1,363,827	1,511,116	15,363
Tools, furniture and fixtures in trust	296,693	308,265	3,134
Less – accumulated depreciation	(8,989,073)	(10,499,939)	(106,750)
Net property and equipment	206,467,903	213,558,493	2,171,192
Investments and other assets:			
Long-term prepaid expenses	875,114	747,162	7,596
Guarantee deposits	10,030	10,030	101
Leasehold rights in trust	2,239,038	2,544,964	25,873
Trademark rights	6,248	5,702	57
Lease and guarantee deposits in trust	1,200,020	1,412,200	14,357
Total investments and other assets	4,330,452	4,720,059	47,987
Deferred assets:			
Investment corporation bond issuance costs	18,830	16,476	167
Total deferred assets	18,830	16,476	167
Total assets	¥ 221,779,586	¥ 229,781,405	\$ 2,336,126

	As of February 28, 2013	As of August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Liabilities and net assets			
Current liabilities:			
Trade and other payables	¥ 419,110	¥ 575,952	\$ 5,855
Short-term loans	3,800,000	—	—
Accrued expenses	525,202	460,668	4,683
Rent received in advance	773,348	830,330	8,441
Deposits received	190,780	193,707	1,969
Current portion of rehabilitation obligations	3,573,845	3,573,845	36,334
Total current liabilities	9,282,286	5,634,505	57,284
Long-term liabilities:			
Investment corporation bonds	3,000,000	3,000,000	30,500
Long-term loans	100,305,000	100,305,000	1,019,774
Tenant leasehold and security deposits	328,754	317,811	3,231
Tenant leasehold and security deposits in trust	1,762,835	1,858,475	18,894
Asset retirement obligations	392,301	396,754	4,033
Rehabilitation obligations	14,861,887	14,861,887	151,096
Total long-term liabilities	120,650,779	120,739,929	1,227,530
Total liabilities	129,933,066	126,374,434	1,284,815
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000			
Units issued and outstanding: 351,870	41,602,436	53,104,018	539,894
Capital surplus	28,241,587	28,241,587	287,124
Reserve for distribution	19,473,874	19,281,910	196,034
Retained earnings	2,528,622	2,779,454	28,257
Total unitholders' equity	91,846,520	103,406,970	1,051,311
Total net assets	91,846,520	103,406,970	1,051,311
Total liabilities and net assets	¥ 221,779,586	¥ 229,781,405	\$ 2,336,126

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Income and Retained Earnings

For the period from September 1, 2012 to February 28, 2013
and for the period from March 1, 2013 to August 31, 2013

	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:			
Rental revenues	¥ 7,612,933	¥ 7,968,294	\$ 81,011
Gain on sales of real estate properties	—	3,236	32
Total operating revenues	7,612,933	7,971,531	81,044
Operating expenses:			
Real estate rental expenses	3,265,383	3,520,378	35,790
Loss on sales of real estate properties	192,067	—	—
Asset management fees	483,135	510,191	5,186
Asset custodian and consignment fees	21,833	20,267	206
Administrative service and consignment fees	72,058	64,010	650
Directors' remuneration	6,600	6,600	67
Provision of allowance for doubtful accounts	2,417	1,084	11
Other operating expenses	170,771	187,316	1,904
Total operating expenses	4,214,266	4,309,849	43,817
Operating income	3,398,666	3,661,681	37,227
Non-operating income (expenses):			
Interest income	619	895	9
Interest expense	(708,995)	(655,445)	(6,663)
Fixed asset tax settlement	—	1,885	19
Gain on adjustment for account of debt	—	2,917	29
Interest expenses on investment corporation bonds	(16,523)	(17,076)	(173)
Amortization of investment corporation bond issuance costs	(2,353)	(2,353)	(23)
Investment unit issuance expenses	—	(50,064)	(508)
Financing related expenses	(141,742)	(160,980)	(1,636)
Other, net	(442)	(1,400)	(14)
Total non-operating income (expenses)	(869,439)	(881,622)	(8,963)
Ordinary income	2,529,227	2,780,059	28,264
Income before income taxes	2,529,227	2,780,059	28,264
Income taxes:			
Current	605	605	6
Total income taxes	605	605	6
Net income	2,528,622	2,779,454	28,257
Retained earnings at beginning of period	—	—	—
Retained earnings at end of period	¥ 2,528,622	¥ 2,779,454	\$ 28,257

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Changes in Net Assets

For the period from September 1, 2012 to February 28, 2013

	For the period from September 1, 2012 to February 28, 2013						
	Net assets						
	Unitholders' equity						Total net assets
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	
	<i>(Thousands of yen)</i>						
Balance as of September 1, 2012	160,535	¥41,602,436	¥28,241,587	¥19,467,899	¥2,616,916	¥91,928,839	¥91,928,839
Changes during the fiscal period:							
Reserve of reserve for distribution	—	—	—	5,975	(5,975)	—	—
Dividends from retained earnings	—	—	—	—	(2,610,941)	(2,610,941)	(2,610,941)
Net income	—	—	—	—	2,528,622	2,528,622	2,528,622
Total changes during the fiscal period	—	—	—	5,975	(88,294)	(82,319)	(82,319)
Balance as of February 28, 2013	160,535	¥41,602,436	¥28,241,587	¥19,473,874	¥2,528,622	¥91,846,520	¥91,846,520

For the period from March 1, 2013 to August 31, 2013

	Net assets						
	Unitholders' equity						Total net assets
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	
<i>(Thousands of yen)</i>							
Balance as of March 1, 2013	321,070	¥41,602,436	¥28,241,587	¥19,473,874	¥2,528,622	¥91,846,520	¥91,846,520
Changes during the fiscal period:							
Issuance of new investment units	30,800	11,501,582	—	—	—	11,501,582	11,501,582
Reversal of reserve for distribution	—	—	—	(191,964)	191,964	—	—
Dividends from retained earnings	—	—	—	—	(2,720,586)	(2,720,586)	(2,720,586)
Net income	—	—	—	—	2,779,454	2,779,454	2,779,454
Total changes during the fiscal period	30,800	11,501,582	—	(191,964)	250,832	11,560,450	11,560,450
Balance as of August 31, 2013	351,870	¥53,104,018	¥28,241,587	¥19,281,910	¥2,779,454	¥103,406,970	¥103,406,970

For the period from March 1, 2013 to August 31, 2013

	Net assets						
	Unitholders' equity						Total net assets
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	
(Thousands of U.S. dollars)							
Balance as of March 1, 2013	321,070	\$422,960	\$287,124	\$197,985	\$ 25,707	\$933,779	\$933,779
Changes during the fiscal period:							
Issuance of new investment units	30,800	116,933	—	—	—	116,933	116,933
Reversal of reserve for distribution	—	—	—	(1,951)	1,951	—	—
Dividends from retained earnings	—	—	—	—	(27,659)	(27,659)	(27,659)
Net income	—	—	—	—	28,257	28,257	28,257
Total changes during the fiscal period	30,800	116,933	—	(1,951)	2,550	117,532	117,532
Balance as of August 31, 2013	351,870	\$539,894	\$287,124	\$196,034	\$28,257	\$1,051,311	\$1,051,311

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Cash Flows

For the period from September 1, 2012 to February 28, 2013
and for the period from March 1, 2013 to August 31, 2013

	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash flows from operating activities			
Income before income taxes	¥ 2,529,227	¥ 2,780,059	\$ 28,264
Depreciation and amortization	1,422,775	1,523,951	15,493
Amortization of investment corporation bond issuance costs	2,353	2,353	23
Loss on retirement of noncurrent assets	3,323	7,696	78
Amortization of trademark rights	546	546	5
Investment unit issuance expenses	—	50,064	508
Interest income	(619)	(895)	(9)
Interest expense	725,519	672,521	6,837
Change in rental receivables	12,097	(839)	(8)
Change in accounts receivable, other	(572)	320	3
Change in consumption taxes receivable	(5,691)	(22,128)	(224)
Change in advance payments	(66,032)	12,011	122
Change in trade payables	(77,694)	124,263	1,263
Change in other payables	(44,687)	6,880	69
Change in accrued consumption taxes	(61,465)	—	—
Change in accrued expenses	(4,827)	(71,477)	(726)
Change in deposits received	4,373	8,772	89
Change in rent received in advance	57,166	56,981	579
Change in long-term prepaid expenses	(171,735)	127,952	1,300
Change in allowance for doubtful accounts	(1,541)	(3,081)	(31)
Decrease in disposal of property and equipment in trust	3,243,437	42,826	435
Change in lease and guarantee deposits in trust	—	(212,179)	(2,157)
Other	(57,961)	(65,031)	(661)
Subtotal	7,507,990	5,041,568	51,256
Interest received	619	895	9
Interest paid	(693,406)	(665,577)	(6,766)
Income taxes paid	(340)	(661)	(6)
Net cash provided by operating activities	6,814,862	4,376,225	44,491
Cash flows from investing activities			
Purchases of property and equipment	(14,880)	(13,754)	(139)
Purchases of property and equipment in trust	(5,273,521)	(8,644,612)	(87,887)
Purchases of intangible fixed assets	(1,909)	—	—
Purchases of intangible fixed assets in trust	—	(314,616)	(3,198)
Proceeds from tenant leasehold and security deposits	31,973	39,864	405
Payment of tenant leasehold and security deposits	(17,731)	(30,102)	(306)
Proceeds from tenant leasehold and security deposits in trust	197,427	259,953	2,642
Payment of tenant leasehold and security deposits in trust	(201,377)	(120,219)	(1,222)
Net cash used in investing activities	(5,280,020)	(8,823,487)	(89,706)
Cash flows from financing activities			
Proceeds from short-term loans	5,100,000	—	—
Repayment of short-term loans	(1,300,000)	(3,800,000)	(38,633)
Proceeds from long-term loans	26,510,000	—	—
Repayment of rehabilitation obligations	(26,603,895)	—	—
Proceeds from issuance of new investment units	—	11,474,969	116,662
Dividend payment	(2,605,277)	(2,717,283)	(27,625)
Net cash provided by financing activities	1,100,827	4,957,686	50,403
Net increase in cash and cash equivalents	2,635,669	510,423	5,189
Cash and cash equivalents at beginning of period	7,989,685	10,625,355	108,025
Cash and cash equivalents at end of period	¥ 10,625,355	¥ 11,135,779	\$ 113,214

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Notes to Financial Statements

For the period from September 1, 2012 to February 28, 2013
and for the period from March 1, 2013 to August 31, 2013

1. Organization and Basis of Presentation

(a) Organization

Daiwa House Residential Investment Corporation (“DHI”), a Japanese real estate investment corporation, was established on June 7, 2005 with an initial capitalization of ¥300 million under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. DHI was formed to invest primarily in residential and retail properties in Japan. DHI is externally managed by a licensed asset management company, Daiwa House Asset Management Co., Ltd.

DHI has concentrated on its beautiful life and residence vision by focusing its investment efforts on real estate properties and aims to build a hybrid portfolio to secure stable revenues in the mid- to long-term periods. By selecting properties suitable for modern lifestyle that appeal to tenants and consumers residential properties using strict but transparent and high standards such as by considering the area, building quality and amenities, DHI aims to gain steady growth for its portfolio and expand its primary investment income.

(b) Basis of presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law, the Financial Instruments and Exchange Law 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 the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been compiled and translated into English (with certain reclassifications and expanded descriptions) from the financial statements of DHI prepared in accordance with Japanese GAAP and filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law.

In preparing the accompanying financial statements, relevant notes have been added and certain reclassifications have been made to the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. DHI’s fiscal period is a six-month period which ends at the end of February or August of each year. DHI has not prepared consolidated financial statements as it has no subsidiaries.

1. Organization and Basis of Presentation (continued)

The U.S. dollar amounts in the accompanying financial statements have been translated from yen amounts solely for the convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥98.36 = U.S.\$1.00, the rate of exchange prevailing on August 30, 2013. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

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 an original maturity of three months or less, and an insignificant risk of price fluctuation.

(b) Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets ranging as stated below:

Buildings	2 – 69 years
Structures	6 – 63 years
Machinery and equipment	9 – 29 years
Tools, furniture and fixtures	2 – 28 years

(c) Intangible fixed assets

Amortization of intangible fixed assets is calculated on a straight-line basis. Leasehold rights (fixed-term land lease rights in general) 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 term of the bonds.

(e) Investment unit issuance expenses

Investment unit issuance expenses are charged to income as incurred.

(f) Revenue recognition

Revenues from leasing of property are recognized on a straight-line accrual basis over the life of each lease contract.

(g) 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 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. DHI pays the seller the corresponding

amount of the taxes for the period from the property's disposition date to December 31 of the previous year as included in the purchase price of the property, and capitalizes this amount as a cost of the property.

(h) 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.

(i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount considered sufficient to cover possible losses on collection.

(j) 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.

(k) 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.

(l) Derivatives and hedge accounting

(1) Derivatives and hedge accounting

DHI adopts deferral hedge accounting. However, the special treatment is applied for interest-rate swaps that meet certain conditions.

(2) Hedging instruments and hedged items

Hedging instruments:	Interest-rate swaps
Hedged items:	Interest rates on loans

(3) Hedging policy

DHI utilizes derivative financial instruments in accordance with basic risk management policies for the purpose of hedging risks specified in its bylaws.

(4) Method of evaluating hedge effectiveness

Hedging effectiveness is assessed and validated by comparing the cumulative gains or losses on the hedging instrument with the cumulative gains or losses the underlying hedged item. However, the evaluation of hedging effectiveness is omitted for interest-rate swaps meeting specific criteria.

3. Cash and Cash Equivalents

A reconciliation of cash and bank deposits in the accompanying balance sheets at February 28, 2013 and August 31, 2013 with cash and cash equivalents in the accompanying statements of cash flows is as follows:

	As of February 28, 2013 <i>(Thousands of yen)</i>	As of August 31, 2013 <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
Cash and bank deposits	¥ 6,506,958	¥7,469,590	\$ 75,941
Cash in trust and deposits in trust	4,118,396	3,666,188	37,273
Cash and cash equivalents	<u>¥ 10,625,355</u>	<u>¥ 11,135,779</u>	<u>\$ 113,214</u>

4. Lease Transactions

Operating lease transactions as lessor at February 28, 2013 and August 31, 2013 are as follows:

	As of February 28, 2013 <i>(Thousands of yen)</i>	As of August 31, 2013 <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
Future lease receivable equivalents			
Due within one year	¥ 870,584	¥ 944,620	\$ 9,603
Due after one year	593,678	286,421	2,911
Total	<u>¥ 1,464,263</u>	<u>¥ 1,231,042</u>	<u>\$ 12,515</u>

5. Short-Term Loans and Long-Term Loans

Short-term loans and the long-term loans as of February 28, 2013 and August 31, 2013 consisted of the following:

Lender	As of February 28, 2013 <i>(Thousands of yen)</i>	As of August 31, 2013 <i>(Thousands of yen)</i>	As of August 31, 2013 <i>(Thousands of U.S. dollars)</i>	Average interest rate (%) (1)	Due on	Use of funds	Note
Short-term loans:							
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	¥950,000	—	—	0.97	November 28, 2013	(2)	Unsecured without warranty
Sumitomo Mitsui Banking Corporation	950,000	—	—				
Sumitomo Mitsui Trust Bank, Limited.	950,000	—	—				
Mizuho Bank, Ltd. (8)	950,000	—	—				
Subtotal	3,800,000	—	—				
Long-term loans:							
Sumitomo Mitsui Banking Corporation	1,800,000	¥1,800,000	\$18,300	1.40	December 28, 2015	(3)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	1,800,000	1,800,000	18,300				
Mizuho Bank, Ltd. (8)	1,800,000	1,800,000	18,300				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,800,000	1,800,000	18,300				
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000	1,400,000	14,233	1.10	September 30, 2016	(4)	Unsecured without warranty
Resona Bank, Ltd.	1,400,000	1,400,000	14,233				
Shinsei Bank, Limited.	500,000	500,000	5,083				
Sumitomo Mitsui Trust Bank, Limited.	5,200,000	5,200,000	52,867				
Sumitomo Mitsui Banking Corporation	5,200,000	5,200,000	52,867	1.03	March 31, 2017	(5)	Unsecured without warranty
Mizuho Bank, Ltd. (8)	5,200,000	5,200,000	52,867				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	5,200,000	5,200,000	52,867				
Aozora Bank, Ltd.	4,500,000	4,500,000	45,750				
Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000	3,000,000	30,500	1.03	March 31, 2017	(5)	Unsecured without warranty
Resona Bank, Ltd.	2,500,000	2,500,000	25,416				
Shinsei Bank, Limited.	1,000,000	1,000,000	10,166				
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	30,500				
Aozora Bank, Ltd.	1,500,000	1,500,000	15,250	1.07	March 27, 2019	(5)	Unsecured without warranty
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000	1,500,000	15,250				
Shinkin Central Bank	1,000,000	1,000,000	10,166				
Mizuho Bank, Ltd. (8)	3,000,000	3,000,000	30,500				
Sumitomo Mitsui Trust Bank, Limited.	3,000,000	3,000,000	30,500	0.85	March 31, 2017	(6)	Unsecured without warranty
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	10,166				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	4,000,000	4,000,000	40,666				
Resona Bank, Ltd.	1,095,000	1,095,000	11,132				

Sumitomo Mitsui Trust Bank, Limited.	3,480,000	3,480,000	35,380				
Sumitomo Mitsui Banking Corporation	3,480,000	3,480,000	35,380	0.70	July 31, 2017	(6)	Unsecured without warranty
Mizuho Bank, Ltd. (8)	3,480,000	3,480,000	35,380				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,960,000	1,960,000	19,926				
Sumitomo Mitsui Trust Bank, Limited.	2,000,000	2,000,000	20,333				
Aozora Bank, Ltd.	2,000,000	2,000,000	20,333				
The Norinchukin Bank	1,000,000	1,000,000	10,166				
The Chiba Bank, Ltd.	600,000	600,000	6,100	0.45	March 31, 2016	(7)	Unsecured without warranty
Sumitomo Mitsui Banking Corporation	500,000	500,000	5,083				
Mizuho Bank, Ltd. (8)	500,000	500,000	5,083				
The Shizuoka Bank, Ltd.	500,000	500,000	5,083				
The Bank of Fukuoka	500,000	500,000	5,083				
Sumitomo Mitsui Trust Bank, Limited.	4,430,000	4,430,000	45,038				
Sumitomo Mitsui Banking Corporation	3,260,000	3,260,000	33,143				
Aozora Bank, Ltd.	2,700,000	2,700,000	27,450				
Mizuho Bank, Ltd. (8)	1,930,000	1,930,000	19,621	0.96	January 31, 2020	(7)	Unsecured without warranty
Mizuho Trust & Banking Co., Ltd.	1,830,000	1,830,000	18,605				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000	1,350,000	13,725				
The Norinchukin Bank	1,000,000	1,000,000	10,166				
Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000	910,000	9,251				
Development Bank of Japan Inc.	1,500,000	1,500,000	15,250	0.96	January 31, 2020	(7)	Unsecured without warranty
Subtotal	100,305,000	100,305,000	1,019,774				
Total	¥104,105,000	¥100,305,000	\$1,019,774				

- (1) The average interest rate for each loan has been rounded to the second decimal place.
- (2) Acquisition of trust beneficiary rights and real estate (incl. these co- ownership interests).
- (3) Purchase of rehabilitation obligations (others), retirement of rehabilitation obligations (investment corporation bonds), and repayment of part of rehabilitation obligations (loans).
- (4) Repayment of loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- (5) Purchase of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (6) Repayment of existing loans (refinance fund).
- (7) Redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (8) Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. merged effective July 1, 2013 to form Mizuho Bank, Ltd.

6. Commitment Line

DHI has entered into separate commitment line agreements with four respective trading banks.

	As of February 28, 2013 <i>(Thousands of</i> <i>yen)</i>	
Total amount of commitment line	¥ 10,000,000	
Outstanding loans at end of the period	3,800,000	
Amount unutilized at end of the period	¥ 6,200,000	

	As of August 31, 2013 <i>(Thousands of</i> <i>yen)</i>		<i>(Thousands of</i> <i>U.S. dollars)</i>
Total amount of commitment line	¥ 10,000,000		\$ 101,667
Outstanding loans at end of the period	—		—
Amount unutilized at end of the period	¥ 10,000,000		\$ 101,667

7. Details of Rental Revenues and Expenses

	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Real estate rental revenues:			
Rental income	¥ 6,933,010	¥ 7,194,511	\$ 73,144
Common service fees	219,404	236,742	2,406
Subtotal	7,152,415	7,431,254	75,551
Other rental revenues:			
Facility charges	201,432	213,626	2,171
Incidental revenues	39,063	45,505	462
Other rental business revenues	220,022	277,907	2,825
Subtotal	460,518	537,040	5,459
Total rental revenues	7,612,933	7,968,294	81,011
Real estate rental expenses:			
Management fees	788,112	829,244	8,430
Utilities	112,031	116,605	1,185
Taxes and public dues	386,957	413,566	4,204
Repairs	121,121	124,094	1,261
Insurance premiums	10,812	11,542	117
Restoration costs	173,939	235,265	2,391
Custodian fees	57,919	65,841	669
Depreciation and amortization	1,422,775	1,523,951	15,493
Other operating expenses	191,713	200,266	2,036
Total real estate rental expenses	3,265,383	3,520,378	35,790
Rental income	¥ 4,347,549	¥ 4,447,916	\$ 45,220

7. Details of Rental Revenues and Expenses (continued)

Details of Gain and Loss on Sales of Real Estate Properties

	From September 1, 2012 to February 28, 2013 <i>(Thousands of yen)</i>	
New City Residence		
Nishi Azabu Twin Tower		
Revenue from sale of real estate	¥ 2,210,000	
Cost of real estate sales	2,207,400	
Other sales expenses	2,600	
Gain on sales of real estate	—	
INAGEYA Yokohama Nishigaoka		
Revenue from sale of real estate	853,000	
Cost of real estate sales	1,036,037	
Other sales expenses	9,030	
Loss on sales of real estate	192,067	
	From March 1, 2013 to August 31, 2013 <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
FOLEO TOWN Tsutsui (part of land)		
Revenue from sale of real estate	¥49,024	\$ 498
Cost of real estate sales	42,826	435
Other sales expenses	2,961	30
Gain on sales of real estate	3,236	32

Transactions with major unitholders

	From March 1, 2013 to August 31, 2013 <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
Business transaction		
Operating revenues	¥ 14,539	\$ 147
Other	1,530	15
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	930,000	9,455

8. Financial Instruments

1. Status of Financial Instruments

(a) Policy for the use of financial instruments

As a policy, when acquiring real estate and other properties, as well as when repaying its obligations, DHI raises necessary funds through loans from banks, issuance of investment corporation bonds and issuance of investment units, etc. As for financing efforts, DHI carefully pays attention to the long-term, cost effectiveness and soundness of the financial instruments, while considering the diversification of financial methods and repayment deadlines.

DHI may use derivative financial instruments for such purposes as hedging interest rate fluctuation risk, but does not engage in speculative transactions using these instruments.

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

(b) Details of financial instruments, related risks and risk management system

Asset management companies stipulate basic provisions of risk management in their risk management rules.

Investment corporation bonds, long-term loans and rehabilitation obligations are used to finance such efforts as acquisition of real estate and repayment of loans. These financial instruments are exposed to liquidity risk, though DHI controls such risk by maintaining the ratio of interest-bearing debt to total assets under a certain percentage, diversifying repayment deadlines, and retaining a certain amount of highly liquid cash and deposits.

For floating rate borrowings exposed to the risk of interest rate fluctuations, DHI, in order to reduce the impact caused by rising interest rates, closely watches the movement of interest rates, and intends to increase the ratio of fixed rate loans, etc.

Deposits are exposed to credit risks, including collapse of the financial institutions where deposits are made, and, thus, are managed through the use of liquid deposits.

(c) Supplementary explanation concerning fair value of financial instruments

The fair values of financial instruments are determined by market prices, and in the case of financial instruments without observable market prices, reasonable estimates are included in valuation. Since certain assumptions are used to measure applicable fair values, the amounts are subject to change under the different assumptions.

8. Financial Instruments (continued)

2. Fair Value of Financial Instruments

The book value on the balance sheet, fair value and the difference as of February 28, 2013 and August 31, 2013 are as follows.

	As of February 28, 2013		
	<i>(Thousands of yen)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 10,625,355	¥10,625,355	—
(2) Short-term loans	3,800,000	3,800,000	—
(3) Current portion of rehabilitation obligations	3,573,845	3,573,845	—
(4) Investment corporation bonds	3,000,000	3,011,188	(¥11,188)
(5) Long-term loans	100,305,000	100,933,342	(628,342)
(6) Rehabilitation obligations	14,861,887	14,954,678	(92,790)
(7) Derivatives	—	—	—

	As of August 31, 2013		
	<i>(Thousands of yen)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 11,135,779	¥11,135,779	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	3,573,845	3,573,845	—
(4) Investment corporation bonds	3,000,000	2,998,464	¥1,535
(5) Long-term loans	100,305,000	100,645,601	(340,601)
(6) Rehabilitation obligations	14,861,887	14,925,867	(63,979)
(7) Derivatives	—	—	—

	As of August 31, 2013		
	<i>(Thousands of U.S. dollars)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	\$113,214	\$113,214	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	36,334	36,334	—
(4) Investment corporation bonds	30,500	30,484	\$15
(5) Long-term loans	1,019,774	1,023,237	(3,462)
(6) Rehabilitation obligations	151,096	151,747	(650)
(7) Derivatives	—	—	—

8. Financial Instruments (continued)

(Note 1) Methods of calculating the fair values of financial instruments.

(1) Cash and bank deposits (including trust accounts)

These instruments are settled in the short term and their fair values are approximately equal to their book values, thus, the measurement is based on their book values.

(2) Short-term loans and (3) Current portion of rehabilitation obligations

These instruments carry floating interest rates, and their fair values are approximately equal to their book values, thus, the measurement is based on their book values.

(4) Investment corporation bonds

The fair value of these bonds is measured as the present value, which is calculated by discounting the combined total of principal and interest by the interest rate determined taking into account the current maturity and corresponding credit risk.

(5) Long-term loans and (6) Rehabilitation obligations

These instruments carry floating interest rates, and their fair value is approximately equal to their book value, thus, the measurement is based on their book value. However, for long-term loans carrying floating interest rates that are hedged by interest-rate swaps meeting hedge accounting criteria, DHI employs a method to calculate the fair value by discounting the combined total of principal and interest under a separate accounting treatment as part of the corresponding interest-rate swaps, using an estimate of the interest rate to be applied to similar types of loans.

Those with fixed interest rates are measured based on a calculation method where the total principal is discounted at a reasonably estimated rate that would be applied if similar long-term loans and rehabilitation obligations (loans) were entered into.

(7) Derivatives

Please refer to “9. Derivative Transactions” below.

(Note 2) Amount of redemption (scheduled) for monetary claims after February 28, 2013 and August 31, 2013 are as follows.

	As of February 28, 2013	As of August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
		Within one year	
Cash and bank deposits (including trust accounts)	¥10,625,355	¥11,135,779	\$113,214
Total	¥10,625,355	¥11,135,779	\$113,214

8. Financial Instruments (continued)

(Note 3) Redemptions (scheduled) for short-term loans, investment corporation bonds, long-term loans and rehabilitation obligations after February 28, 2013 and August 31, 2013 are as follows.

As of February 28, 2013						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	¥3,800,000	—	—	—	—	—
Current portion of rehabilitation obligations	3,573,845	—	—	—	—	—
Investment corporation bonds	—	—	—	—	¥3,000,000	—
Long-term loans	—	—	¥10,500,000	¥39,400,000	27,495,000	¥22,910,000
Rehabilitation obligations	—	¥14,861,887	—	—	—	—
Total	¥7,373,845	¥14,861,887	¥10,500,000	¥39,400,000	¥30,495,000	¥22,910,000

As of August 31, 2013						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	¥3,573,845	—	—	—	—	—
Investment corporation bonds	—	—	—	¥3,000,000	—	—
Long-term loans	—	—	¥18,100,000	¥59,295,000	—	¥22,910,000
Rehabilitation obligations	—	¥14,861,887	—	—	—	—
Total	¥3,573,845	¥14,861,887	¥18,100,000	¥62,295,000	—	¥22,910,000

As of August 31, 2013						
<i>(Thousands of U.S. dollars)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	\$36,334	—	—	—	—	—
Investment corporation bonds	—	—	—	\$30,500	—	—
Long-term loans	—	—	\$184,017	602,836	—	\$232,919
Rehabilitation obligations	—	\$151,096	—	—	—	—
Total	\$36,334	\$151,096	\$184,017	\$633,336	—	\$232,919

9. Derivative Transactions

- (1) Derivative transactions for which hedge accounting has not been applied
Not applicable.
- (2) Derivative transactions for which hedge accounting has been applied
Contract amount, or amount equivalent to principal specified in the contract according to the hedge accounting method is shown as follows.

Hedge accounting method	Type of derivative transaction	Primary hedged item
Special treatment for interest-rate swaps	Interest-rate swap agreements Receive floating and pay fixed	Long-term loan

As of February 28, 2013

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥86,110,000	¥86,110,000	(Note)	—
Total	¥86,110,000	¥86,110,000	—	—

As of August 31, 2013

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥86,110,000	¥86,110,000	(Note)	—
Total	¥86,110,000	¥86,110,000	—	—

As of August 31, 2013

(Thousands of U.S. dollars)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	\$875,457	\$875,457	(Note)	—
Total	\$875,457	\$875,457	—	—

(Note) Interest-rate swaps subject to special accounting treatment are included in the accounting for the hedged long-term loan, thus, the fair value is included in the fair value of the corresponding applicable long-term loan. (Please refer to “8.Financial Instruments” above.)

10. Asset Retirement Obligations

1. Details of applicable asset retirement obligations

DHI has entered into agreements involving fixed-term land lease rights with the landowners of assets of the Company, and recognizes asset retirement obligations associated with restoration obligations upon expiration of the lease agreements.

2. Methods of calculating the amounts of applicable asset retirement obligations

DHI estimates the useful life of applicable assets as the remaining agreement period of the applicable fixed-term land lease rights (54-60 years), and uses a 2.1%-2.4% discount rate for the calculation of applicable asset retirement obligations.

3. Changes in applicable asset retirement obligations

	From September 1, 2012 to February 28, 2013
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥387,898
Accretion expense	4,402
Balance at end of the period	¥392,301

	From March 1, 2013 to August 31, 2013
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥392,301
Accretion expense	4,453
Balance at end of the period	¥396,754

	From March 1, 2013 to August 31, 2013
	<i>(Thousands of U.S. dollars)</i>
Balance at beginning of the period	\$3,988
Accretion expense	45
Balance at end of the period	\$4,033

11. Investment and Rental Properties

DHI owns residential housing for lease in Tokyo and other areas for the purpose of earning rental revenues. The book value on the balance sheet corresponding to these rental and other real estate properties, changes during the period and the fair value are as follows.

	As of February 28, 2013	As of August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Book value on balance sheets			
Balance at beginning of the period	¥208,088,100	¥208,706,941	\$2,121,868
Change during the period	618,840	7,396,515	75,198
Balance at end of the period	208,706,941	216,103,457	2,197,066
Fair value at end of the period	207,446,000	221,018,000	2,247,031

(Note 1) The book value on the balance sheet is the acquisition cost less accumulated depreciation.

(Note 2) The change during the period ended February 28, 2013 includes an increase of (¥5,182,908 thousand) primarily due to the acquisition of 2 properties (Castalia Nakameguro, etc.) and a decrease of (¥3,243,437 thousand) primarily due to the sale of 2 properties (New City Residence Nishi Azabu Twin Tower, etc.) and depreciation and amortization.

The change during the period ended August 31, 2013 includes an increase of (¥8,844,274 thousand) (\$89,917 thousand) primarily due to the acquisition of 4 properties (Castalia Ohori Bay Tower, etc.) and a decrease of (¥42,826 thousand) (\$435 thousand) primarily due to the sale of part of land (FOLEO TOWN Tsutsui) and depreciation and amortization.

(Note 3) The fair value at end of the period represents the value assessed by a third-party real estate appraiser.

The profit or loss regarding rental and other real estate properties are as shown in “7. Details of Rental Revenues and Expenses.”

12. Segment Information

1. Segment Information

Since DHI 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.

2. Related Information

(1) 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 DHI's statements of income and retained earnings for the periods ended February 28, 2013 and August 31, 2013, information about products and services has been omitted.

(2) Information about geographic areas

(a) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHI's statement of income and retained earnings for the periods ended February 28, 2013 and August 31, 2013, information about geographic areas has been omitted.

(b) Property and equipment

Since over 90% of total property and equipment on the balance sheet as of February 28, 2013 and August 31, 2013 are located within Japan, information about geographic areas on such property and equipment has been omitted.

(3) Information about major customers

Since no single external client represents 10% or more of total operating revenues in DHI's statement of income and retained earnings for the periods ended February 28, 2013 and August 31, 2013, information about major client has been omitted.

13. Deferred Income Taxes

(a) Details of significant components of deferred tax assets and liabilities

	As of February 28, 2013
	<i>(Thousands of yen)</i>
Deferred tax assets - current:	
Allowance for doubtful accounts	¥662
Others	19,051
Subtotal-Deferred tax assets - current	19,714
Valuation reserve	¥19,714
Total deferred tax assets - current	—
Net deferred tax assets - current	—
Deferred tax assets - non-current:	
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥3,152
Valuation difference from the time of merger (Land, Buildings)	1,844,868
Loss carryforward assumed at the time of merger	15,209,408
Asset retirement obligations	134,010
Others	5,401
Subtotal	17,196,842
Deferred tax liabilities - non-current:	
Valuation difference from the time of merger (Land, Buildings)	1,967,912
Asset retirement costs (associated with asset retirement obligations)	128,585
Subtotal	2,096,497
Valuation reserve	¥15,100,344
Total deferred tax assets - non-current	—
Net deferred tax assets - non-current	—

13. Deferred Income Taxes (continued)

	As of August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets - current:		
Allowance for doubtful accounts	—	—
Others	¥19,681	\$200
Subtotal-Deferred tax assets - current	19,681	200
Valuation reserve	¥19,681	\$200
Total deferred tax assets - current	—	—
Net deferred tax assets - current	—	—
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥2,709	\$27
Valuation difference from the time of merger (Land, Buildings)	1,814,481	18,447
Loss carryforward assumed at the time of merger	15,209,408	154,630
Asset retirement obligations	135,531	1,377
Others	8,370	85
Subtotal	17,170,501	174,567
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	1,947,689	19,801
Asset retirement costs (associated with asset retirement obligations)	128,585	1,307
Subtotal	2,076,275	21,108
Valuation reserve	¥15,094,225	\$153,458
Total deferred tax assets - non-current	—	—
Net deferred tax assets - non-current	—	—

- (b) Details of main entries causing significant differences between the statutory tax rate and the effective tax rate after applying deferred income tax accounting

	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013
Statutory tax rate	36.59%	36.59%
(Adjustment)		
Tax-deductible dividends paid	(34.65)	(36.32)
Other	(1.92)	(0.24)
Effective tax rate after applying deferred income tax accounting	0.02%	0.02%

14. Related Party Transactions

1) Controlling company and major corporate investors

(a) For the period from September 1, 2012 to February 28, 2013

Not applicable.

(b) For the period from March 1, 2013 to August 31, 2013

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Major unitholder	DAIWA HOUSE INDUSTRY Co., Ltd.	Osaka City, Osaka	¥161,699 (\$1,643)	Construction industry	10.71	–	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥930,000 (\$9,455)	–	–

(Note 1) In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at the end of the period.

(Note 2) Transaction terms and conditions and policies for determining transaction terms and conditions: market value is considered in such determinations.

(Note 3) As for acquisition of trust beneficiary rights in real estate, the acquisition price determined based on third party institution's appraisal value.

2) Affiliates

Not applicable.

3) Sister companies

(a) For the period from September 1, 2012 to February 28, 2013

Attribute	Name	Location	Capital (Millions of yen)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen)	Account	Balance at end of period (Thousands of yen)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda- ku, Tokyo	¥300	Asset management	–	–	Consigned asset- management operations	Asset- management compensation payment	¥525,207	Accrued operating expenses payable	¥295,041

(Note 1) In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at the end of the period.

(Note 2) Transaction terms and conditions and policies for determining transaction terms and conditions: market value is considered in such determinations.

(b) For the period from March 1, 2013 to August 31, 2013

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda- ku, Tokyo	¥300 (\$3)	Asset management	—	—	Consigned asset- management operations	Asset- management compensation payment	¥562,743 (\$5,721)	Accrued expenses	¥316,092 (\$3,213)
Subsidiary of DHI's major corporate investors	Royal Parks Namba K.K.	Chiyoda- ku, Tokyo	¥100 (\$1)	Trust beneficiary rights in real estate acquisition, sale, exchange and leasing etc.	—	—	Acquisition, sale of trust beneficiary rights in real estate	Acquisition of trust beneficiary rights in real estate	2,830,000 (28,771)	—	—
Subsidiary of DHI's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100 (\$1)	Real estate property management	—	—	Property lease and management	Property lease and management compensation payment	686,733 (6,981)	Accrued operating expenses payable	151,013 (1,535)

(Note 1) In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at the end of the period.

(Note 2) Transaction terms and conditions and policies for determining transaction terms and conditions: market value is considered in such determinations.

(Note 3) As for acquisition of real estate, the acquisition price determined based on third party institution's appraisal value.

4) Director and major individual investors

Not applicable.

15. Per Unit Information

- (a) Information about net assets per unit and net income per unit:

	As of / For the six months ended February 28, 2013	As of / For the six months ended August 31, 2013	
	<i>(yen)</i>	<i>(yen)</i>	<i>(U.S. dollars)</i>
Net assets per unit	¥ 286,063	¥ 293,878	\$2,987
Net income per unit	¥ 7,875	¥ 7,973	\$81

Net income per unit is calculated by dividing net income by the number of average investment units weighted by the number of days in the period. Net income per unit after adjustment for latent units has not been reported because there were no latent units.

DHI implemented a 2-for-1 split of its investment units on March 1, 2013. “Net assets per unit” and “Net income per unit” were calculated under the assumption that the split was implemented at the beginning of the fiscal period ended February 28, 2013.

- (b) Basis of calculation for the amounts of net income per unit is stated as follows:

	From September 1, 2012 to February 28, 2013	From March 1, 2013 to August 31, 2013	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net income	¥2,528,622	¥ 2,779,454	\$28,257
Amount not attributable to common unitholders	—	—	—
Net income attributable to common units	¥2,528,622	¥ 2,779,454	\$28,257
Average number of investment units during the period (in units)	321,070	348,567	348,567

16. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand (\$508 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

17. Significant Subsequent Events

(a) For the period from September 1, 2012 to February 28, 2013

1. Cash dividends

On April 11, 2013, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥16,947 per unit, aggregating to ¥2,720,586,645, to unitholders of record as of February 28, 2013.

(Method of calculation of cash dividends)

In accordance with Section 37.1.1 of the bylaws set forth by DHI for distributions of cash dividends, the amount of dividends payable is limited by the amount of income and more than 90% of income available for distribution of dividends of DHI as set forth in Section 67.15 of the Special Taxation Measures Law.

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥2,720,586,645 (¥16,947 per unit) was set as the amount for distribution of dividends.

The amount is total of the current period's unappropriated income of ¥2,528,622,143 and loss on sales of real estate properties of ¥191,964,502 as the reversal of reserve for distribution.

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

17. Significant Subsequent Events (continued)

2. Split of investment units

DHI implemented a 2-for-1 split of its investment units with February 28, 2013 as the record date and March 1, 2013 as the effective date.

(a) Purpose of split

DHI implemented a 2-for-1 split for the purpose of creating an environment favorable to investors for investment and thereby expanding the investor base and enhancing the liquidity of investment units of DHI.

(b) Method of split

With February 28, 2013 as the record date, DHI implemented a 2-for-1 split of the DHI investment units held by unitholders stated or recorded in the final unitholders registry as of that date.

(c) Increase in number of investment units through split

- ① Number of DHI investment units issued and outstanding before split: 160,535 units
- ② Increase in number of investment units through split: 160,535 units
- ③ Number of DHI investment units issued and outstanding after split: 321,070 units
- ④ Total number of investment units authorized after split (Note): 2,000,000 units

(Note) There is no change in the total number of investment units authorized before and after the split.

“Net assets per unit” and “Net income per unit” calculated under the assumption that the split was implemented at the beginning of the fiscal period ended August 31, 2012 are as follows.

For the fiscal period from March 1, 2012 to August 31, 2012

Net assets per unit: ¥ 286,320

Net income per unit: ¥ 8,150

For the fiscal period from September 1, 2012 to February 28, 2013

Net assets per unit: ¥ 286,063

Net income per unit: ¥ 7,875

17. Significant Subsequent Events (continued)

3. Issuance of new investment units

DHI passed a resolution at the board meeting held on March 1, 2013 to issue new investment units. The issuance of new investment units through a public offering was completed on March 18, 2013, and also a secondary offering through third-party allotment was completed on April 17, 2013.

As a result of the above issuances, total unitholders' capital has increased to ¥53,104 million and the number of outstanding investment units to 351,870 units.

(a) Issuance of new investment units through public offering

Number of new investment units issued: 28,000 units

Price per unit (offered): ¥386,100 per unit

Total price of units issued (offered): ¥10,810,800,000

Paid-in amount (value of investment units issued): ¥373,428 per unit

Total paid-in amount (value of investment units issued): ¥10,455,984,000

Transaction date: March 18, 2013

(b) Issuance of new investment units through third-party allotment

Number of new investment units issued: 2,800 units

Paid-in amount (value of investment units issued): ¥373,428 per unit

Total paid-in amount (value of investment units issued): ¥1,045,598,400

Transaction date: April 17, 2013

Allotment to: Daiwa Securities Co. Ltd.

17. Significant Subsequent Events (continued)

4. Acquisition of properties

DHI acquired of the following assets subsequent to February 28, 2013.

Property Name	Castalia Ohori Bay Tower
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note) (Thousands of yen)	¥2,910,000
Seller	Special limited liability company in Japan
Acquisition Date	March 25, 2013

Property Name	Royal Parks Namba
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note) (Thousands of yen)	¥2,830,000
Seller	Royal Parks Namba Co., Ltd.
Acquisition Date	March 29, 2013

(Note) Excluding such amounts as expenses related to acquisition, amount equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.

5. Repayment of the loans based on commitment line

DHI prepaid the short-term loans based on a commitment line (¥3,800,000 thousand) on March 29, 2013.

17. Significant Subsequent Events (continued)

(b) For the period from March 1, 2013 to August 31, 2013

1. Cash dividends

On October 10, 2013, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥8,300 (\$84) per unit, aggregating to ¥2,920,521,000 (\$29,692,161), to unitholders of record as of August 31, 2013.

(Method of calculation of cash dividends)

In accordance with Section 37.1.1 of the bylaws set forth by DHI for distributions of cash dividends, the amount of dividends payable is limited by the amount of income and more than 90% of income available for distribution of dividends of DHI as set forth in Section 67.15 of the Special Taxation Measures Law.

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥2,920,521,000 (\$29,692,161) (¥8,300 per unit) (\$84 per unit) was set as the amount for distribution of dividends.

The amount is total of the current period's unappropriated income of ¥2,779,454,398 (\$28,257,974) and the reversal of reserve for distribution of ¥141,066,602 (\$1,434,186).

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

17. Significant Subsequent Events (continued)

2. Acquisition of properties

DHI acquired of the following assets on September 27, 2013.

Property Name	Castalia Hatsudai II
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,900,000 (\$19,316)
Seller (Note 2)	Limited liability company in Japan
Execution Date of Agreement	September 27, 2013
Acquisition Date	September 27, 2013

Property Name	Castalia Ebisu
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,420,000 (\$14,436)
Seller (Note 2)	Limited liability company in Japan
Execution Date of Agreement	September 27, 2013
Acquisition Date	September 27, 2013

Property Name	Castalia Meguro Chojoyamaru
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥2,030,000 (\$20,638)
Seller (Note 2)	Limited liability company in Japan
Execution Date of Agreement	September 27, 2013
Acquisition Date	September 27, 2013

Property Name	Castalia Meguro Takaban
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,750,000 (\$17,791)
Seller (Note 2)	Limited liability company in Japan
Execution Date of Agreement	September 27, 2013
Acquisition Date	September 27, 2013

Property Name	Castalia Omori III
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,520,000 (\$15,453)
Seller (Note 2)	Limited liability company in Japan
Execution Date of Agreement	September 27, 2013
Acquisition Date	September 27, 2013

Property Name	Castalia Musashikosugi
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,680,000 (\$17,080)
Seller (Note 2)	Limited liability company in Japan
Execution Date of Agreement	September 27, 2013
Acquisition Date	September 27, 2013

(Note 1) Excluding such amounts as expenses related to acquisition, amount equivalent to reimbursement of taxes and dues, etc., and amount equivalent to consumption taxes.

(Note 2) No name is shown as the seller has not consented to such disclosure. The seller is the same limited liability company. Please note that the seller does not constitute a party with a particular vested interest in DHI or the Asset Manager.

3. New loans based on commitment line

DHI borrowed new loans based on a commitment line (¥7,000 million) (\$71 million) on September 27, 2013 in order to acquire the properties stated previously in “2. Acquisition of properties” above.

4. Changes in commitment line

DHI agreed to amend the terms of the commitment line as of September 27, 2013 as follows.

Total credit limit:	¥10,000 million (\$101 million)
Lenders:	The Bank of Tokyo Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd.
Drawdown period:	From October 4, 2013 to October 3, 2014
Individual loan period:	Within 1 year
Collateral and guarantee:	Unsecured and non-guaranteed
Usage of funds:	To fund the acquisition of trust beneficiary rights and real estate, as well as payment of related expenses, the repayment and redemption of loans (including investment corporation bonds).

5. Issuance of new investment units

DHI passed a resolution at the board meeting held on October 10, 2013 to issue new investment units. The issuance of new investment units through a public offering was completed on October 28, 2013, and also a secondary offering through third-party allotment was completed on November 19, 2013.

As a result of the above issuances, total unitholders' capital has increased to ¥61,703 million (\$627 million) and the number of outstanding investment units to 373,870 units.

(a) Issuance of new investment units through public offering

Number of new investment units issued: 20,000 units
Price per unit (offered): ¥404,137 (\$4,108) per unit

Total price of units issued (offered): ¥8,082,740,000 (\$82,175,071)
Paid-in amount (value of investment units issued): ¥390,873 (\$3,973) per unit
Total paid-in amount (value of investment units issued): ¥7,817,460,000 (\$79,478,039)
Transaction date: October 28, 2013

(b) Issuance of new investment units through third-party allotment

Number of new investment units issued: 2,000 units
Paid-in amount (value of investment units issued): ¥390,873 (\$3,973) per unit
Total paid-in amount (value of investment units issued): ¥781,746,000 (\$7,947,803)
Transaction date: November 19, 2013
Allotment to: Daiwa Securities Co. Ltd.

6. Repayment of loans based on commitment line

DHI decided on November 13, 2013 to prepay the short-term loans based on a commitment line (¥7,000,000 thousand) (\$71,167 million) on November 29, 2013, using proceeds from the issuance of new investment units stated previously in “5. Issuance of new investment units” above.

18. Changes in Investment Units Issued

The number of investment units issued and the changes in total unitholders' capital for the last five years are reported as follows:

Date	Type	Investment units issued (Units)		Total unitholders' capital (Millions of yen)		Comments
		Change in number	Balance	Amount of change	Balance	
April 1, 2010	Merger	69,475	118,735	—	¥24,002	(Note 1)
October 4, 2011	Capital increase by public offering	38,000	156,735	¥15,999	¥40,002	(Note 2)
November 2, 2011	Third-party allotment	3,800	160,535	¥ 1,599	¥41,602	(Note 3)
March 1, 2013	Split of investment units	160,535	321,070	—	¥41,602	(Note 4)
March 18, 2013	Capital increase by public offering	28,000	349,070	¥10,455	¥52,058	(Note 5)
April 17, 2013	Third-party allotment	2,800	351,870	¥ 1,045	¥53,104	(Note 6)
October 28, 2013	Capital increase by public offering	20,000	371,870	¥7,817	¥60,921	(Note 7)
November 19, 2013	Third-party allotment	2,000	373,870	¥ 781	¥61,703	(Note 8)

(Note 1) DHI merged with NCR on April 1, 2010.

(Note 2) Investment units were issued at ¥435,337 per unit (value of investment unit issued ¥421,049) by public offering to obtain funds for acquiring new properties.

(Note 3) Investment units were issued at ¥421,049 per unit by third-party allotment to obtain property acquisition funds.

(Note 4) Investment units were split (2-for-1) on March 1, 2013 as effective date.

(Note 5) Investment units were issued at ¥386,100 per unit (value of investment unit issued ¥373,428) by public offering to obtain funds for acquiring new properties.

(Note 6) Investment units were issued at ¥373,428 per unit by third-party allotment to obtain property acquisition funds.

(Note 7) Investment units were issued at ¥404,137 per unit (value of investment unit issued ¥390,873) by public offering to obtain funds for repayment of short-term loans for acquiring new properties.

(Note 8) Investment units were issued at ¥390,873 per unit by third-party allotment to obtain funds for repayment of short-term loans for acquiring new properties.

19. Other Supplementary Information

1) Detailed Schedule of Portfolio

Not applicable.

2) Table of Contract Amounts and Market Value of Futures Trades of Marketable Portfolio and Foreign Exchange Contract Amounts and Their Values

(Thousands of yen)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	¥86,110,000	¥86,110,000	—
Total		¥86,110,000	¥86,110,000	—

(Thousands of U.S. dollars)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	\$875,457	\$875,457	—
Total		\$875,457	\$875,457	—

(Note 1) Contract amount is based on notional principal amount.

(Note 2) Interest rate swap agreements are subject to special accounting treatment. (Please see “8. Financial Instruments” for details.)

3) General Overview of Detailed Schedule of Real Estate as of August 31, 2013

(Thousands of yen)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	¥ 27,992,162	¥ 35,262	¥940	¥28,026,484	¥ 1,882,881	¥283,570	¥26,143,602
	Structures	239,126	252	—	239,378	16,868	2,599	222,510
	Machinery and equipment	432,205	—	—	432,205	52,023	7,884	380,182
	Tools, furniture and fixtures	648,997	3,167	922	651,242	160,820	23,027	490,422
	Land	21,150,419	—	—	21,150,419	—	—	21,150,419
	Buildings in trust	88,023,245	6,857,397	11,097	94,869,545	7,868,023	1,115,466	87,001,521
	Structures in trust	677,748	54,266	—	732,015	66,484	13,825	665,530
	Machinery and equipment in trust	1,363,827	147,289	—	1,511,116	343,675	52,006	1,167,440
	Tools, furniture and fixtures in trust	296,693	11,636	64	308,265	109,162	16,878	199,103
	Land in trust	74,632,549	1,548,036	42,826	76,137,759	—	—	76,137,759
	Total	¥215,456,976	¥8,657,309	¥55,852	¥224,058,433	¥10,499,939	¥1,515,259	¥213,558,493
Intangible fixed assets	Leasehold rights in trust	¥2,254,750	¥314,616	—	¥2,569,367	¥24,403	¥8,691	¥2,544,964
	Trademark rights	8,738	—	—	8,738	3,036	546	5,702
	Total	¥2,263,489	¥314,616	—	¥2,578,106	¥27,440	¥9,238	¥2,550,666

19. Other Supplementary Information (continued)

(Thousands of U.S. dollars)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	\$284,588	\$358	\$9	\$284,937	\$ 19,142	\$2,882	\$265,795
	Structures	2,431	2	–	2,433	171	26	2,262
	Machinery and equipment	4,394	–	–	4,394	528	80	3,865
	Tools, furniture and fixtures	6,598	32	9	6,621	1,635	234	4,985
	Land	215,030	–	–	215,030	–	–	215,030
	Buildings in trust	894,908	69,717	112	964,513	79,992	11,340	884,521
	Structures in trust	6,890	551	–	7,442	675	140	6,766
	Machinery and equipment in trust	13,865	1,497	–	15,363	3,494	528	11,869
	Tools, furniture and fixtures in trust	3,016	118	0	3,134	1,109	171	2,024
	Land in trust	758,769	15,738	435	774,072	–	–	774,072
	Total	\$2,190,493	\$88,016	\$567	\$2,277,942	\$106,750	\$15,405	\$2,171,192
Intangible fixed assets	Leasehold rights in trust	\$22,923	\$3,198	–	\$26,122	\$248	\$88	\$25,873
	Trademark rights	88	–	–	88	30	5	57
	Total	\$23,012	\$3,198	–	\$26,210	\$278	\$93	\$25,931

(Note) Details of the increase (decrease) during the period are shown below.

19. Other Supplementary Information (continued)

1. Increase in buildings in trust etc. (increase by acquisition and disposition etc.)

(Thousands of yen)

Fukuoka City, Fukuoka	Castalia Otori Bay Tower	Building in trust etc.	¥ 2,165,334
Osaka City, Osaka	Royal Parks Namba	Building in trust etc.	¥ 2,676,281
Nagoya City, Aichi	Castalia Shigahondori	Building in trust etc.	¥ 1,276,859
Chiba City, Chiba	Urban Living Inage	Building in trust etc.	¥ 863,146

(Thousands of U.S. dollars)

Fukuoka City, Fukuoka	Castalia Otori Bay Tower	Building in trust etc.	\$ 22,014
Osaka City, Osaka	Royal Parks Namba	Building in trust etc.	\$ 27,209
Nagoya City, Aichi	Castalia Shigahondori	Building in trust etc.	\$ 12,981
Chiba City, Chiba	Urban Living Inage	Building in trust etc.	\$ 8,775

2. Increase in land in trust (increase by acquisition and disposition etc.)

(Thousands of yen)

Fukuoka City, Fukuoka	Castalia Otori Bay Tower	Land in trust	¥ 889,801
Nagoya City, Aichi	Castalia Shigahondori	Land in trust	¥ 532,259
Chiba City, Chiba	Urban Living Inage	Land in trust	¥ 125,705

(Thousands of U.S. dollars)

Fukuoka City, Fukuoka	Castalia Otori Bay Tower	Land in trust	\$ 9,046
Nagoya City, Aichi	Castalia Shigahondori	Land in trust	\$ 5,411
Chiba City, Chiba	Urban Living Inage	Land in trust	\$ 1,278

3. Increase in leasehold rights in trust (increase by acquisition and disposition etc.)

(Thousands of yen)

Osaka City, Osaka	Royal Parks Namba	Leasehold rights in trust	¥ 314,616
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(Thousands of U.S. dollars)

Osaka City, Osaka	Royal Parks Namba	Leasehold rights in trust	\$ 3,198
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4. Decrease in land in trust (decrease by acquisition and disposition etc.)

(Thousands of yen)

Yamato Koriyama City, Nara	FOLEO TOWN Tsutsui (part of land)	Land in trust	¥ 42,826
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(Thousands of U.S. dollars)

Yamato Koriyama City, Nara	FOLEO TOWN Tsutsui (part of land)	Land in trust	\$ 435
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19. Other Supplementary Information (continued)

4) Detailed Schedule of Other Specific Assets
Not applicable.

5) Detailed Schedule of Investment Corporation Bonds

(Thousands of yen)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation First Series Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	¥3,000,000	—	¥3,000,000	1.12%	March 9, 2017	(Note 2)	Unsecured

(Thousands of U.S. dollars)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation First Series Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	\$30,500	—	\$30,500	1.12%	March 9, 2017	(Note 2)	Unsecured

(Note 1) This bond is issued with special pari passu conditions among specified DHI Bonds.

(Note 2) Proceeds are used as funds for repayment of existing loans.

(Note 3) Scheduled payment per year for the investment corporation bonds within a period of 5 years subsequent to August 31, 2013 is as follows.

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	—	—	¥3,000,000	—
Total	—	—	¥3,000,000	—

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	—	—	\$30,500	—
Total	—	—	\$30,500	—

(Note 4) Please refer to the following 7) Detailed Schedule of Rehabilitation Obligations for the rehabilitation obligations (investment corporation bonds).

19. Other Supplementary Information (continued)

6) Detailed Schedule of Loans as of August 31, 2013

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Short-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥950,000 (\$9,658)	—	¥950,000 (\$9,658)	—	0.97%	November 28, 2013	(Note 9)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	950,000 (9,658)	—	950,000 (9,658)	—				
	Sumitomo Mitsui Trust Bank, Limited.	950,000 (9,658)	—	950,000 (9,658)	—				
	Mizuho Bank, Ltd. (Note 15)	950,000 (9,658)	—	950,000 (9,658)	—				
	Subtotal	3,800,000 (38,633)	—	3,800,000 (38,633)	—	—	—	—	—
Long-term loans	Sumitomo Mitsui Banking Corporation	1,800,000 (18,300)	—	—	¥1,800,000 (\$18,300)	1.40% (Note 2)	December 28, 2015	(Note 10)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,800,000 (18,300)	—	—	1,800,000 (18,300)				
	Mizuho Bank, Ltd. (Note 15)	1,800,000 (18,300)	—	—	1,800,000 (18,300)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (18,300)	—	—	1,800,000 (18,300)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (14,233)	—	—	1,400,000 (14,233)				
	Resona Bank, Ltd.	1,400,000 (14,233)	—	—	1,400,000 (14,233)				
	Shinsei Bank, Limited.	500,000 (5,083)	—	—	500,000 (5,083)	1.10% (Note 3)	September 30, 2016	(Note 11)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	5,200,000 (52,867)	—	—	5,200,000 (52,867)				
	Sumitomo Mitsui Banking Corporation	5,200,000 (52,867)	—	—	5,200,000 (52,867)				
	Mizuho Bank, Ltd. (Note 15)	5,200,000 (52,867)	—	—	5,200,000 (52,867)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,200,000 (52,867)	—	—	5,200,000 (52,867)				
	Aozora Bank, Ltd.	4,500,000 (45,750)	—	—	4,500,000 (45,750)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000 (30,500)	—	—	3,000,000 (30,500)				
	Resona Bank, Ltd.	2,500,000 (25,416)	—	—	2,500,000 (25,416)				
	Shinsei Bank, Limited.	1,000,000 (10,166)	—	—	1,000,000 (10,166)				

19. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Banking Corporation	¥3,000,000 (\$30,500)	—	—	¥3,000,000 (\$30,500)	1.03% (Note 4)	March 31, 2017	(Note 12)	Unsecured without warranty
	Aozora Bank, Ltd.	1,500,000 (15,250)	—	—	1,500,000 (15,250)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000 (15,250)	—	—	1,500,000 (15,250)				
	Shinkin Central Bank	1,000,000 (10,166)	—	—	1,000,000 (10,166)				
	Mizuho Bank, Ltd. (Note 15)	3,000,000 (30,500)	—	—	3,000,000 (30,500)	1.03% (Note 4)	March 31, 2017	(Note 12)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,000,000 (30,500)	—	—	3,000,000 (30,500)				
	Mizuho Trust & Banking Co., Ltd.	1,000,000 (10,166)	—	—	1,000,000 (10,166)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000 (40,666)	—	—	4,000,000 (40,666)	1.07% (Note 5)	March 27, 2019	(Note 12)	Unsecured without warranty
	Resona Bank, Ltd.	1,095,000 (11,132)	—	—	1,095,000 (11,132)	0.85%	March 31, 2017	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,480,000 (35,380)	—	—	3,480,000 (35,380)	0.70% (Note 6)	July 31, 2017	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,480,000 (35,380)	—	—	3,480,000 (35,380)				
	Mizuho Bank, Ltd. (Note 15)	3,480,000 (35,380)	—	—	3,480,000 (35,380)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,960,000 (19,926)	—	—	1,960,000 (19,926)				
	Sumitomo Mitsui Trust Bank, Limited.	2,000,000 (20,333)	—	—	2,000,000 (20,333)	0.45%	March 31, 2016	(Note 14)	Unsecured without warranty
	Aozora Bank, Ltd.	2,000,000 (20,333)	—	—	2,000,000 (20,333)				
	The Norinchukin Bank	1,000,000 (10,166)	—	—	1,000,000 (10,166)				
	The Chiba Bank, Ltd.	600,000 (6,100)	—	—	600,000 (6,100)				
	Sumitomo Mitsui Banking Corporation	500,000 (5,083)	—	—	500,000 (5,083)				
	Mizuho Bank, Ltd. (Note 15)	500,000 (5,083)	—	—	500,000 (5,083)				
	The Shizuoka Bank, Ltd.	500,000 (5,083)	—	—	500,000 (5,083)				
	The Bank of Fukuoka	500,000 (5,083)	—	—	500,000 (5,083)				

19. Other Supplementary Information (continued)

Classification		Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
	Lender								
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	¥4,430,000 (\$45,038)	—	—	¥4,430,000 (\$45,038)	0.96% (Note 7)	January 31, 2020	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,260,000 (33,143)	—	—	3,260,000 (33,143)				
	Aozora Bank, Ltd.	2,700,000 (27,450)	—	—	2,700,000 (27,450)				
	Mizuho Bank, Ltd. (Note 15)	1,930,000 (19,621)	—	—	1,930,000 (19,621)				
	Mizuho Trust & Banking Co., Ltd.	1,830,000 (18,605)	—	—	1,830,000 (18,605)				
	The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000 (13,725)	—	—	1,350,000 (13,725)				
	The Norinchukin Bank	1,000,000 (10,166)	—	—	1,000,000 (10,166)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000 (9,251)	—	—	910,000 (9,251)				
	Development Bank of Japan Inc.	1,500,000 (15,250)	—	—	1,500,000 (15,250)	0.96% (Note 8)	January 31, 2020	(Note 14)	Unsecured without warranty
	Subtotal	100,305,000 (1,019,774)	—	—	100,305,000 (1,019,774)	—	—	—	—
Total		¥104,105,000 (\$1,058,407)	—	¥3,800,000 (\$38,633)	¥100,305,000 (\$1,019,774)	—	—	—	—

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

(Note 2) On and after March 31, 2011, interest rate is substantially fixed at an annual rate of 1.40% based on interest-rate swap agreement dated on March 23, 2011.

(Note 3) On and after December 30, 2011, interest rate is substantially fixed at an annual rate of 1.096% based on interest-rate swap agreement dated on December 20, 2011.

(Note 4) On and after June 29, 2012, interest rate is substantially fixed at an annual rate of 1.025% based on interest-rate swap agreement dated on June 7, 2012.

(Note 5) This loan carries a fixed interest rate.

(Note 6) On and after July 31, 2012, the interest rate is substantially fixed at an annual rate of 0.69536% based on interest-rate swap agreement dated on July 24, 2012.

(Note 7) On and after February 28, 2013, the interest rate is substantially fixed at an annual rate of 0.9585% based on interest-rate swap agreement dated on February 4, 2013.

(Note 8) This loan carries a fixed interest rate.

(Note 9) To be used to acquire trust beneficiary rights and real estate (including these co-ownership interests).

(Note 10) To be used to purchase rehabilitation obligations (others), purchase rehabilitation obligations (investment corporation bonds) and repayment of part of rehabilitation obligations (loans).

(Note 11) To be used to refinance loans and rehabilitation obligations with right of separate satisfaction (refinance fund).

(Note 12) To be used to purchase rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 13) To be used to repayment of existing loans (refinance fund).

(Note 14) To be used to redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 15) Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. merged effective July 1, 2013 to form Mizuho Bank, Ltd.

19. Other Supplementary Information (continued)

(Note 16) Payment schedule for long-term loans over five years subsequent to August 31, 2013 as follows:

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	–	¥18,100,000	¥59,295,000	–

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	–	\$184,017	\$602,836	–

7) Detailed Schedule of Rehabilitation Obligations as of August 31, 2013

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Current portion of rehabilitation obligations (Loans)	The Norinchukin Bank	January 5, 2010 (Note 3)	¥3,039,055 (\$30,897)	–	–	¥3,039,055 (\$30,897)	1.25%	January 31, 2014	(Note 4)	Unsecured without warranty
	Subtotal	–	3,039,055 (30,897)	–	–	3,039,055 (30,897)	–	–	–	–
Current portion of rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 2)	January 5, 2010 (Note 3)	534,789 (5,437)	–	–	534,789 (5,437)	1.25%	January 31, 2014	(Note 5)	Unsecured without warranty
	Subtotal	–	534,789 (5,437)	–	–	534,789 (5,437)	–	–	–	–
Total		–	¥3,573,845 (\$36,334)	–	–	¥3,573,845 (\$36,334)	–	–	–	–
Rehabilitation obligations (loans)	Sumitomo Mitsui Trust Bank, Limited.	January 5, 2010 (Note 3)	¥3,218,197 (\$32,718)	–	–	¥3,218,197 (\$32,718)	1.73%	January 30, 2015	(Note 4)	Unsecured without warranty
	The Norinchukin Bank		3,039,249 (30,899)	–	–	3,039,249 (30,899)				
	Aozora Bank, Ltd.		2,353,296 (23,925)	–	–	2,353,296 (23,925)				
	Sumitomo Mitsui Banking Corporation		1,883,981 (19,153)	–	–	1,883,981 (19,153)				
	Mizuho Bank, Ltd. (Note 7)		1,215,563 (12,358)	–	–	1,215,563 (12,358)				
	Mizuho Trust & Banking Co., Ltd.		914,765 (9,300)	–	–	914,765 (9,300)				
	Development Bank of Japan Inc.		516,699 (5,253)	–	–	516,699 (5,253)				
	Mitsubishi UFJ Trust and Banking Corporation		455,846 (4,634)	–	–	455,846 (4,634)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		425,564 (4,326)	–	–	425,564 (4,326)				
	The Chiba Bank, Ltd.		303,898 (3,089)	–	–	303,898 (3,089)				
	Subtotal	–	14,327,064 (145,659)	–	–	14,327,064 (145,659)	–	–	–	–

19. Other Supplementary Information (continued)

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 2)	January 5, 2010 (Note 3)	534,823 (5,437)	—	—	534,823 (5,437)	1.73%	January 30, 2015	(Note 5)	Unsecured without warranty
	Subtotal	—	534,823 (5,437)	—	—	534,823 (5,437)	—	—	—	—
Total		—	14,861,887 (151,096)	—	—	14,861,887 (151,096)	—	—	—	—
Total rehabilitation obligations		—	¥18,435,733 (\$187,431)	—	—	¥18,435,733 (\$187,431)	—	—	—	—

(Note 1) Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders or investment corporation bonds, and are rounded off to the nearest second decimal place.

(Note 2) Limited only to qualified institutional investors, and with special pari passu conditions among specified Daiwa House Residential Investment Corporation bonds.

(Note 3) NCR's rehabilitation plan (hereinafter referred to as "Rehabilitation Plan") filed at the Tokyo District Court as of November 9, 2009 was also approved at the creditors' meeting held on December 9, 2009. Approval by the Tokyo District Court was received as of the same day, and the order of confirmation of the Rehabilitation Plan became final and binding on January 5, 2010. Under the Rehabilitation Plan, terms and conditions for rehabilitation obligations with rights of separate satisfaction have been amended based on the agreement on rights of separate satisfaction made on October 13, 2009, and for other rehabilitation obligations, terms and conditions have been amended pursuant to the provisions stipulated in the Rehabilitation Plan.

(Note 4) The loan was made for use in funding repayment of loans, or to purchase real estates and real estate trust beneficiary rights.

(Note 5) These bonds were issued to finance funds for repayment of short-term loans, and for purchase of real estate trust beneficiary rights.

(Note 6) With regard to each rehabilitation obligation, excluding those with rights of separate satisfaction, a fixed interest rate has been applied to the balance of the principal with a maturity of January 30, 2015 (¥14,861,887 thousand at end of the period) (\$151,096 thousand) from September 1, 2010. Also, though a floating interest rate is currently applied as of the end of this period for the unpaid principal balances with maturity dates of January 31, 2014 (¥3,573,845 thousand for respective balance at the end of this period) (\$36,334 thousand), DHI has the option to convert to a fixed interest rate without changing the spread.

(Note 7) Mizuho Bank, Ltd. and Mizuho Corporate Bank, Ltd. merged effective July 1, 2013 to form Mizuho Bank, Ltd.

19. Other Supplementary Information (continued)

(Note 8) Payment schedule per year for rehabilitation obligations over five years subsequent to August 31, 2013 is as follows.

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Rehabilitation obligations (loans)	¥14,327,064	—	—	—
Rehabilitation obligations (investment corporation bonds)	534,823	—	—	—
Total	¥14,861,887	—	—	—

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Rehabilitation obligations (loans)	\$145,659	—	—	—
Rehabilitation obligations (investment corporation bonds)	5,437	—	—	—
Total	\$151,096	—	—	—