

Semi-Annual Report for the **26th** Fiscal Period

From September 1, 2018 to February 28, 2019





Creating Dreams, Building Hearts

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

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



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Overview of the 26th Fiscal Period (From September 1, 2018 to February 28, 2019)

We would like to report on the financial results and give an overview of operations of Daiwa House REIT Investment Corporation (hereinafter referred to as “DHR”) in the 26th fiscal period (the fiscal period ended February 28, 2019).

DHR acquired one logistics property in September 2018 (acquisition price of ¥3.5 billion) and two retail properties (acquisition price of ¥7.7 billion) and one hotel property (acquisition price of ¥1.4 billion) in December. We also sold one residential property (sale price of ¥1.2 billion), replacing our assets owned as we worked to expand our asset size while improving the quality of our portfolio.

DHR's portfolio as of the end of the current fiscal period consisted of 216 properties with an asset size of ¥683.4 billion (total acquisition price).

Furthermore, our occupancy rate at the end of the current fiscal period was 99.5%.

Regarding financial results for the current fiscal period, due to a high level of occupancy in our portfolio and revenue contributions of properties acquired during the period, we recorded operating revenues of ¥23,127 million, operating income of ¥9,960 million, and net income of ¥8,597 million, exceeding our forecasts.

To calculate distribution, DHR reversed ¥1,980 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up net income, while at the same time, ¥120 million recorded as gain on sale of real estate properties and refunded consumption taxes relating to properties that DHR had acquired in prior periods was accumulated in voluntary reserve as reserve for distribution. As a result, total distributions amounted to ¥10,457 million, for distributions per unit of ¥5,427, exceeding the forecast by ¥127.

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

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



Jiro Kawanishi

Executive Director
Daiwa House REIT Investment Corporation



Koichi Tsuchida

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

Distributions Per Unit

26th Fiscal Period

(From September 1, 2018 to February 28, 2019)
Distribution payments start date is May 13, 2019.

¥5,427

Forecast distributions per unit (Note)

27th Fiscal Period

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

¥5,170

28th Fiscal Period

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

¥5,370

(Note) Forecast distributions refer to the forecast as of April 18, 2019, and actual distributions per unit may vary from this figure.
These forecasts do not guarantee the amount of distributions.

Financial Highlights for the Fiscal Period Ended February 28, 2019

Statements of Income (Summary)

| | (Yen in millions) | | |
|--|---|---|--------|
| | Fiscal period ended August 31, 2018 (25th period) | Fiscal period ended February 28, 2019 (26th period) | Change |
| Operating revenues | 22,211 | 23,127 | 915 |
| Rental revenues | 22,211 | 23,013 | 801 |
| Gain on sale of real estate properties | – | 113 | 113 |
| Operating expenses | 12,942 | 13,166 | 224 |
| Rental expenses | 8,944 | 9,184 | 240 |
| Rental expenses (excluding depreciation) | 4,647 | 4,729 | 82 |
| Depreciation | 4,296 | 4,454 | 158 |
| Other operating expenses | 3,998 | 3,982 | (15) |
| Amortization of goodwill | 1,982 | 1,982 | – |
| Loss on sale of real estate properties | 99 | – | (99) |
| Operating income | 9,269 | 9,960 | 690 |
| Non-operating income | 39 | 14 | (24) |
| Non-operating expenses | 1,538 | 1,377 | (161) |
| Interest expenses and borrowing related expenses | 1,345 | 1,375 | 29 |
| Ordinary income | 7,770 | 8,597 | 827 |
| Extraordinary losses | 4 | – | (4) |
| Net income | 7,765 | 8,597 | 831 |
| Reversal of reserve for temporary difference adjustments | 1,980 | 1,980 | 0 |
| Accumulation of reserve for distribution | 22 | 120 | 97 |
| Total distributions | 9,723 | 10,457 | 734 |
| Distributions per unit | ¥5,046 | ¥5,427 | ¥381 |

Rental revenues

Revenue contributions for the full period of the properties acquired in the fiscal period ended August 31, 2018 (16 properties) +¥635 million
Revenue contributions of the properties acquired in the fiscal period ended February 28, 2019 (4 properties) +¥244 million

Gain on sale of real estate properties

Gain on sale of real estate properties in the sale of Morino Tonari (residential property)

Rental expenses

Full period costs incurred on properties acquired in the fiscal period ended August 31, 2018 (16 properties) +¥159 million
Costs incurred on properties acquired in the fiscal period ended February 28, 2019 (4 properties) +¥63 million

Loss on sale of real estate properties

Loss on sale of real estate properties in the sale of 1 residential property recorded in the fiscal period ended August 31, 2018

Non-operating expenses

Investment unit issuance expenses recorded in the fiscal period ended August 31, 2018

Accumulation of reserve for distribution

Gain on sale of real estate properties accumulated in voluntary reserve

Balance Sheets (Summary)

| | (Yen in millions) | | |
|--|-------------------------------------|---------------------------------------|------------|
| | As of August 31, 2018 (25th period) | As of February 28, 2019 (26th period) | Change |
| Total assets | 771,281 | 777,727 | 6,445 |
| Current assets | 41,805 | 42,135 | 329 |
| Non-current assets | 729,377 | 735,501 | 6,124 |
| Investment properties | 646,194 | 654,523 | 8,328 |
| Intangible assets | 77,398 | 75,368 | (2,030) |
| Goodwill | 71,360 | 69,377 | (1,982) |
| Total liabilities | 340,685 | 348,504 | 7,818 |
| Current liabilities | 17,948 | 47,108 | 29,159 |
| Interest-bearing debt | 11,600 | 40,510 | 28,910 |
| Non-current liabilities | 322,737 | 301,396 | (21,340) |
| Interest-bearing debt | 302,668 | 280,758 | (21,910) |
| Net assets | 430,596 | 429,223 | (1,373) |
| Reserve for temporary difference adjustments | 10,785 | 8,804 | (1,980) |
| Reserve for distribution | 1,964 | 1,986 | 22 |
| LTV (excluding goodwill) | 44.9% | 45.4% | 0.5 points |
| LTV (including goodwill) | 40.7% | 41.3% | 0.6 points |
| Number of investment units issued | 1,927,000 units | 1,927,000 units | – units |
| Net assets per unit | ¥223,454 | ¥222,741 | ¥(713) |

Investment properties

Increase due to properties acquired (4 properties) +¥12,912 million
Decrease due to properties sold (1 property) –¥1,044 million
Capital expenditures +¥944 million
Depreciation –¥4,454 million

Interest-bearing debt

New loans +¥7,000 million
Reclassification of long-term loans from non-current liabilities to current liabilities ¥28,910 million

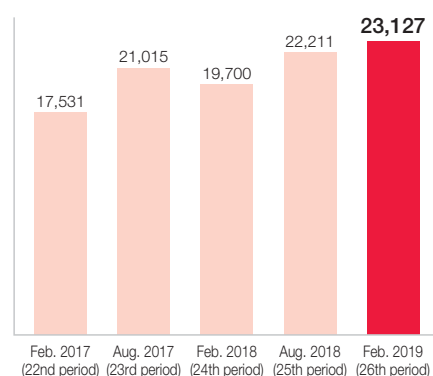
Reserve for temporary difference adjustments

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

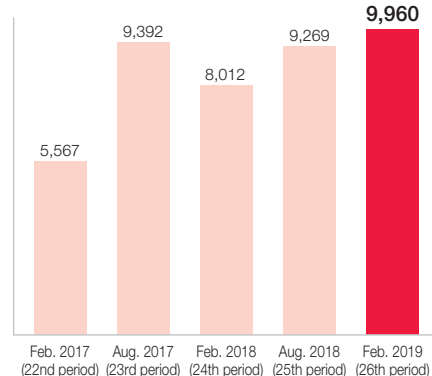
LTV

Increase in LTV due to new loans

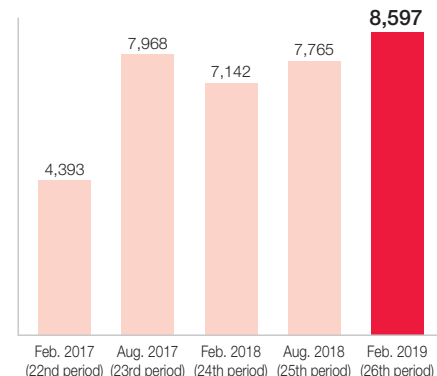
Operating revenues (Yen in millions)



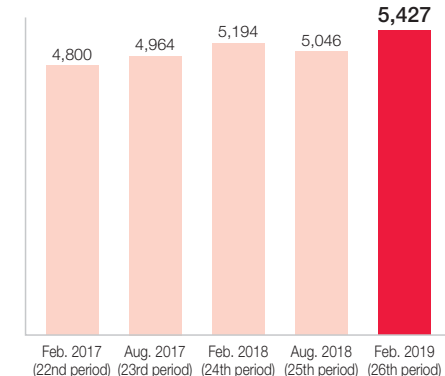
Operating income (Yen in millions)



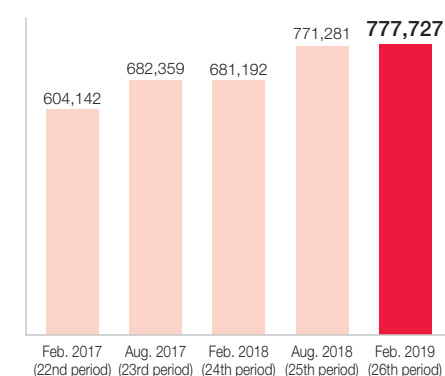
Net income (Yen in millions)



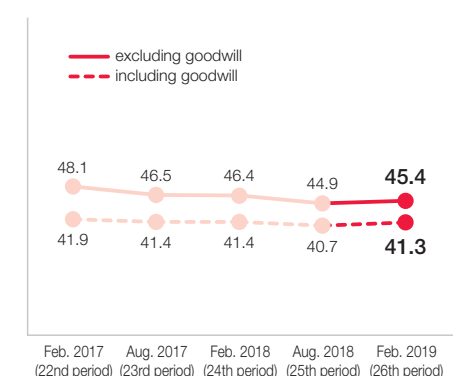
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)



Assets Acquired in the Fiscal Period Ended February 28, 2019

We acquired one property in September 2018 for ¥3.5 billion and three properties in December for ¥9.2 billion.

LM-003 | DPL Kitakyushu

Logistics (multi-tenant type)



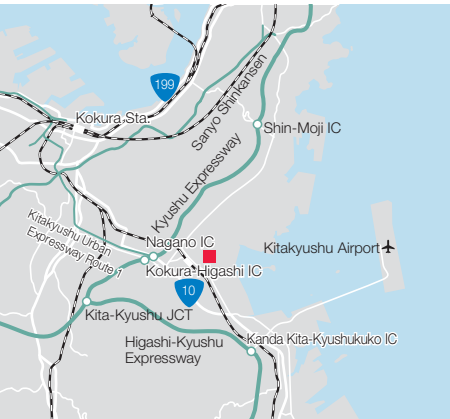
Building A



Building B

- Located in the southeastern part of Kitakyushu City, 3.0 km from both Nagano IC on the Kitakyushu Urban Expressway Route 1 and Kokura-Higashi IC on the Kyushu Expressway, the property has good traffic access to downtown Kitakyushu as well as to Fukuoka City.
- The surrounding area is an industrial area with a concentration of business facilities including logistics properties, offices and factories, making it a good logistics environment allowing 24-hour operations and frequent deliveries.
- The property is a multi-tenant logistics property with a gross floor area of approx. 4,445 tsubo, two stories in Building A and approx. 3,637 tsubo, two stories in Building B.

| | |
|----------------------|--|
| Acquisition date | September 27, 2018 |
| Location | Kitakyushu City, Fukuoka |
| Date of construction | Building A: October 21, 2015 Building B: December 9, 2016 |
| Acquisition price | ¥3,510 million |
| Leasable area | 26,672.98 m ² |
| Lessee | YAMAE HISANO KYUSO COMPANY ASAHI SHOKUHIN |



RU-001 | COMBOX310

Retail (urban type)

Daiwa House Group Sublease



- Located a one-minute walk from the south exit of the JR Mito Station. It boasts excellent proximity to the station as a pedestrian deck from the station is connected to the 3rd floor of the property.
- The main tenants are United Cinemas (cinema complex) and Sega (amusement facility), and other tenants include restaurants and offices as well as Daiwa Roynet Hotel Mito on the 6th to the 13th floors operated by Daiwa Royal Co., Ltd. of the Daiwa House Group.

| | |
|----------------------|--------------------------|
| Acquisition date | December 7, 2018 |
| Location | Mito City, Ibaraki |
| Date of construction | April 25, 2006 |
| Acquisition price | ¥4,480 million |
| Leasable area | 30,517.69 m ² |
| Lessee | Daiwa Royal |



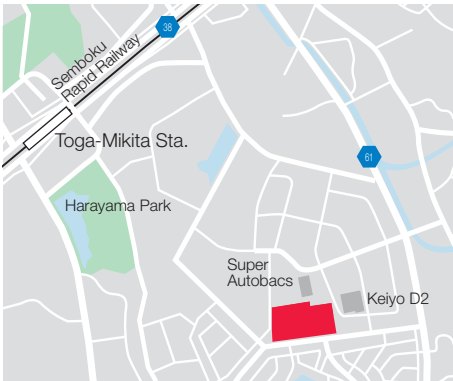
RM-011 | ACROSSMALL Semboku (Land)

Retail (mall type)



- Located approximately 1.0 km southeast of Toga-Mikita Station on the Semboku Rapid Railway and surrounded by Harayamada Housing Complex in Semboku New Town and an area for for-sale detached homes.
- Retail property comprised of four buildings.
- A retail complex housing Don Quijote (general discount store), Izumiya (food supermarket) and TOHO Cinemas Semboku (cinema complex) as the core tenants, with specialty shop zones that include clothing stores, variety stores and service shops.

| | |
|-------------------|---------------------------|
| Acquisition date | December 7, 2018 |
| Location | Sakai City, Osaka |
| Acquisition price | ¥3,250 million |
| Leasable area | 30,824.72 m ² |
| Lessee | Daiwa Information Service |



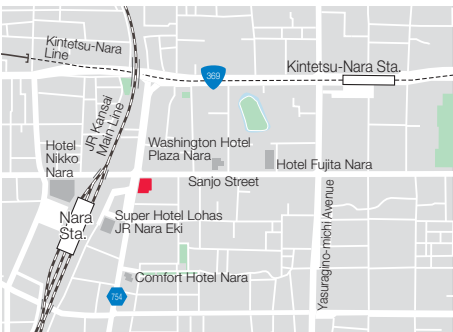
HO-002 | Super Hotel JR Nara Station Sanjo Street

Hotel



- Located a two-minute walk from JR Nara Station, the property has high visibility due to being just across the station-front square, and also offers excellent accessibility, which is an important factor for a hotel targeting business demand.
- Super Hotel JR Nara Station Sanjo Street occupies the 2nd to the 6th floors as the main tenant while a real estate company is on the 1st floor, a bank is on the 1st and the 2nd floors and a Japanese-style pub is on the 2nd floor.

| | |
|-----------------------|-------------------------|
| Acquisition date | December 6, 2018 |
| Location | Nara City, Nara |
| Date of construction | January 27, 2015 |
| Acquisition price | ¥1,470 million |
| Leasable area | 2,637.18 m ² |
| Number of guest rooms | 98 |
| Lessee | Super Hotel |



Assets Sold

In December 2018, we sold one low-yield residential property with an NOI yield of 2.7% and an NOI yield after depreciation of 1.6% in the fiscal period ended August 31, 2018.

RE-092 | Morino Tonari (Sold on December 7, 2018)

Residential



| | |
|----------------------|-------------------------|
| Location | Shinagawa Ward, Tokyo |
| Date of construction | June 30, 2008 |
| Sale price | ¥1,200 million |
| Leasable area | 1,668.24 m ² |

Execution of Public Offering (February 2019)

In February 2019, it was resolved to issue 148,000 new investment units through public offering, and ¥35.2 billion of equity was raised.

By raising funds through public offering and new loans, DHR acquired 17 properties for a total acquisition price of ¥79.8 billion.

Overview of Public Offering

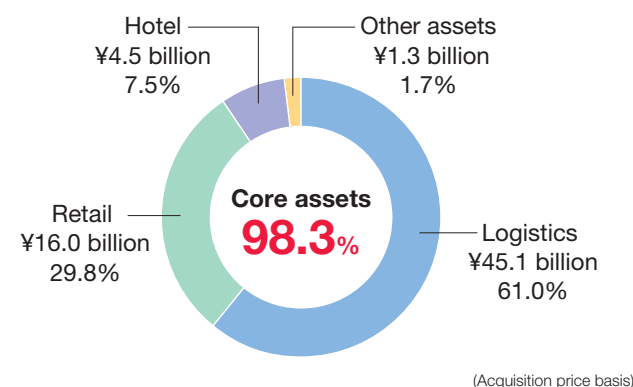
| | | | |
|--|-------------------|---|-------------------|
| Issuance resolution date | February 8, 2019 | Pricing date | February 20, 2019 |
| Number of new investment units issued | 148,000 units | Number of investment units issued after public offering | 2,075,000 units |
| Issue price (offer price) | ¥245,784 per unit | Issue value (amount paid in) | ¥238,260 per unit |
| Total issue value (total amount paid in) | ¥35,262 million | | |

Overview of Newly Acquired Assets (assets acquired in the fiscal period ended February 28, 2019 and assets acquired in March and April 2019)

| | | | |
|-------------------------|---------------|----------------|--------|
| Total acquisition price | ¥79.8 billion | Occupancy rate | 100.0% |
|-------------------------|---------------|----------------|--------|

| | | | |
|-----------------------|---------------|---------------------|------|
| Total appraisal value | ¥81.1 billion | Appraisal NOI yield | 4.9% |
|-----------------------|---------------|---------------------|------|

By asset class



| | |
|----------------------|-----------|
| Average property age | 7.1 years |
|----------------------|-----------|

| | |
|---|-------------------------------|
| Properties developed by the Daiwa House Group | 15 properties / 17 properties |
|---|-------------------------------|

| | |
|---|-------------------------------|
| Properties acquired from the Daiwa House Group's pipeline | 16 properties / 17 properties |
|---|-------------------------------|

Assets Acquired in March and April 2019

| | |
|---|--|
| LB-060 D Project Itabashi Shingashi Logistics (BTS type) Location: Itabashi Ward, Tokyo Acquisition price: ¥12,300 million | RM-012 iias Tsukuba (30% quasi co-ownership) Retail (mall type) Daiwa House Group Sublease Location: Tsukuba City, Ibaraki Acquisition price: ¥10,320 million |
| LB-057, LB-058, LB-059 D Project Kitahachioji I, II, III Logistics (BTS type) Location: Hachioji City, Tokyo Acquisition price: I: ¥4,300 million II: ¥5,700 million III: ¥7,300 million | LB-061 D Project Sagamihara Logistics (BTS type) Location: Sagamihara City, Kanagawa Acquisition price: ¥3,900 million |
| LB-062 D Project Kuki VIII Logistics (BTS type) Location: Kuki City, Saitama Acquisition price: ¥6,100 million | LB-063 D Project Yokkaichi Logistics (BTS type) Location: Yokkaichi City, Mie Acquisition price: ¥1,490 million |
| RR-007 Aoyama Tailor Bunkyo Sengoku Ekimae Store Retail (roadside type) Location: Bunkyo Ward, Tokyo Acquisition price: ¥750 million | LB-064 D Project Ibaraki Ishioka Logistics (BTS type) Location: Ishioka City, Ibaraki Acquisition price: ¥4,050 million |
| RR-008 FOLEO Shobu Retail (roadside type) Daiwa House Group Sublease Location: Kuki City, Saitama Acquisition price: ¥5,000 million | OT-005 Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store Other Location: Ota Ward, Tokyo Acquisition price: ¥1,380 million |
| | HO-003 Daiwa Roynet Hotel Nagoya Shinkansenguchi Hotel Location: Nagoya City, Aichi Acquisition price: ¥4,500 million |

Portfolio Highlights

Asset Size (acquisition price basis / as of April 10, 2019)

229 properties **¥750.5** billion

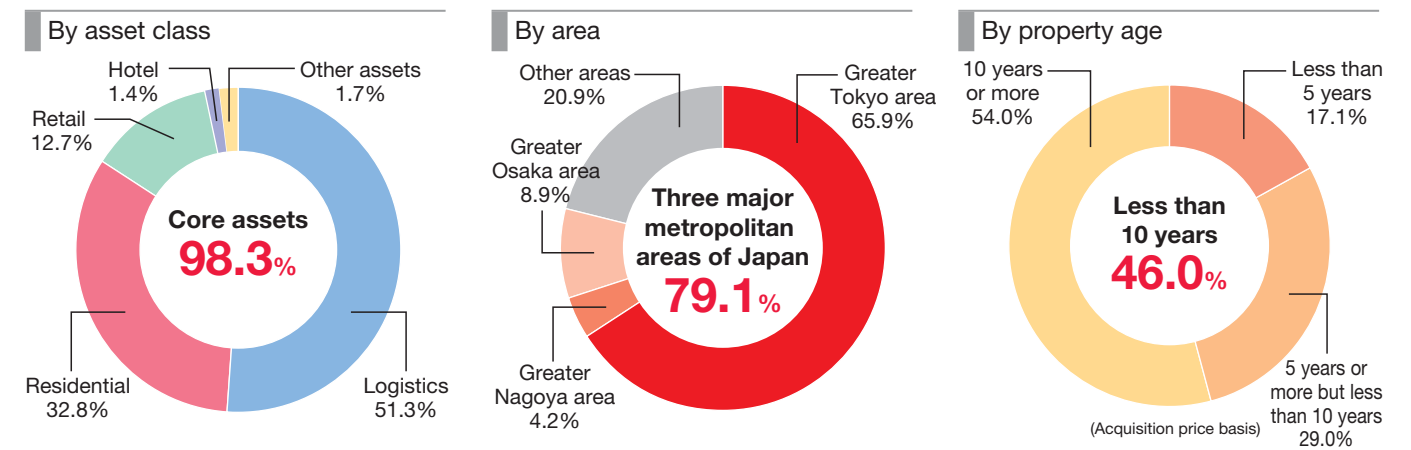
Logistics properties **67** properties **¥385.1** billion

Retail properties **21** properties **¥95.3** billion

Other assets **5** properties **¥12.8** billion

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

Hotel properties **3** properties **¥10.7** billion



Fiscal period ended February 28, 2017

September 2016

- Acquired 6 properties (¥17.2 billion (Note 1)) including 1 multi-use complex

January 2017

- Acquired 1 property (¥5.6 billion (Note 1))

February 2017

- Sold 1 property (¥0.3 billion (Note 2))

Fiscal period ended August 31, 2017

April 2017

- Acquired 15 properties (¥67.9 billion (Note 1)) through public offering
- Acquired DPL Misato, the first multi-tenant logistics property for DHR

August 2017

- Acquired 2 properties (¥5.4 billion (Note 1))

July and August 2017

- Sold 7 properties (¥10.1 billion (Note 2))

Fiscal period ended August 31, 2018

March and April 2018

- Acquired 16 properties (¥96.9 billion (Note 1)) through public offering
- Acquired Daiwa Roynet Hotel Yokohama Kannai, the first hotel for DHR

June 2018

- Sold 1 property (¥2.8 billion (Note 2))

Fiscal period ended February 28, 2019 onward

September 2018

- Acquired 1 property (¥3.5 billion (Note 1))

December 2018

- Acquired 3 properties (¥9.2 billion (Note 1))

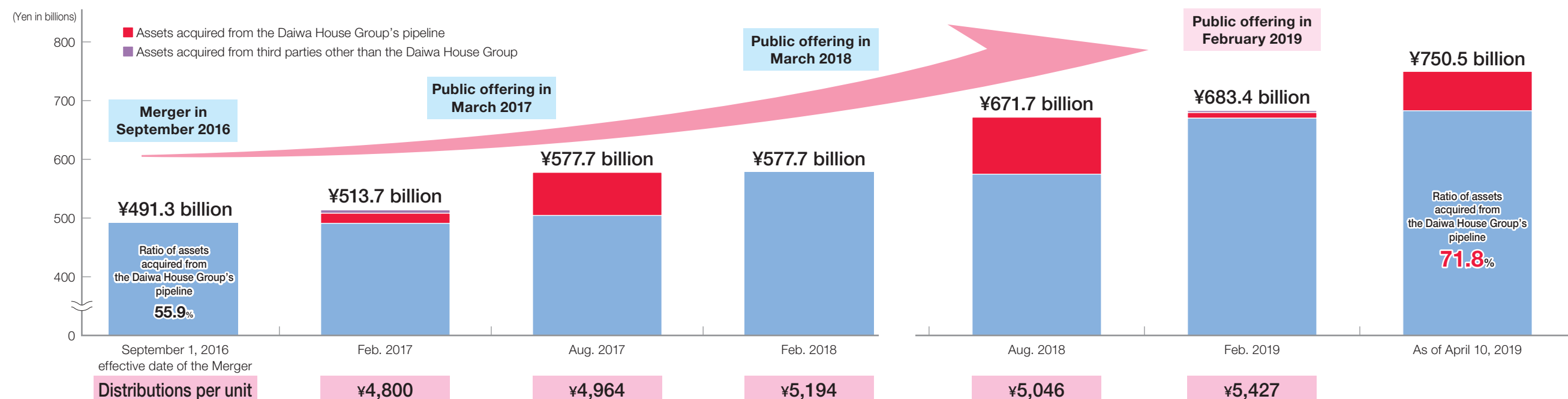
March and April 2019

- Acquired 13 properties (¥67.0 billion (Note 1)) through public offering

December 2018

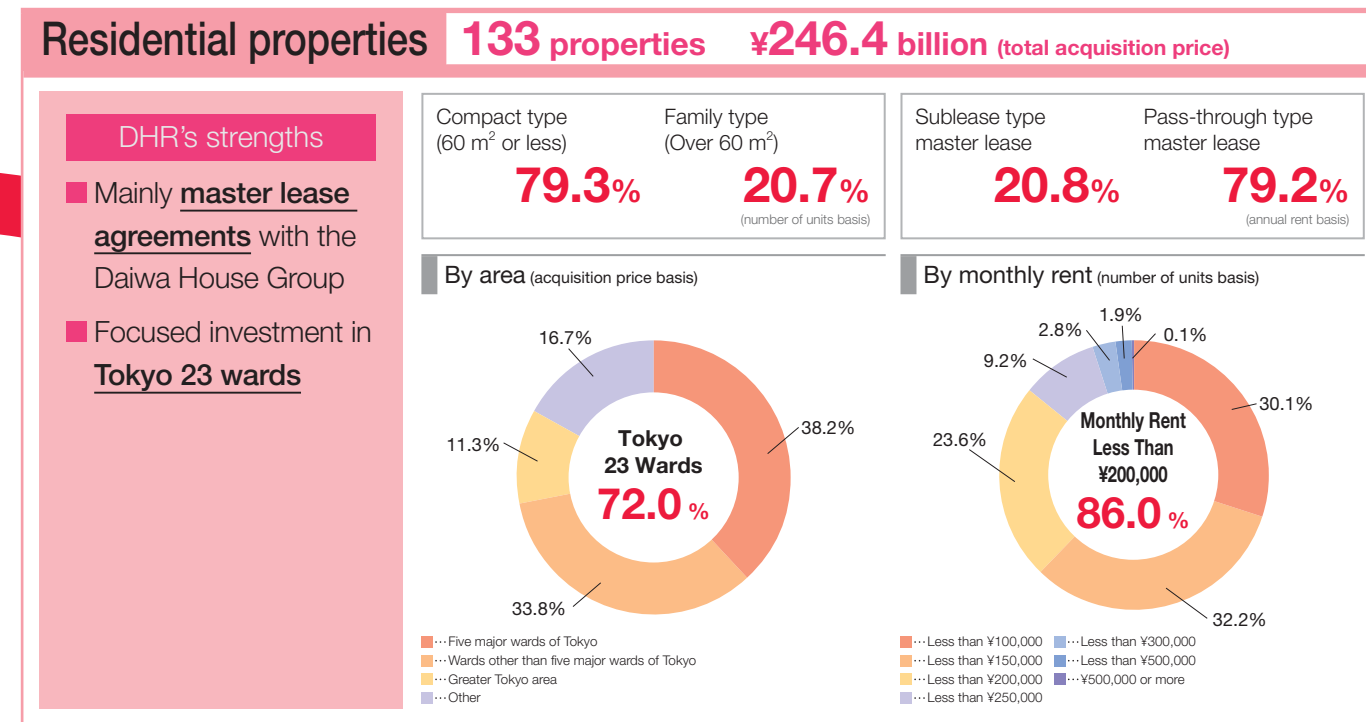
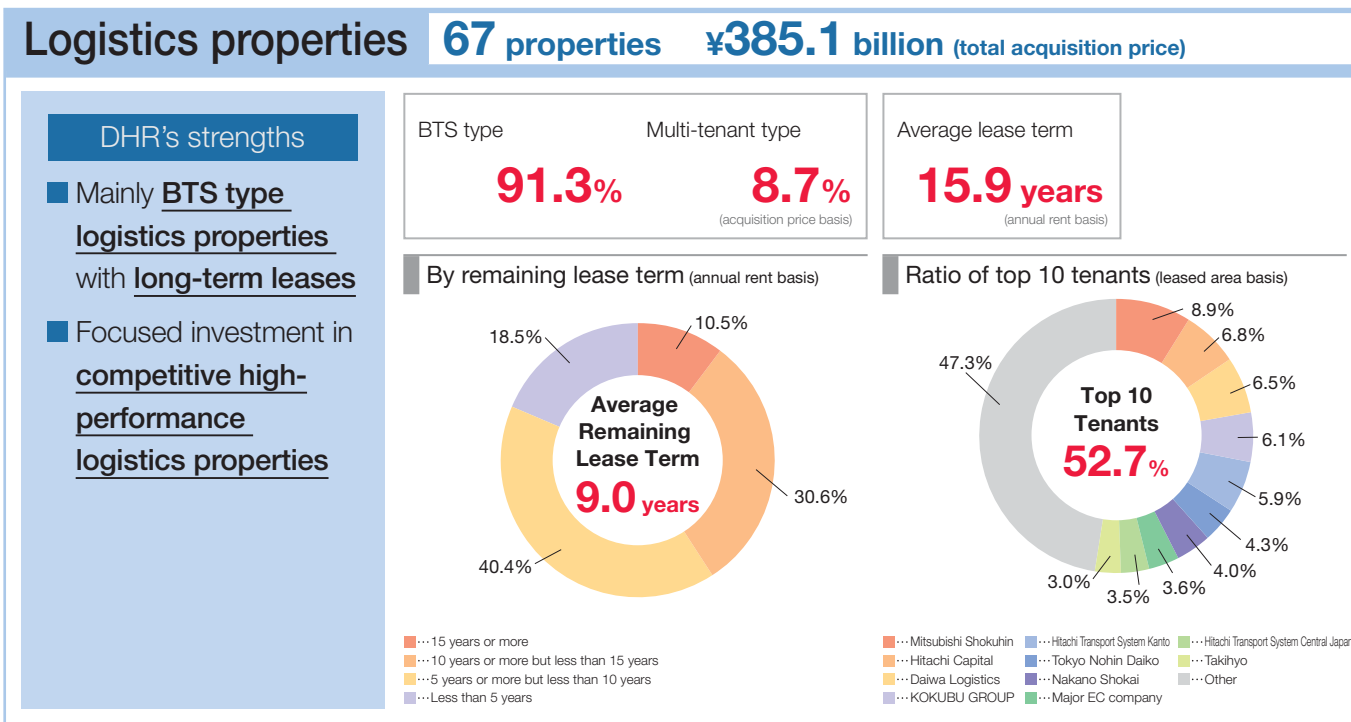
- Sold 1 property (¥1.2 billion (Note 2))

Trend of Asset Size (acquisition price)



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

Strengths as a Diversified REIT and Portfolio Status

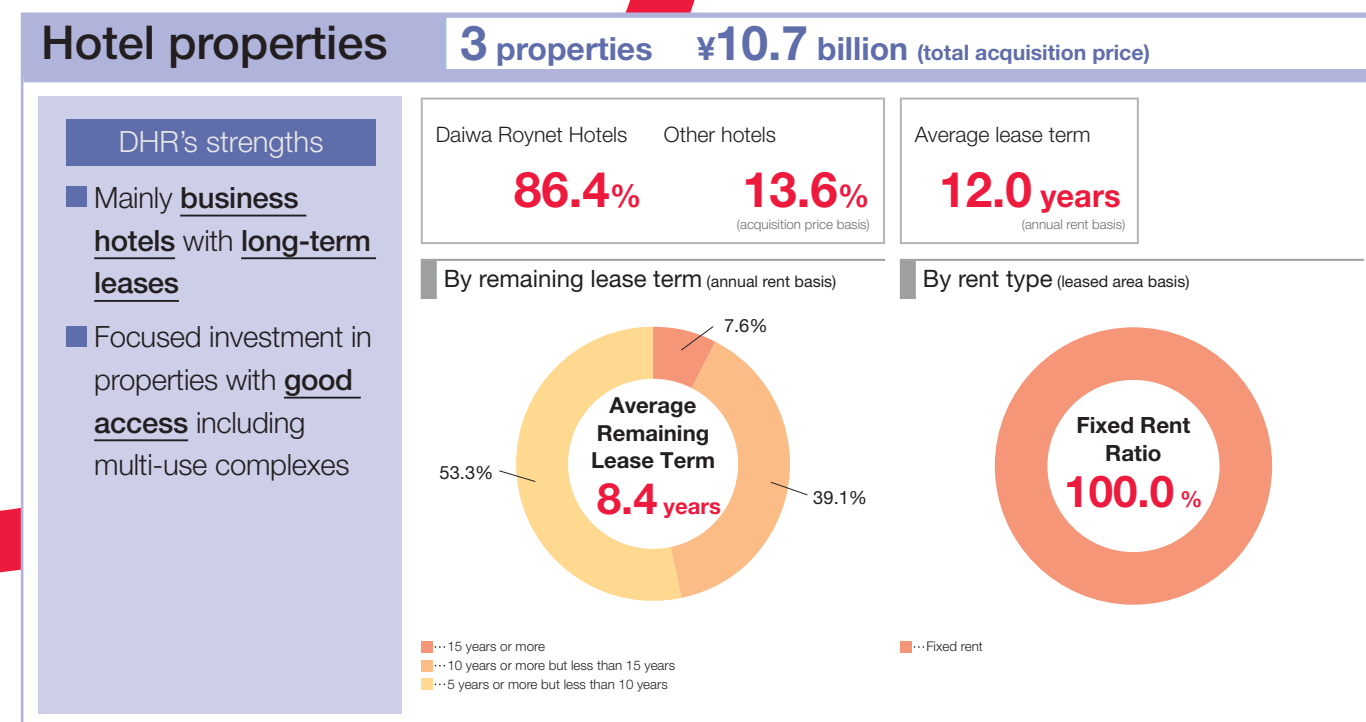
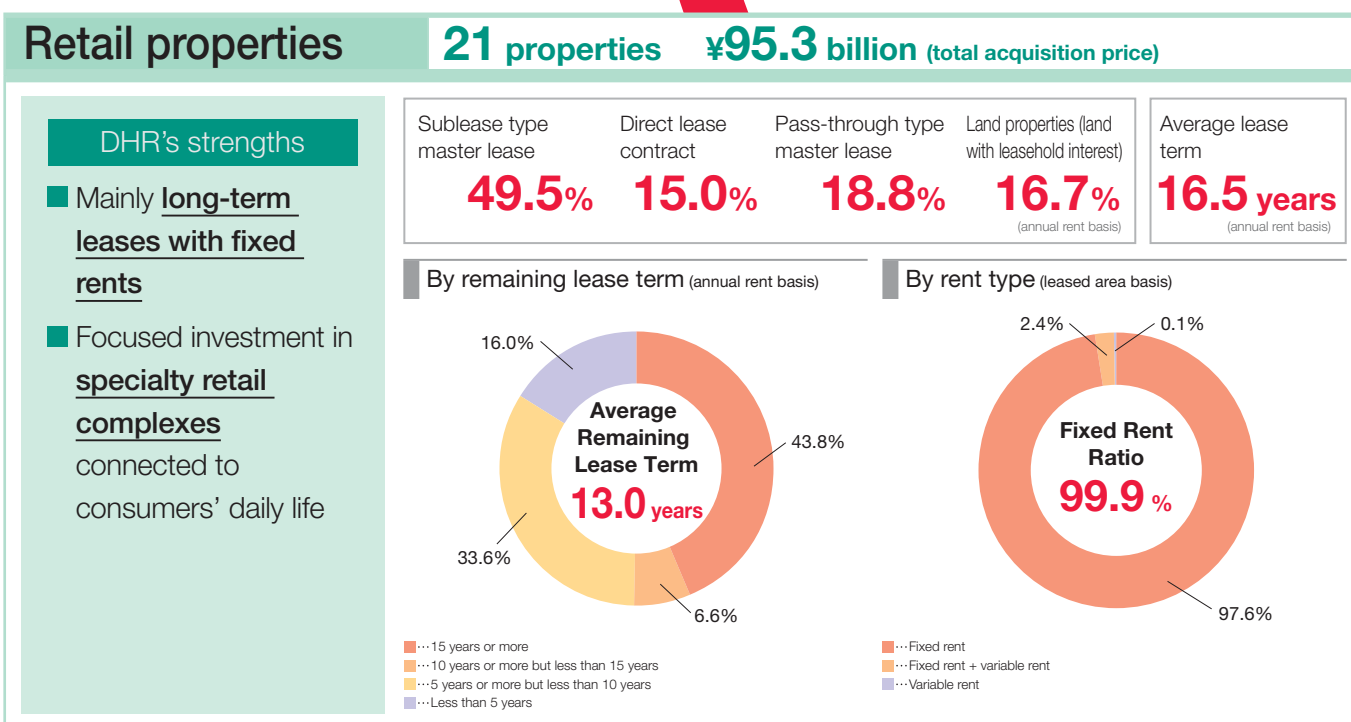




Daiwa House Group

Overcome Market Challenges and Leverage DHR's Strengths as a Diversified REIT with Strong Support from Sponsor





Continuous Property Rebalancing

Through continuous property rebalancing, we are working to increase profitability and to decrease the average age of our properties in order to realize increased portfolio quality.

Assets sold

| | |
|--------------------------------------|---------------|
| Number of properties | 10 properties |
| Sale price | ¥14.5 billion |
| Average NOI yield | 5.1% |
| Average NOI yield after depreciation | 3.3% |
| Average property age | 13.4 years |

Residential properties

Assets acquired

| | |
|--------------------------------------|---------------|
| Number of properties | 7 properties |
| Acquisition price | ¥23.7 billion |
| Average NOI yield | 5.1% |
| Average NOI yield after depreciation | 4.1% |
| Average property age | 5.6 years |

Logistics properties

Retail properties

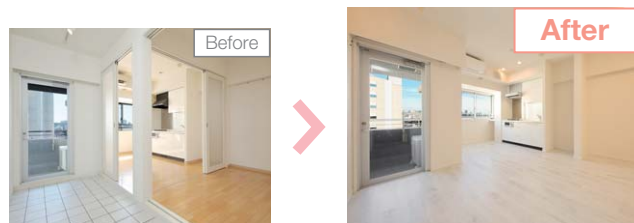
Hotel properties

(Note) The average NOI yields and average NOI yields after depreciation are calculated based on the actual values at the time of sale for assets sold and the appraisal NOI for assets acquired. The average ages of properties are listed based on the figures at the time of sale and acquisition.

Initiatives to Increase Attractiveness

Residential properties: Value enhancement projects

Room layout change (removed partitions and changed flooring materials)

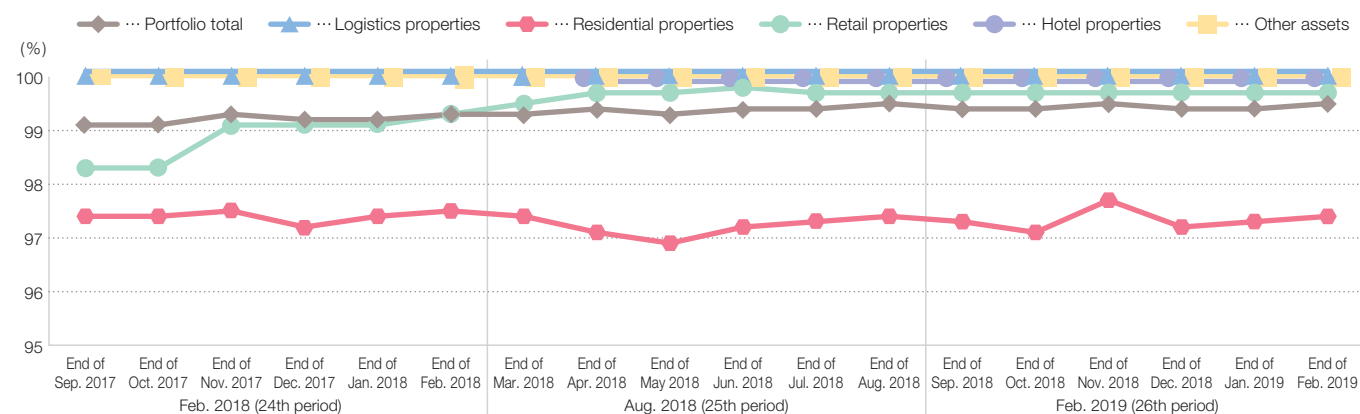


Installation of a new kitchen unit and location change of a washing machine



Trend of Occupancy Rate

As of February 28, 2019, the occupancy rate was 99.5%, as we continued to maintain stable operations.



Financial Policy

DHR is working to improve the stability of its financial base by maintaining and expanding its strong lender formation through initiatives geared toward diversifying methods of raising capital through issuance of investment corporation bonds, and by promoting use of long-term fixed rates on interest-bearing debt and staggering repayment dates. DHR will continue its policy of stable financial operation by maintaining the ongoing conservative LTV level target (excluding goodwill) of between 40% and 50%.

Interest-bearing Debt (as of April 10, 2019)

We took out ¥7,000 million in new loans in the fiscal period ended February 2019. In addition, we refinanced ¥11,600 million in March 2019 and took out ¥27,500 million in new loans in April 2019.

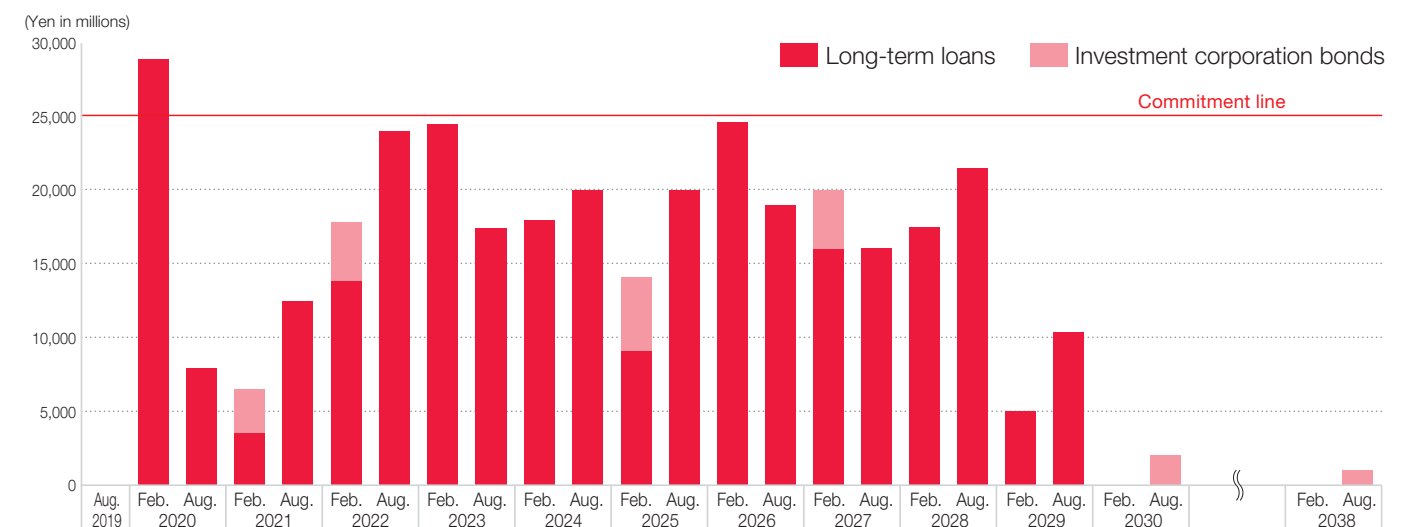
| | |
|---------------------------------------|------------------|
| Total interest-bearing debt | ¥348,768 million |
| Total loans | ¥329,768 million |
| Total investment corporation bonds | ¥19,000 million |
| LTV (excluding goodwill) | 45.2% |
| LTV (including goodwill) | 41.5% |
| Long-term interest-bearing debt ratio | 89.4% |
| Fixed interest ratio | 95.2% |
| Average interest rate | 0.74% |
| Average remaining maturity | 5.3 years |
| Commitment line | ¥25,000 million |

Breakdown by Lender (as of April 10, 2019)

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

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

Diversifying Debt Maturities (as of April 10, 2019)



Rating/Outlook (as of February 28, 2019)

| | | | |
|---|-------------|--|---------------|
| JCR (Japan Credit Rating Agency, Ltd.) | AA (Stable) | R&I (Rating and Investment Information, Inc.) | A+ (Positive) |
|---|-------------|--|---------------|

Sustainability Policy

1 Prevention of global warming

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

2 Harmony with the natural environment (preservation of biodiversity)

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

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

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

4 Prevention of chemical pollution

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

5 Establishment of an internal framework and initiatives for employees

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

6 Building of trust relationships with external stakeholders

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

7 Promotion of communication through information disclosure

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

8 Compliance with laws and regulations, and risk management

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

Sustainability Target

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

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

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

Consideration for Society

Contributions to local communities

Local events



Bicycle rentals



AED



Neighborhood co-existence activities

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

Cleanup activities



Japanese lessons



Governance

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

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

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

Number of investment units held by Daiwa House (holding ratio) 187,200 units (9.0%) (as of March 26, 2019)

DBJ Green Building Certification (as of March 31, 2019)

Promoting acquisition of DBJ Green Building Certification

Number of certified properties


22 properties

Compared with the end of September 2018
+6 properties

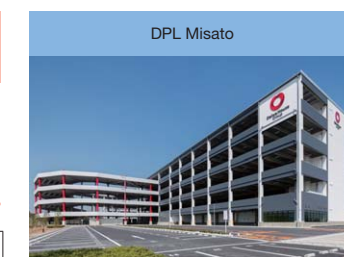
Certified rate (gross floor area basis)

38.8%

Compared with the end of September 2018
+14.0%

| | | |
|---|-------|---------------|
|  DBJ Green Building | ★★★★★ | 2 properties |
| | ★★★★ | 10 properties |
| | ★★★ | 9 properties |
| | ★★ | 1 property |

Major certified properties



BELS Certification

We received the highest 5-star rating in our first evaluation of Building-Housing Energy-efficiency Labelling System (BELS)



この建物のエネルギー消費量48%削減
2019年3月29日交付 国土交通省告示に基づく第三者認証



Green Lease Agreement (as of March 31, 2019)

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

Number of properties with green lease agreements concluded

28 properties

Compared with the end of September 2018
+22 properties

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

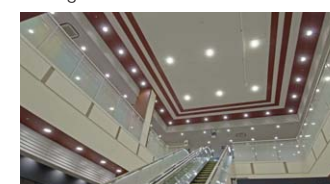
25.0%

Compared with the end of September 2018
+19.0%

Consideration for the Environment

Energy conservation measures

LED lights



Solar power generation system



Slope to the upper floor

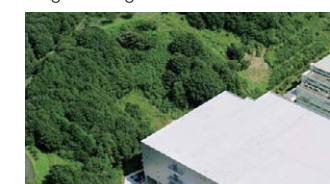


Large-scale window space allowing the use of natural light



Greening and heat island countermeasures

Large-scale green area



Rooftop greening



Exterior greening, water-permeable paving



Rooftop terraces



GRESB Real Estate Assessment

- In the 2018 assessment, both our "Management & Policy" and "Implementation & Measurement" were highly evaluated, and we received the "Green Star" rating.
- In the "GRESB Rating" based on relative evaluation, we received the "2-Star" rating.

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



SMBC Environmental Assessment Loan

- We received an "A" rating for our environmental initiatives, having earned high evaluation in the areas of "environmental management," "environmental communication" and "environmental conservation policy initiatives."



Logistics properties

LM-001 DPL Misato



Logistics properties

LB-005 D Project Urayasu I



Logistics properties

LB-026 D Project Kuki III



Retail properties

RM-009 FOLEO Otsu Ichiriyama



Residential properties

RE-059 Castalia Tower Shinagawa Seaside



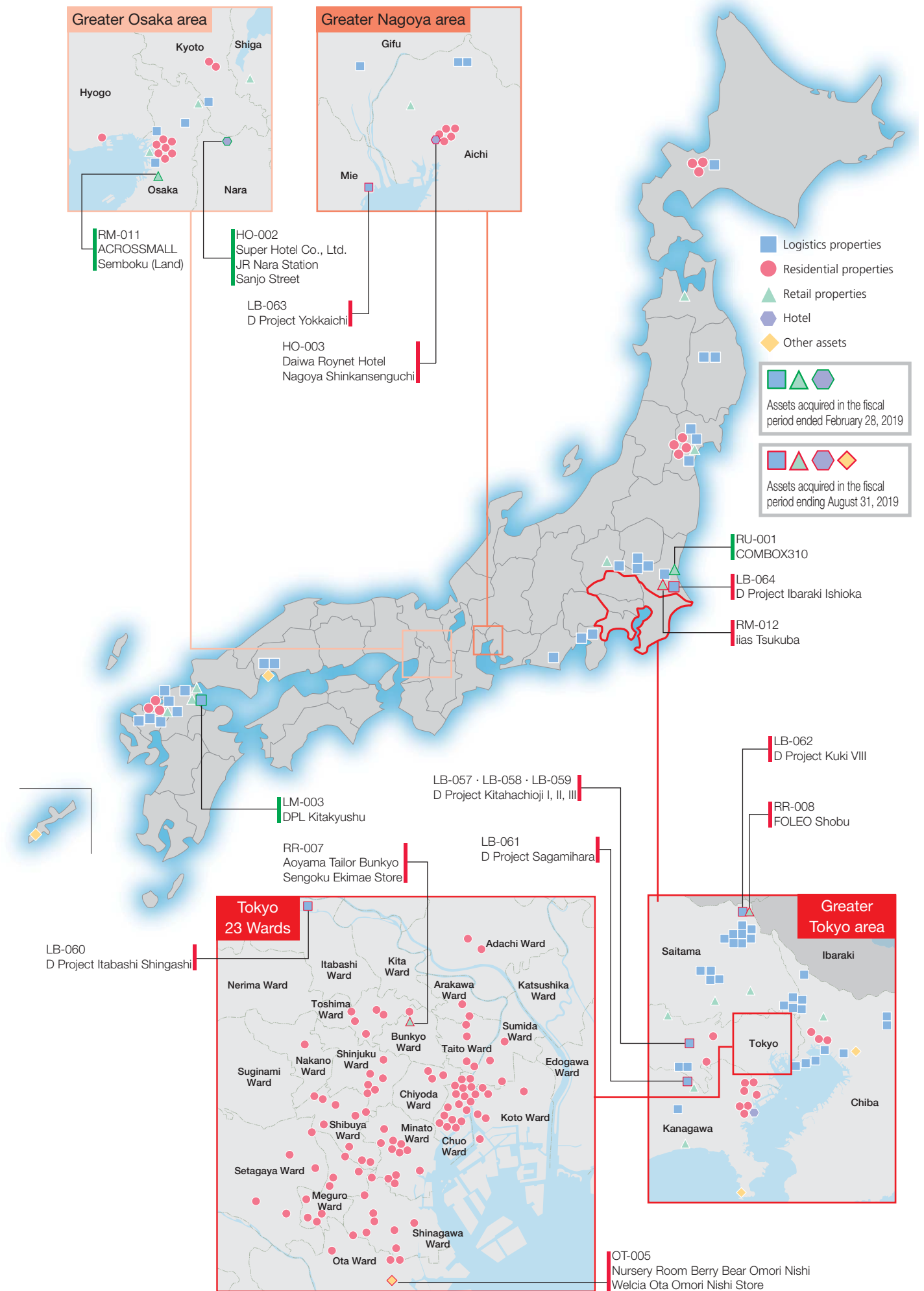
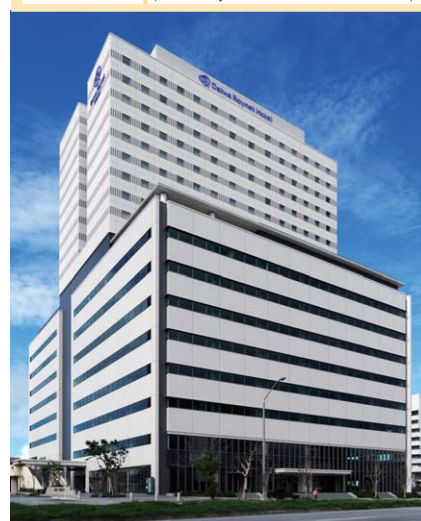
Hotel properties

HO-001 Daiwa Roynet Hotel Yokohama Kannai



Other assets

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



I. Asset Management Report

1. Summary of Asset Management

(1) Historical Operating Results

| | | 22nd period February 2017 | 23rd period August 2017 | 24th period February 2018 | 25th period August 2018 | 26th period February 2019 |
|--|-----------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
| Operating revenues (Note 1) | Yen in millions | 17,531 | 21,015 | 19,700 | 22,211 | 23,127 |
| Of which, real estate rental revenues | Yen in millions | 17,531 | 19,479 | 19,700 | 22,211 | 23,013 |
| Operating expenses | Yen in millions | 11,963 | 11,623 | 11,687 | 12,942 | 13,166 |
| Of which, real estate rental expenses | Yen in millions | 7,493 | 7,906 | 7,947 | 8,944 | 9,184 |
| Operating income | Yen in millions | 5,567 | 9,392 | 8,012 | 9,269 | 9,960 |
| Ordinary income | Yen in millions | 4,474 | 7,974 | 7,146 | 7,770 | 8,597 |
| Net income | Yen in millions | 4,393 | 7,968 | 7,142 | 7,765 | 8,597 |
| Total assets | Yen in millions | 604,142 | 682,359 | 681,192 | 771,281 | 777,727 |
| Period-on-period changes | % | 133.9 | 12.9 | (0.2) | 13.2 | 0.8 |
| Net assets | Yen in millions | 330,304 | 377,321 | 376,300 | 430,596 | 429,223 |
| Period-on-period changes | % | 197.5 | 14.2 | (0.3) | 14.4 | (0.3) |
| Unitholders' capital | Yen in millions | 61,703 | 108,136 | 108,136 | 163,230 | 163,230 |
| Total number of investment units issued | Units | 1,519,280 | 1,690,000 | 1,690,000 | 1,927,000 | 1,927,000 |
| Net assets per unit | Yen | 217,408 | 223,267 | 222,663 | 223,454 | 222,741 |
| Total distributions | Yen in millions | 7,292 | 8,389 | 8,777 | 9,723 | 10,457 |
| Distributions per unit | Yen | 4,800 | 4,964 | 5,194 | 5,046 | 5,427 |
| Of which, earnings distributions per unit | Yen | 4,800 | 4,964 | 5,194 | 5,046 | 5,427 |
| Of which, distributions in excess of earnings per unit | Yen | — | — | — | — | — |
| Ordinary income to total assets ratio (Note 2) | % | 1.0 | 1.2 | 1.0 | 1.1 | 1.1 |
| Annualized | % | 2.1 | 2.5 | 2.1 | 2.1 | 2.2 |
| Return on equity (Note 3) | % | 2.0 | 2.3 | 1.9 | 1.9 | 2.0 |
| Annualized | % | 4.0 | 4.5 | 3.8 | 3.8 | 4.0 |
| Equity ratio | % | 54.7 | 55.3 | 55.2 | 55.8 | 55.2 |
| Period-on-period changes | % | 11.7 | 0.6 | (0.1) | 0.6 | (0.6) |
| Payout ratio | % | 166.0 | 104.0 | 122.9 | 123.6 | 121.7 |
| <Other Reference Information> | | | | | | |
| Rental NOI (Note 4) | Yen in millions | 13,398 | 15,286 | 15,503 | 17,563 | 18,283 |
| FFO per unit (Note 5) | Yen | 6,469 | 7,184 | 7,625 | 7,346 | 7,747 |
| FFO multiple (Note 6) | Times | 22.4 | 18.9 | 16.7 | 17.7 | 15.9 |
| Debt service coverage ratio (Note 7) | Times | 12.2 | 15.4 | 14.4 | 14.2 | 14.8 |
| Interest-bearing debt | Yen in millions | 253,163 | 282,268 | 282,268 | 314,268 | 321,268 |
| Interest-bearing debt to total assets ratio (Note 8) | % | 41.9 | 41.4 | 41.4 | 40.7 | 41.3 |

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

(2) Asset Management during the Period

i) Transition of DHR

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

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

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

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

ii) Performance for the Current Fiscal Period

DHR acquired four properties for a total acquisition price (Note 1) of ¥12.7 billion through the Daiwa House Group's (Note 2) pipeline, etc. in September and December 2018 by a combination of funds in hand and loans. Furthermore, in December 2018, DHR sold one residential property for a sales price of ¥1.2 billion. As a result, DHR's portfolio as of the end of the current fiscal period consisted of 216 properties with an asset value of ¥683.4 billion (Note 3).

(Notes) 1. “Acquisition price” is the purchase price stipulated in the respective purchase agreements of assets owned by DHR (not including expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, or leasehold guarantee deposits, etc.), except as otherwise noted. However, the acquisition prices of properties previously owned by NCR have been presented as the appraisal values as of February 28, 2010, which were the prices received at the time of the merger with NCR, and the acquisition prices of properties previously owned by the former DHR have been presented as the appraisal values as of August 31, 2016, which were the prices received at the time of the merger with the former DHR. The “total acquisition price” has been rounded down to the nearest unit. The same shall apply hereinafter.
2. The Daiwa House Group comprises Daiwa House, which is the parent company, 332 consolidated subsidiaries, 1 non-consolidated subsidiary, 39 equity-method affiliates and 3 non-equity-method affiliates as of December 31, 2018. The Asset Manager is a member of the group. The same shall apply hereinafter.
3. “Asset value” is the aggregate total of the acquisition prices of respective assets owned by DHR at respective points in time, except as otherwise noted. The same shall apply hereinafter.

iii) Overview of Financing

DHR conducted debt financing of ¥7,000 million on September 27, 2018 and December 7, 2018, to provide for some of the acquisition costs and the related expenses for the acquisition of properties through the Daiwa House Group's pipeline, etc.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥321,268 million (loan balance: ¥302,268 million, investment corporation bond balance: ¥19,000 million), which is an increase of ¥7,000 million in comparison with the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 41.3%, and its LTV (excluding goodwill) (Note 2) was 45.4%.

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

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

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

iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥753,721 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value, was ¥93,224 million.

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

v) Overview of Financial Results

As a result of the abovementioned investment management activities, in the current fiscal period, DHR posted operating revenues of ¥23,127 million, operating income of ¥9,960 million, ordinary income of ¥8,597 million, and net income of ¥8,597 million (¥4,461 per investment unit).

Furthermore, based on its distribution policy, DHR reversed ¥1,980 million (¥1,028 per investment unit) as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up net income, while at the same time, ¥120 million (¥62 per investment unit) recorded as gain on sale of real estate properties and refunded consumption taxes relating to properties that DHR acquired in prior periods was accumulated as reserve for distribution. As a result, total distributions amounted to ¥10,457 million (¥5,427 per investment unit).

(3) Summary of Capital Increase

Changes in DHR’s total number of investment units issued and unitholders’ capital for the most recent five years until February 28, 2019 are as follows:

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

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

[Changes in market price of investment securities]

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

| | 22nd period | 23rd period | 24th period | 25th period | 26th period |
|---------------------|---------------|-------------|---------------|-------------|---------------|
| Fiscal period ended | February 2017 | August 2017 | February 2018 | August 2018 | February 2019 |
| Highest | ¥298,400 | ¥289,800 | ¥277,100 | ¥276,000 | ¥261,100 |
| Lowest | ¥274,800 | ¥248,500 | ¥250,800 | ¥244,000 | ¥238,800 |
| Beginning of period | ¥284,400 | ¥289,800 | ¥268,500 | ¥251,300 | ¥256,900 |
| End of period | ¥292,000 | ¥268,800 | ¥257,100 | ¥257,600 | ¥248,400 |

(4) Distributions

As indicated in “(5) Future Operating Policies and Issues to Be Addressed, ii) Future Operating Policies and Issues to Be Addressed, (b) Distribution Policy” below, DHR established the policy on how to use the voluntary reserve and implemented its distribution policy by utilizing the voluntary reserve. For the current fiscal period, DHR reversed ¥1,980 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up unappropriated retained earnings of ¥8,597 million, while at the same time, ¥120 million recorded as gain on sale of real estate properties and refunded consumption taxes relating to properties that DHR acquired in prior periods was accumulated as reserve for distribution. Consequently, total distributions amounted to ¥10,457 million, for distributions per unit of ¥5,427.

| | 22nd period From September 1, 2016 to February 28, 2017 | 23rd period From March 1, 2017 to August 31, 2017 | 24th period From September 1, 2017 to February 28, 2018 | 25th period From March 1, 2018 to August 31, 2018 | 26th period From September 1, 2018 to February 28, 2019 |
|---|--|--|--|--|--|
| Unappropriated retained earnings | ¥4,393,259,342 | ¥7,968,070,160 | ¥7,142,344,597 | ¥7,765,290,290 | ¥8,597,087,441 |
| Amount retained as voluntary reserve (Note) | ¥14,806,064,771 | ¥14,384,974,931 | ¥12,749,459,528 | ¥10,791,107,818 | ¥8,930,366,259 |
| Total distributions | ¥7,292,544,000 | ¥8,389,160,000 | ¥8,777,860,000 | ¥9,723,642,000 | ¥10,457,829,000 |
| Distributions per unit | ¥4,800 | ¥4,964 | ¥5,194 | ¥5,046 | ¥5,427 |
| Of the above, total earnings distributions | ¥7,292,544,000 | ¥8,389,160,000 | ¥8,777,860,000 | ¥9,723,642,000 | ¥10,457,829,000 |
| Earnings distributions per unit | ¥4,800 | ¥4,964 | ¥5,194 | ¥5,046 | ¥5,427 |
| Of the above, total capital refunds | – | – | – | – | – |
| Capital refunds per unit | – | – | – | – | – |
| Of total capital refunds, total distributions from the allowance for temporary difference adjustments | – | – | – | – | – |
| Of capital refunds per unit, temporary-difference- adjustment-allowance distributions per unit | – | – | – | – | – |
| Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes | – | – | – | – | – |
| Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit | – | – | – | – | – |

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

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, despite sluggish exports, the Japanese economy continued on a gradual recovery trend. The GDP growth rate (the 2nd preliminary) turned negative temporarily for July to September 2018 against the previous quarter due to factors including natural disasters and high crude oil prices, but shifted to positive for October to December with a real GDP growth rate of 0.5% (1.9% annualized), as the Japanese economy remained firm. According to the quarterly Financial Statements Statistics of Corporations by Industry, conditions including corporate earnings showed quarterly sales maintaining consecutive increases year on year. Despite remaining at a high level, ordinary profit has stalled, having fallen for two consecutive quarters (July to December). Capital expenditure for October to December showed a positive percent change of 3.3% compared with the corresponding quarter of the previous year in contrast for July to September, which had a negative percent change. As for consumer spending, against the backdrop of tightening labor supply and demand and improvement in the employment environment, consumption is expected to grow gradually in the future. In terms of the outlook going forward, amid an increasing sense of uncertainty including a slowdown in the Chinese economy, items such as trends in economic policy and policy rates in major foreign countries, concern over trade friction between the US and China, and the UK’s departure from the EU could affect the Japanese economy going forward, and these trends require sufficient attention.

In Japan’s real estate market, according to the Land Value LOOK Report for the fourth quarter of 2018 released by the Ministry of Land, Infrastructure, Transport and Tourism in February 2019, among the 100 intensively used districts of major cities, land value rose in 97 districts (compared with 96 districts in the third quarter of 2018), stayed flat in 3 districts (compared with 4 districts in the third quarter of 2018), and dropped in 0 districts (compared with 0 districts in the third quarter of 2018). The main reason that the percentage of districts with rising prices maintained such a high level was a continuing strong investment sentiment for offices, stores, and condominiums, etc. owing to persistently favorable office market conditions such as lower vacancy rates and higher rents particularly in the three major metropolitan areas, cities becoming more vibrant due to ongoing redevelopment projects, robust construction demand for stores and hotels in response to the increasing number of visitors to Japan, and robust condominium demand in highly convenient regions.

In Japan’s stock market in 2018, the TOPIX experienced weak performance for the full year, falling 17.8%. However, the J-REIT market enjoyed strong performance due to capital inflows from foreign investors, and the Tokyo Stock Exchange REIT Index rose 6.7% from 1,662.92 points at the end of 2017 to 1,774.06 points at the end of 2018. Since entering 2019, the index remained firm, reaching 1,850.03 points at the end of the current fiscal period.

Under the aforementioned environment, the investment environment is expected to continue to be tough due to lowering capitalization rates used in real estate appraisals, rising land prices, soaring construction costs, and other factors. Nevertheless, DHR will continue to ensure sustainable profits while making use of the Daiwa House Group’s integrated capabilities and real estate development knowhow.

ii) Future Operating Policies and Issues to Be Addressed

(a) Growth Strategy

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

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

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

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

(b) Distribution Policy

As of the end of the current fiscal period, DHR had a total of ¥507 million in tax loss carryforwards (Note 1), ¥8,804 million in reserve for temporary difference adjustments (before reversal for the current fiscal period; the amount after reversal is ¥6,823 million), and ¥1,986 million in reserve for distribution (before accumulation for the current fiscal period; the amount after accumulation is ¥2,106 million).

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

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

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

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

(Notes) 1. The loss carryforwards inherited from the former DHR as a result of the Merger is ¥507 million and the carryforward period for such loss carryforwards is until the end of the fiscal period ending February 28, 2021.
2. DHR’s reversals of reserve for temporary difference adjustments do not fall under distributions in excess of earnings (return of unitholders’ capital).
3. Under the above distribution policy, DHR has the policy to stabilize distributions. However, it is not intended as a guarantee or promise of the payment of distribution and amounts thereof.

iii) Financial Strategy

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

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

(6) Significant Events after Balance Sheet Date

A. Issuance of New Investment Units

At the board of directors meetings held on February 8, 2019 and on February 20, 2019, it was resolved to issue new investment units as follows. The payment for the new investment units issued through public offering was completed on March 1, 2019, while the payment for the new investment units issued through third-party allotment was completed on March 26, 2019.

As a result, unitholders’ capital amounts to ¥198,492 million, and the total number of investment units issued is 2,075,000 units.

(a) Issuance of new investment units (public offering)

| | |
|--|---|
| Number of new investment units issued: | 138,000 units |
| | (86,900 units in Japan and 51,100 units overseas) |
| Issue price: | ¥245,784 per unit |
| Total issue price: | ¥33,918,192,000 |
| Amount paid in (issue value): | ¥238,260 per unit |
| Total amount paid in (issue value): | ¥32,879,880,000 |
| Payment date: | March 1, 2019 |

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

| | |
|--|-----------------------------|
| Number of new investment units issued: | 10,000 units |
| Amount paid in (issue value): | ¥238,260 per unit |
| Total amount paid in (issue value): | ¥2,382,600,000 |
| Payment date: | March 26, 2019 |
| Allottee: | Nomura Securities Co., Ltd. |

B. Acquisition of Assets

DHR acquired the following properties.

| | |
|----------------------------|---|
| Asset name | D Project Kitahachioji I |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥4,300,000 thousand |
| Seller (Note 2) | DH Development II Godo Kaisha |
| Date of acquisition | April 5, 2019 |
| Asset name | D Project Kitahachioji II |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥5,700,000 thousand |
| Seller (Note 2) | DH Development II Godo Kaisha |
| Date of acquisition | April 5, 2019 |
| Asset name | D Project Kitahachioji III |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥7,300,000 thousand |
| Seller (Note 2) | DH Development II Godo Kaisha |
| Date of acquisition | April 5, 2019 |
| Asset name | D Project Itabashi Shingashi |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥12,300,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 10, 2019 |
| Asset name | D Project Sagamihara |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥3,900,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 10, 2019 |

| | |
|----------------------------|--|
| Asset name | D Project Kuki VIII |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥6,100,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 10, 2019 |
| Asset name | D Project Yokkaichi |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥1,490,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 10, 2019 |
| Asset name | D Project Ibaraki Ishioka |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Logistics properties |
| Acquisition price (Note 1) | ¥4,050,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 10, 2019 |
| Asset name | iias Tsukuba (30% quasi co-ownership) |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Retail properties |
| Acquisition price (Note 1) | ¥10,320,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 5, 2019 |
| Asset name | Aoyama Tailor Bunkyo Sengoku Ekimae Store |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Retail properties |
| Acquisition price (Note 1) | ¥750,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 5, 2019 |
| Asset name | FOLEO Shobu |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Retail properties |
| Acquisition price (Note 1) | ¥5,000,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | April 5, 2019 |
| Asset name | Daiwa Roynet Hotel Nagoya Shinkansenguchi |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Hotel properties |
| Acquisition price (Note 1) | ¥4,500,000 thousand |
| Seller (Note 2) | Nihon Jyutaku Ryutu Co., Ltd. |
| Date of acquisition | April 5, 2019 |
| Asset name | Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store |
| Asset type | Trust beneficiary interest in real estate |
| Asset class | Other assets |
| Acquisition price (Note 1) | ¥1,380,000 thousand |
| Seller (Note 2) | Daiwa House Industry Co., Ltd. |
| Date of acquisition | March 12, 2019 |

(Notes) 1. This figure does not include expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, etc.
2. The following companies are defined as interested parties, etc. in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act"): Daiwa House, which is the seller of D Project Itabashi Shingashi, D Project Sagamihara, D Project Kuki VIII, D Project Yokkaichi, D Project Ibaraki Ishioka, iias Tsukuba, Aoyama Tailor Bunkyo Sengoku Ekimae Store, FOLEO Shobu and Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store and Nihon Jyutaku Ryutu Co., Ltd., which is the seller of Daiwa Roynet Hotel Nagoya Shinkansenguchi.
DH Development II Godo Kaisha, which is the seller of D Project Kitahachioji I, D Project Kitahachioji II and D Project Kitahachioji III, is a special purpose company (Tokutei Mokuteki Kaisha) on which Daiwa House, a parent company of the Asset Manager, may have a significant influence and is an interested party as defined in the Asset Manager's regulations on transactions with interested parties; however, is not an interested party, etc., as defined in the Investment Trusts Act.
The Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.

C. Debt Financing

(a) DHR conducted debt financing for the fund to refinance long-term loans of ¥4,000 million due on March 27, 2019 and ¥7,600 million due on March 29, 2019 as follows.

| Lender | Borrowing amount (Yen in millions) | Interest rate | Borrowing date | Repayment date | Method of repayment | Collateral |
|--|------------------------------------|--|----------------|--------------------|---------------------|------------------------------|
| Sumitomo Mitsui Trust Bank Limited; Sumitomo Mitsui Banking Corporation; MUFG Bank, Ltd.; Mizuho Bank, Ltd. | 4,000 | Base interest rate (Japanese Bankers Association 1-month yen TIBOR) +0.18% | March 27, 2019 | August 31, 2022 | Bullet repayment | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited; Aozora Bank, Ltd.; The Norinchukin Bank; Sumitomo Mitsui Banking Corporation; The Chiba Bank, Ltd.; Mizuho Bank, Ltd.; The Bank of Fukuoka, Ltd.; The Shizuoka Bank, Ltd. | 7,600 | 0.42882% (Fixed interest rate) | March 29, 2019 | September 30, 2025 | Bullet repayment | Unsecured and non-guaranteed |

(b) DHR conducted debt financing for acquiring the properties mentioned in "B. Acquisition of Assets" above, on April 5, 2019 and April 10, 2019 as follows.

| Lender | Borrowing amount (Yen in millions) | Interest rate | Borrowing date | Repayment date | Method of repayment | Collateral |
|--|------------------------------------|--|----------------|------------------|---------------------|------------------------------|
| Mitsui Sumitomo Insurance Company, Ltd. | 1,000 | 0.45000% (Fixed interest rate) | April 5, 2019 | April 30, 2026 | Bullet repayment | Unsecured and non-guaranteed |
| Nippon Life Insurance Company | 500 | 0.49677% (Fixed interest rate) | April 5, 2019 | April 30, 2027 | Bullet repayment | Unsecured and non-guaranteed |
| Development Bank of Japan Inc. | 1,500 | 0.58880% (Fixed interest rate) | April 5, 2019 | April 28, 2028 | Bullet repayment | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation; Sumitomo Mitsui Trust Bank, Limited; MUFG Bank, Ltd.; Mizuho Bank, Ltd. | 6,000 | Base interest rate (Japanese Bankers Association 1-month yen TIBOR) +0.23% | April 10, 2019 | October 31, 2022 | Bullet repayment | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation; The Norinchukin Bank; Sumitomo Mitsui Trust Bank, Limited; Shinsei Bank, Limited; Shinkin Central Bank; The Bank of Fukuoka, Ltd; The Chiba Bank, Ltd.; The 77 Bank, Ltd.; The Nishi-Nippon City Bank, Ltd.; The Iyo Bank, Ltd.; The Chugoku Bank, Ltd. | 8,100 | 0.39138% (Fixed interest rate) | April 10, 2019 | October 31, 2024 | Bullet repayment | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; Sumitomo Mitsui Trust Bank, Limited; Resona Bank, Limited; Mizuho Trust & Banking Co., Ltd.; MUFG Bank, Ltd. | 10,400 | 0.74800% (Note) | April 10, 2019 | April 27, 2029 | Bullet repayment | Unsecured and non-guaranteed |

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

2. Overview of the Investment Corporation

(1) Status of Investment Units

| | 22nd period As of February 28, 2017 | 23rd period As of August 31, 2017 | 24th period As of February 28, 2018 | 25th period As of August 31, 2018 | 26th period As of February 28, 2019 |
|---|---|---|---|---|---|
| Total number of authorized investment units | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 |
| Total number of investment units issued | 1,519,280 (Note) | 1,690,000 | 1,690,000 | 1,927,000 | 1,927,000 |
| Unitholders' capital (Yen in thousands) | 61,703,224 | 108,136,162 | 108,136,162 | 163,230,367 | 163,230,367 |
| Number of unitholders | 10,851 | 13,779 | 13,461 | 16,962 | 16,903 |

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

(2) Matters concerning Investment Units

The major unitholders as of February 28, 2019 are as follows:

| Name | Number of investment units held (Units) | Percentage of investment units held against the total number of investment units issued (%) (Note) |
|---|--|---|
| Japan Trustee Services Bank, Ltd. (Trust account) | 359,999 | 18.7 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 262,423 | 13.6 |
| Daiwa House Industry Co., Ltd. | 185,200 | 9.6 |
| The Nomura Trust and Banking Co., Ltd. (Investment trust account) | 69,107 | 3.6 |
| State Street Bank - West Client - Treaty 505234 | 68,170 | 3.5 |
| Trust & Custody Services Bank, Ltd. (Securities investment trust account) | 49,640 | 2.6 |
| Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 34,716 | 1.8 |
| Nomura Bank (Luxembourg) S.A. | 31,306 | 1.6 |
| Mizuho Trust & Banking Co., Ltd. | 19,025 | 1.0 |
| State Street Bank and Trust Company 505103 | 18,337 | 1.0 |
| Total | 1,097,923 | 57.0 |

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

(3) Officers

The following table provides information about the officers.

| Title and post | Name | Major concurrent position | Total compensation per title during the 26th period (Yen in thousands) |
|--------------------------|--------------------------------|---|--|
| Executive Director | Jiro Kawanishi | — | 2,400 |
| Supervisory Directors | Tetsuya Iwasaki | Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd. | 2,100 |
| | Hiroshi Ishikawa | Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC. | 2,100 |
| Accounting Auditor | Ernst & Young ShinNihon LLC | — | 18,500 |

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

(4) Asset Manager, Custodian and General Administrators

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

3. Portfolio of DHR

(1) Composition of Assets

The following table provides information about the composition of assets.

| Type of assets | Asset class | Area (Note 1) | 25th period August 31, 2018 | | 26th period February 28, 2019 | | |
|--|---------------------------|---|--|---|--|---|------|
| | | | Total amount held (Yen in millions) (Note 2) | Percentage to total assets (%) (Note 3) | Total amount held (Yen in millions) (Note 2) | Percentage to total assets (%) (Note 3) | |
| Real estate | Residential properties | Three major metropolitan areas of Japan | Greater Tokyo area | 24,989 | 3.2 | 23,854 | 3.1 |
| | | | Greater Nagoya area | 913 | 0.1 | 909 | 0.1 |
| | | | Greater Osaka area | 13,413 | 1.7 | 13,315 | 1.7 |
| | | Other | 5,358 | 0.7 | 5,329 | 0.7 | |
| | | Subtotal | | 44,675 | 5.8 | 43,408 | 5.6 |
| Trust beneficiary interests in real estate | Logistics properties | Three major metropolitan areas of Japan | Greater Tokyo area | 207,466 | 26.9 | 206,536 | 26.6 |
| | | | Greater Nagoya area | 15,521 | 2.0 | 15,426 | 2.0 |
| | | | Greater Osaka area | 23,226 | 3.0 | 23,077 | 3.0 |
| | | Other | 87,470 | 11.3 | 90,356 | 11.6 | |
| | Residential properties | Three major metropolitan areas of Japan | Greater Tokyo area | 169,032 | 21.9 | 168,091 | 21.6 |
| | | | Greater Nagoya area | 6,109 | 0.8 | 6,048 | 0.8 |
| | | | Greater Osaka area | 6,196 | 0.8 | 6,132 | 0.8 |
| | | Other | 5,152 | 0.7 | 5,082 | 0.7 | |
| | Retail properties | Three major metropolitan areas of Japan | Greater Tokyo area | 26,867 | 3.5 | 26,780 | 3.4 |
| | | | Greater Nagoya area | 2,390 | 0.3 | 2,390 | 0.3 |
| | | | Greater Osaka area | 17,224 | 2.2 | 20,534 | 2.6 |
| | | Other | 24,835 | 3.2 | 29,229 | 3.8 | |
| | Hotel properties | Three major metropolitan areas of Japan | Greater Tokyo area | 4,821 | 0.6 | 4,803 | 0.6 |
| | | | Greater Osaka area | — | — | 1,476 | 0.2 |
| | Other assets | Three major metropolitan areas of Japan | Greater Tokyo area | 1,947 | 0.3 | 1,919 | 0.2 |
| | | | Other | 9,272 | 1.2 | 9,217 | 1.2 |
| | | Subtotal | | 607,555 | 78.8 | 617,103 | 79.3 |
| | | Deposits and other assets | | 119,051 | 15.4 | 117,215 | 15.1 |
| | Total assets | | 771,281 | 100.0 | 777,727 | 100.0 | |

- (Notes) 1. Three major metropolitan areas of Japan in “Area” are the greater Tokyo area (Tokyo, Kanagawa, Saitama and Chiba, the same shall apply hereinafter), the greater Nagoya area (Aichi, Gifu and Mie, the same shall apply hereinafter) and the greater Osaka area (Osaka, Kyoto, Hyogo, Nara and Shiga, the same shall apply hereinafter).
2. “Total amount held” represents the amounts recorded on the balance sheets as of the last day of each fiscal period (August 31, 2018 and February 28, 2019), which are rounded down to the nearest million yen. For real estate properties and trust beneficiary interests in real estate (may be referred to as “real estate in trust” or “trust beneficiary interests in real estate”), the amounts are their acquisition prices (including expenses associated with the acquisition) less accumulated depreciation.
3. “Percentage to total assets” is rounded to the first decimal place.

(2) Principal Assets Held

The overview of principal assets held by DHR as of February 28, 2019 (top ten properties in terms of book value at the end of the period) is as follows:

| Property name | Book value (Yen in millions) (Note 1) | Leasable area (m ²) (Note 2) | Leased area (m ²) (Note 3) | Occupancy rate (%) (Note 4) | Rate to total real estate rental revenues (%) (Note 5) | Primary use |
|-------------------------|---|--|--|-----------------------------------|---|-------------|
| D Project Urayasu II | 25,594 | 72,320.01 | 72,320.01 | 100.0 | (Note 6) | Logistics |
| DPL Misato | 16,691 | 55,864.47 | 55,864.47 | 100.0 | (Note 6) | Logistics |
| D Project Hachioji | 15,243 | 62,394.17 | 62,394.17 | 100.0 | (Note 6) | Logistics |
| DPL Fukuoka Kasuya | 13,261 | 73,739.04 | 73,739.04 | 100.0 | (Note 6) | Logistics |
| D Project Inuyama | 10,521 | 54,197.80 | 54,197.80 | 100.0 | (Note 6) | Logistics |
| D Project Nishiyodogawa | 9,996 | 39,584.80 | 39,584.80 | 100.0 | (Note 6) | Logistics |
| D Project Machida | 9,251 | 50,490.39 | 50,490.39 | 100.0 | (Note 6) | Logistics |
| D Project Urayasu I | 9,145 | 36,515.81 | 36,515.81 | 100.0 | (Note 6) | Logistics |
| D Project Tosu III | 9,141 | 65,215.07 | 65,215.07 | 100.0 | (Note 6) | Logistics |
| D Project Urayasu III | 8,512 | 39,441.32 | 39,441.32 | 100.0 | (Note 6) | Logistics |
| Total | 127,359 | 549,762.88 | 549,762.88 | 100.0 | 15.4 | — |

- (Notes) 1. “Book value” is the amount recorded on the balance sheets as of February 28, 2019 (in the case of real estate and real estate in trust, “Book value” is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
2. “Leasable area” means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of February 28, 2019.
3. “Leased area” represents the leased area in the leasable area as indicated in the lease agreement in relation to each real estate or each real estate in trust as of February 28, 2019. However, in the case of a pass-through type master lease agreement entered into with the master lease company, the leased area to end-tenants, as indicated in the sublease agreement for each real estate or each real estate in trust as of February 28, 2019, is provided. As some lease agreements for each real estate or each real estate in trust may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area.
4. “Occupancy rate” represents the ratio of leased area to total leasable area of each real estate or each real estate in trust as of February 28, 2019, and it is rounded to the first decimal place.
5. “Rate to total real estate rental revenues” is the rental revenues from each real estate or each real estate in trust expressed as a percentage of the total rental revenues from the entire portfolio, rounded to the first decimal place.
6. Undisclosed as consent for disclosure has not been obtained from the lessee.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of February 28, 2019 (real estate and real estate in trust, etc.) is as follows:

| Asset class | Property name | Location (Note 1) | Form of ownership | Leasable area (m ²) (Note 2) | Assessed value at the end of period (Yen in millions) (Note 3) | Book value (Yen in millions) (Note 4) |
|----------------------|---------------------------|--|----------------------|--|---|--|
| Logistics properties | D Project Machida | 2-1-6, Oyamagaoka, Machida City, Tokyo | Real estate in trust | 50,490.39 | 9,840 | 9,251 |
| | D Project Hachioji | 3-21-1, Minami-Osawa, Hachioji City, Tokyo | Real estate in trust | 62,394.17 | 17,000 | 15,243 |
| | D Project Aikawa-Machi | 4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa | Real estate in trust | 14,240.84 | 4,410 | 3,790 |
| | D Project Shin-Misato | Lala City, Shin-Misato, Misato City, Saitama (Note 5) | Real estate in trust | 11,289.91 | 5,750 | 5,605 |
| | D Project Urayasu I | 12-1, Chidori, Urayasu City, Chiba | Real estate in trust | 36,515.81 | 9,960 | 9,145 |
| | D Project Urayasu II | 11-5, Chidori, Urayasu City, Chiba | Real estate in trust | 72,320.01 | 28,100 | 25,594 |
| | D Project Akanehama | 3-2-8, Akanehama, Narashino City, Chiba | Real estate in trust | 11,663.39 | 3,070 | 2,888 |
| | D Project Noda | 1-1, Aza Tamei, Futatsuka, Noda City, Chiba | Real estate in trust | 29,232.53 | 6,550 | 6,074 |
| | D Project Inuyama | 5-5, Aza Takanebora, Inuyama City, Aichi | Real estate in trust | 54,197.80 | 11,780 | 10,521 |
| | D Project Gifu | 449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu | Real estate in trust | 7,669.91 | 1,170 | 1,075 |
| | D Project Neyagawa | 2-24-12, Shimeno, Neyagawa City, Osaka | Real estate in trust | 11,151.51 | 6,320 | 5,858 |
| | D Project Sapporo Minami | 5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido | Real estate in trust | 6,749.10 | 862 | 790 |
| | D Project Morioka | 3-18, Ogama-kazabayashi, Takizawa City, Iwate | Real estate in trust | 9,558.32 | 1,210 | 1,154 |
| | D Project Sendai Minami | 3-2-39, Kuko-Minami, Iwanuma City, Miyagi | Real estate in trust | 11,052.27 | 1,580 | 1,525 |
| | D Project Tsuchiura | 20-29, Aza Harayama, Hongo, Tsuchiura City, Ibaraki | Real estate in trust | 17,448.86 | 3,540 | 3,266 |
| | D Project Gotenba | 2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka | Real estate in trust | 6,737.53 | 1,140 | 1,115 |
| | D Project Nishi-Hiroshima | 2-3-11, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima | Real estate in trust | 5,093.51 | 1,210 | 1,180 |
| | D Project Fukuoka Umi | 384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka | Real estate in trust | 24,729.56 | 4,510 | 4,128 |
| | D Project Tosu | 1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga | Real estate in trust | 17,858.01 | 6,150 | 5,512 |
| | D Project Kuki I | 6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama | Real estate in trust | 22,708.72 | 4,150 | 3,802 |
| | D Project Kuki II | 6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama | Real estate in trust | 50,490.00 | 8,650 | 7,838 |
| | D Project Kawagoe I | 3-2-3, Yoshinodai, Kawagoe City, Saitama | Real estate in trust | 16,150.88 | 3,850 | 3,450 |

I. Asset Management Report

| Asset class | Property name | Location (Note 1) | Form of ownership | Leasable area (m ²) (Note 2) | Assessed value at the end of period (Yen in millions) (Note 3) | Book value (Yen in millions) (Note 4) |
|------------------------|-----------------------------------|---|----------------------|--|--|---------------------------------------|
| Logistics properties | D Project Kawagoe II | 3-2-4, Yoshinodai, Kawagoe City, Saitama | Real estate in trust | 19,872.00 | 5,390 | 4,758 |
| | DPL Inuyama | 1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi | Real estate in trust | 21,628.50 | 4,220 | 3,830 |
| | D Project Fukuoka Hakozaki | 5-2-1, Hakozakifuto, Higashi Ward, Fukuoka City, Fukuoka | Real estate in trust | 34,710.80 | 4,630 | 4,222 |
| | D Project Kuki III | 6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama | Real estate in trust | 26,937.41 | 8,250 | 7,405 |
| | D Project Kuki IV | 6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama | Real estate in trust | 26,460.00 | 5,910 | 5,372 |
| | D Project Kuki V | 6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama | Real estate in trust | 47,320.89 | 8,910 | 8,088 |
| | D Project Kuki VI | 48-3, Kiyoku-cho, Kuki City, Saitama | Real estate in trust | 29,244.66 | 5,510 | 5,002 |
| | D Project Yashio | 50-1, Oaza Shin-machi, Yashio City, Saitama | Real estate in trust | 21,965.04 | 6,790 | 6,258 |
| | D Project Nishiyodogawa | 2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka | Real estate in trust | 39,584.80 | 10,900 | 9,996 |
| | D Project Matsudo | 700-3, Aza Nishinooda, Kamihongo, Matsudo City, Chiba | Real estate in trust | 26,776.67 | 7,760 | 7,217 |
| | D Project Hibiki Nada | 3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka | Real estate in trust | 23,933.75 | 2,170 | 2,004 |
| | D Project Morioka II | 3-15, Ogama-kazabayashi, Takizawa City, Iwate | Real estate in trust | 4,481.00 | 1,330 | 1,249 |
| | D Project Kawagoe III | 2-8-55, Yoshinodai, Kawagoe City, Saitama | Real estate in trust | 39,572.32 | 7,830 | 7,089 |
| | D Project Kazo | 2-16-1, Okuwa, Kazo City, Saitama | Real estate in trust | 18,371.10 | 3,460 | 3,249 |
| | D Project Urayasu III | 12-1, Chidori, Urayasu City, Chiba | Real estate in trust | 39,441.32 | 9,760 | 8,512 |
| | D Project Tomisato | 7-2, Misawa, Tomisato City, Chiba | Real estate in trust | 36,113.25 | 5,280 | 4,900 |
| | D Project Kyotanabe | 3-50-1, Kannabidai, Kyotanabe City, Kyoto | Real estate in trust | 10,965.68 | 3,710 | 3,494 |
| | D Project Sendai Izumi | 2-9-1, Akegori, Izumi Ward, Sendai City, Miyagi | Real estate in trust | 10,764.05 | 1,610 | 1,485 |
| | D Project Oyama | 2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi | Real estate in trust | 14,106.91 | 2,040 | 1,965 |
| | D Project Sano | 570-9, Nishiura-cho, Sano City, Tochigi | Real estate in trust | 15,668.44 | 1,800 | 1,744 |
| | D Project Tatebayashi | 110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma | Real estate in trust | 13,521.56 | 3,210 | 3,041 |
| | D Project Kakegawa | 653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka | Real estate in trust | 39,341.44 | 6,130 | 5,936 |
| | D Project Hiroshima Seifu | 2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima | Real estate in trust | 19,004.72 | 4,050 | 3,763 |
| | D Project Tosu II | 1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga | Real estate in trust | 13,012.50 | 1,890 | 1,667 |
| | D Project Kawagoe IV | 3-2-1, Yoshinodai, Kawagoe City, Saitama | Real estate in trust | 24,684.47 | 5,930 | 5,589 |
| | D Project Kuki VII | 6004-3, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama | Real estate in trust | 3,225.46 | 1,110 | 1,042 |
| | D Project Chibakita | 461-1, Naganumacho, Inage Ward, Chiba City, Chiba | Real estate in trust | 24,368.86 | 8,020 | 7,624 |
| | D Project Matsudo II | 700-1, Aza Nishinooda, Kamihongo, Matsudo City, Chiba | Real estate in trust | 25,305.82 | 8,370 | 8,181 |
| | D Project Tomisato II | 1-6, Misawa, Tomisato City, Chiba | Real estate in trust | 40,870.56 | 7,150 | 6,866 |
| | D Project Osaka Hirabayashi | 2-6-15, Hirabayashikita, Suminoe Ward, Osaka City, Osaka | Real estate in trust | 22,485.08 | 4,350 | 3,728 |
| | D Project Sendai Izumi II | 3-1-1, Akegori, Izumi Ward, Sendai City, Miyagi | Real estate in trust | 39,580.46 | 7,540 | 7,249 |
| | D Project Kaminokawa | 2568-1, Aza Minamihara, Oaza Tako, Kaminokawamachi, Kawachi District, Tochigi | Real estate in trust | 52,239.75 | 8,050 | 7,859 |
| | D Project Fuji | 2261-6, Aza Shiroyama, Obuchi, Fuji City, Shizuoka | Real estate in trust | 23,795.40 | 3,680 | 3,582 |
| | D Project Tosu III | 3-1-3, Yayoigaoka, Tosu City, Saga | Real estate in trust | 65,215.07 | 9,380 | 9,141 |
| | DPL Misato | 1-3-5, Inter-Minami, Misato City, Saitama | Real estate in trust | 55,864.47 | 17,800 | 16,691 |
| | DPL Fukuoka Kasuya | 642-1, Aza Sanjyuroku, Oaza Uchihashi, Kasuyamachi, Kasuya District, Fukuoka | Real estate in trust | 73,739.04 | 13,300 | 13,261 |
| | DPL Kitakyushu | 5-14, Sonekitamachi, Kokuraminami Ward, Kitakyushu City, Fukuoka | Real estate in trust | 26,672.98 | 3,580 | 3,506 |
| | Logistics properties – Subtotal | | | 1,620,589.26 | 361,602 | 335,395 |
| Residential properties | Qiz Ebisu | 4-3-1, Ebisu, Shibuya Ward, Tokyo | Real estate in trust | 5,230.39 | 8,810 | 7,165 |
| | Castalia Azabujuban Shichimenzaka | 2-7-5, Azabujuban, Minato Ward, Tokyo | Real estate in trust | 3,492.93 | 4,350 | 4,176 |
| | Castalia Shibakoen | 3-32-10, Shiba, Minato Ward, Tokyo | Real estate in trust | 2,707.51 | 2,310 | 2,424 |
| | Castalia Ginza | 1-14-13, Ginza, Chuo Ward, Tokyo | Real estate in trust | 2,226.42 | 2,260 | 2,320 |
| | Castalia Hiroo | 3-13-3, Nishi Azabu, Minato Ward, Tokyo | Real estate in trust | 1,621.59 | 1,930 | 2,060 |
| | Castalia Nihonbashi | 11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo | Real estate in trust | 1,458.73 | 1,190 | 1,052 |
| | Castalia Hacchobori | 3-27-5, Hacchobori, Chuo Ward, Tokyo | Real estate in trust | 2,969.57 | 2,330 | 2,074 |
| | Castalia Azabujuban | 2-10-1, Azabujuban, Minato Ward, Tokyo | Real estate in trust | 2,400.00 | 2,730 | 2,760 |
| | Castalia Azabujuban II | 2-21-2, Azabujuban, Minato Ward, Tokyo | Real estate in trust | 2,094.58 | 2,560 | 2,528 |
| | Castalia Shinjuku Natsumezaka | 10-1, Kikui-cho, Shinjuku Ward, Tokyo | Real estate in trust | 1,917.62 | 1,630 | 1,753 |
| | Castalia Ginza II | 1-23-4, Ginza, Chuo Ward, Tokyo | Real estate in trust | 1,817.56 | 1,760 | 1,656 |
| | Castalia Shibuya Sakuragaoka | 29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo | Real estate in trust | 1,123.80 | 1,180 | 1,327 |
| | Castalia Nishi Azabu Kasumicho | 1-3-12, Nishi Azabu, Minato Ward, Tokyo | Real estate in trust | 2,779.77 | 2,480 | 2,331 |
| | Castalia Ochanomizu | 3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo | Real estate in trust | 2,559.21 | 2,250 | 1,689 |
| | Castalia Sangubashi | 4-52-12, Yoyogi, Shibuya Ward, Tokyo | Real estate in trust | 1,898.47 | 1,530 | 1,479 |
| | Castalia Suitengu | 2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo | Real estate in trust | 1,940.94 | 1,540 | 1,217 |
| | Castalia Suitengu II | 1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo | Real estate in trust | 1,858.34 | 1,390 | 1,088 |

| Asset class | Property name | Location (Note 1) | Form of ownership | Leasable area (m ²) (Note 2) | Assessed value at the end of period (Yen in millions) (Note 3) | Book value (Yen in millions) (Note 4) |
|------------------------|----------------------------------|--|----------------------|--|--|---------------------------------------|
| Residential properties | Castalia Nishi Azabu Kasumicho | 1-3-12, Nishi Azabu, Minato Ward, Tokyo | Real estate in trust | 2,779.77 | 2,480 | 2,331 |
| | Castalia Ochanomizu | 3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo | Real estate in trust | 2,559.21 | 2,250 | 1,689 |
| | Castalia Sangubashi | 4-52-12, Yoyogi, Shibuya Ward, Tokyo | Real estate in trust | 1,898.47 | 1,530 | 1,479 |
| | Castalia Suitengu | 2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo | Real estate in trust | 1,940.94 | 1,540 | 1,217 |
| | Castalia Suitengu II | 1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo | Real estate in trust | 1,858.34 | 1,390 | 1,088 |
| | Castalia Shintomicho | 3-10-10, Irifune, Chuo Ward, Tokyo | Real estate in trust | 1,444.52 | 1,120 | 901 |
| | Castalia Shintomicho II | 2-6-4, Irifune, Chuo Ward, Tokyo | Real estate in trust | 1,244.54 | 988 | 807 |
| | Castalia Harajuku | 3-55-3, Sendagaya, Shibuya Ward, Tokyo | Real estate in trust | 1,225.26 | 970 | 854 |
| | Castalia Yoyogi Uehara | 1-17-16, Uehara, Shibuya Ward, Tokyo | Real estate in trust | 811.95 | 740 | 653 |
| | Castalia Sendagaya | 2-9-10, Sendagaya, Shibuya Ward, Tokyo | Real estate in trust | 803.03 | 654 | 553 |
| | Castalia Shinjuku 7 chome | 7-17-16, Shinjuku, Shinjuku Ward, Tokyo | Real estate in trust | 957.60 | 541 | 437 |
| | Castalia Ningyocho | 7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo | Real estate in trust | 1,747.90 | 1,290 | 885 |
| | Castalia Ningyocho II | 8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo | Real estate in trust | 1,826.80 | 1,420 | 987 |
| | Castalia Shin-Ochanomizu | 2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo | Real estate in trust | 1,308.38 | 1,090 | 848 |
| | Castalia Higashi Nihonbashi II | 12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo | Real estate in trust | 2,117.46 | 1,710 | 1,245 |
| | Castalia Jinbocho | 2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo | Real estate in trust | 1,628.80 | 1,460 | 1,074 |
| | Castalia Shintomicho III | 2-8-8, Irifune, Chuo Ward, Tokyo | Real estate in trust | 972.51 | 771 | 608 |
| | Castalia Shinjuku Gyoen | 2-14-4, Shinjuku, Shinjuku Ward, Tokyo | Real estate in trust | 3,594.16 | 3,320 | 2,590 |
| | Castalia Takanawadai | 3-4-12, Takanawa, Minato Ward, Tokyo | Real estate in trust | 1,147.44 | 1,050 | 811 |
| | Castalia Higashi Nihonbashi III | 3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo | Real estate in trust | 1,105.20 | 830 | 603 |
| | Castalia Shinjuku Gyoen II | 1-29-15, Shinjuku, Shinjuku Ward, Tokyo | Real estate in trust | 668.79 | 550 | 469 |
| | Castalia Shintomicho IV | 3-10-8, Irifune, Chuo Ward, Tokyo | Real estate in trust | 681.00 | 505 | 392 |
| | Castalia Takanawadai II | 3-5-6, Takanawa, Minato Ward, Tokyo | Real estate in trust | 1,567.84 | 1,380 | 1,147 |
| | Castalia Minami Azabu | 2-2-27, Minami Azabu, Minato Ward, Tokyo | Real estate in trust | 882.67 | 710 | 605 |
| | Castalia Ginza III | 8-18-2, Ginza, Chuo Ward, Tokyo | Real estate | 3,494.42 | 3,070 | 2,712 |
| | Castalia Kayabacho | 2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo | Real estate | 4,602.95 | 3,240 | 2,506 |
| | Castalia Takanawa | 2-17-12, Takanawa, Minato Ward, Tokyo | Real estate in trust | 10,408.26 | 8,240 | 7,111 |
| | Castalia Higashi Nihonbashi | 9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo | Real estate | 6,442.28 | 4,080 | 3,217 |
| | Castalia Shinjuku | 2-6-11, Shinjuku, Shinjuku Ward, Tokyo | Real estate | 3,150.80 | 3,500 | 2,823 |
| | Castalia Ichigaya | 14-4, Ichigaya Yakuoji-machi, Shinjuku Ward, Tokyo | Real estate in trust | 1,546.34 | 1,350 | 863 |
| | Shibaura Island Bloom Tower | 4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo | Real estate in trust | 16,849.50 | 9,350 | 6,656 |
| | Castalia Hatsudai | 1-10-9, Honmachi, Shibuya Ward, Tokyo | Real estate in trust | 3,077.05 | 2,390 | 1,953 |
| | Castalia Hatsudai II | 1-33-7, Honmachi, Shibuya Ward, Tokyo | Real estate in trust | 2,339.42 | 2,180 | 1,861 |
| | Castalia Ebisu | 3-15-6, Ebisu, Shibuya Ward, Tokyo | Real estate in trust | 1,659.71 | 1,640 | 1,401 |
| | Castalia Meguro Kamurozaka | 4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo | Real estate in trust | 4,967.97 | 4,470 | 4,016 |
| | Castalia Toritsudaigaku | 1-4-1, Midorigaoka, Meguro Ward, Tokyo | Real estate in trust | 863.70 | 536 | 583 |
| | Castalia Yukigaya | 2-13-3, Higashi Yukigaya, Ota Ward, Tokyo | Real estate in trust | 1,542.30 | 1,150 | 983 |
| | Castalia Yutenji | 2-14-21, Yutenji, Meguro Ward, Tokyo | Real estate in trust | 1,380.35 | 1,320 | 1,328 |
| | Castalia Otsuka | 3-17-4, Minami Otsuka, Toshima Ward, Tokyo | Real estate in trust | 1,871.70 | 1,650 | 1,303 |
| | Castalia Kikukawa | 2-1-12, Kikukawa, Sumida Ward, Tokyo | Real estate in trust | 1,168.18 | 809 | 713 |
| | Castalia Meguro | 2-1-13, Meguro, Meguro Ward, Tokyo | Real estate in trust | 1,414.73 | 1,070 | 862 |
| | Castalia Otsuka II | 2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo | Real estate in trust | 1,784.50 | 1,290 | 972 |
| | Castalia Jiyugaoka | 1-20-1, Jiyugaoka, Meguro Ward, Tokyo | Real estate in trust | 1,472.47 | 1,400 | 1,157 |
| | Castalia Mejiro | 2-8-16, Takada, Toshima Ward, Tokyo | Real estate in trust | 1,658.90 | 1,100 | 924 |
| | Castalia Ikebukuro | 3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo | Real estate in trust | 3,644.35 | 2,950 | 2,426 |
| | Castalia Kaname-cho | 5-26-10 Nishi-Ikebukuro, Toshima Ward, Tokyo | Real estate in trust | 1,624.06 | 1,280 | 1,049 |
| | Castalia Tower Shinagawa Seaside | 4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo | Real estate in trust | 12,732.35 | 9,130 | 6,725 |
| | Castalia Yakumo | 2-20-5, Yakumo, Meguro Ward, Tokyo | Real estate | 1,276.91 | 819 | 824 |
| | Castalia Togoshiekimae | 1-7-16, Hiratsuka, Shinagawa Ward, Tokyo | Real estate | 2,014.12 | 2,050 | 1,454 |
| | Castalia Honjo Azumabashi | 3-7-11, Honjo, Sumida Ward, Tokyo | Real estate in trust | 2,255.88 | 1,230 | 982 |
| | Castalia Kitazawa | 1-15-5, Kitazawa, Setagaya Ward, Tokyo | Real estate in trust | 1,220.16 | 849 | 757 |
| | Castalia Monzennakacho | 1-17-12, Fukuzumi, Koto Ward, Tokyo | Real estate in trust | 887.94 | 603 | 473 |
| | Castalia Kamiikedai | 1-4-15, Kamiikedai, Ota Ward, Tokyo | Real estate in trust | 414.45 | 222 | 179 |
| | Castalia Morishita | 1-16-12, Morishita, Koto Ward, Tokyo | Real estate in trust | 1,383.90 | 1,050 | 792 |
| | Castalia Wakabayashikoen | 4-39-4, Wakabayashi, Setagaya Ward, Tokyo | Real estate in trust | 1,425.43 | 864 | 740 |
| | Castalia Asakusabashi | 2-16-21, Yanagi-bashi, Taito Ward, Tokyo | Real estate in trust | 1,537.84 | 984 | 728 |
| | Castalia Iriya | 3-1-28, Shitaya, Taito Ward, Tokyo | Real estate in trust | 1,415.15 | 671 | 517 |
| | Castalia Kita Ueno | 1-15-5, Kita-Ueno, Taito Ward, Tokyo | Real estate in trust | 4,197.66 | 2,880 | 2,379 |
| | Castalia Morishita II | 2-12-11, Shin-Ohashi, Koto Ward, Tokyo | Real estate | 1,275.60 | 833 | 611 |
| | Castalia Minowa | 5-24-4, Negishi, Taito Ward, Tokyo | Real estate | 2,406.41 | 1,580 | 1,288 |
| | Castalia Oyamadai | 7-14-13, Todoroki, Setagaya Ward, Tokyo | Real estate | 857.32 | 613 | 515 |
| | Castalia Nakano | 2-12-13, Arai, Nakano Ward, Tokyo | Real estate | 1,613.86 | 1,280 | 965 |
| | Castalia Yoga | 1-3-12, Tamagawadai, Setagaya Ward, Tokyo | Real estate | 1,472.38 | 1,170 | 864 |

I. Asset Management Report

| Asset class | Property name | Location (Note 1) | Form of ownership | Leasable area (m ²) (Note 2) | Assessed value at the end of period (Yen in millions) (Note 3) | Book value (Yen in millions) (Note 4) |
|------------------------|---|--|----------------------|--|--|---------------------------------------|
| Residential properties | Castalia Sumiyoshi | 2-8-11, Sumiyoshi, Koto Ward, Tokyo | Real estate | 1,362.60 | 1,060 | 840 |
| | Castalia Monzennakacho II | 2-2-9, Tomioka, Koto Ward, Tokyo | Real estate | 3,038.98 | 2,760 | 1,974 |
| | Castalia Oshiage | 3-5-2, Mukoujima, Sumida Ward, Tokyo | Real estate | 1,785.24 | 1,150 | 977 |
| | Castalia Kuramae | 3-9-4, Kuramae, Taito Ward, Tokyo | Real estate | 1,994.93 | 1,500 | 1,131 |
| | Castalia Nakanobu | 4-7-11, Nakanobu, Shinagawa Ward, Tokyo | Real estate in trust | 2,421.82 | 2,590 | 1,640 |
| | Royal Parks Toyosu | 3-5-21, Toyosu, Koto Ward, Tokyo | Real estate in trust | 18,112.03 | 9,950 | 6,143 |
| | Castalia Togoshi | 5-2-1, Togoshi, Shinagawa Ward, Tokyo | Real estate in trust | 2,629.59 | 2,520 | 1,580 |
| | Castalia Ooimachi | 4-2-11, Ooi, Shinagawa Ward, Tokyo | Real estate | 1,413.75 | 1,540 | 1,147 |
| | Castalia Omori | 1-19-20, Omori kita, Ota Ward, Tokyo | Real estate in trust | 2,046.36 | 1,810 | 1,412 |
| | Castalia Mishuku | 1-3-39, Taishidou, Setagaya Ward, Tokyo | Real estate in trust | 2,640.86 | 2,320 | 1,830 |
| | Castalia Arakawa | 2-3-1, Arakawa, Arakawa Ward, Tokyo | Real estate in trust | 3,797.92 | 2,190 | 1,583 |
| | Castalia Omori II | 1-8-13, Omori kita, Ota Ward, Tokyo | Real estate in trust | 2,818.70 | 3,010 | 2,257 |
| | Castalia Nakameguro | 1-18-7, Aobadai, Meguro Ward, Tokyo | Real estate in trust | 3,166.71 | 4,530 | 3,778 |
| | Castalia Meguro Chojyamaru | 2-8-1, Kamiosaki, Shinagawa Ward, Tokyo | Real estate in trust | 2,123.77 | 2,400 | 1,996 |
| | Castalia Meguro Takaban | 1-6-19, Takaban, Meguro Ward, Tokyo | Real estate in trust | 1,961.52 | 1,900 | 1,744 |
| | Castalia Omori III | 5-21-11, Minami-ooi, Shinagawa Ward, Tokyo | Real estate in trust | 2,004.80 | 1,740 | 1,469 |
| | Castalia Meguro Tairamachi | 1-23-8, Tairamachi, Meguro Ward, Tokyo | Real estate in trust | 1,278.52 | 1,320 | 1,201 |
| | Royal Parks SEASIR | 1-16-2, Nishiarai Sakae-cho, Adachi Ward, Tokyo | Real estate in trust | 17,269.74 | 4,980 | 4,085 |
| | Castalia Honkomagome | 6-21-2, Honkomagome, Bunkyo Ward, Tokyo | Real estate in trust | 2,224.41 | 1,830 | 1,515 |
| | Cosmo Heim Musashikosugi | 2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa | Real estate in trust | 4,208.83 | 2,020 | 1,654 |
| | Castalia Tsurumi | 3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa | Real estate in trust | 1,452.09 | 754 | 586 |
| | Castalia Funabashi | 4-4-8, Honcho, Funabashi City, Chiba | Real estate in trust | 1,552.01 | 794 | 694 |
| | Castalia Nishi Funabashi | 4-19-16, Nishi Funa, Funabashi City, Chiba | Real estate in trust | 1,597.32 | 954 | 741 |
| | Castalia NogeYama | 1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa | Real estate in trust | 744.90 | 328 | 296 |
| | Castalia Ichikawa | 1-24-3, Ichikawa, Ichikawa City, Chiba | Real estate in trust | 876.89 | 549 | 404 |
| | Royal Parks Hanakoganei | 1-8-2, Hanakoganei, Kodaira City, Tokyo | Real estate in trust | 18,153.57 | 6,280 | 4,791 |
| | Castalia Musashikosugi | 2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa | Real estate in trust | 2,179.80 | 1,890 | 1,641 |
| | Royal Parks Wakabadai | 2-1-1-1, Wakabadai, Inagi City, Tokyo | Real estate in trust | 21,367.93 | 4,790 | 3,895 |
| | Pacific Royal Court Minatomirai Urban Tower | 5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa | Real estate in trust | 26,294.49 | 10,900 | 8,444 |
| | L-Place Shinkoyasu | 3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa | Real estate in trust | 3,009.74 | 2,110 | 1,699 |
| | Royal Parks Musashikosugi | 13-8, Aza Shinjuku-kochi, Nakamaruko, Nakahara Ward, Kawasaki City, Kanagawa | Real estate in trust | 3,808.97 | 1,310 | 991 |
| | Castalia Sakaisuji Honmachi | 1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka | Real estate in trust | 3,471.39 | 1,820 | 1,307 |
| | Castalia Shin-Umeda | 6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka | Real estate in trust | 3,279.90 | 1,590 | 1,211 |
| | Castalia Abeno | 2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka | Real estate | 10,920.75 | 5,310 | 3,986 |
| | Castalia Sakae | 4-16-10, Sakae, Naka Ward, Nagoya City, Aichi | Real estate | 2,836.00 | 1,220 | 909 |
| | Castalia Maruyama Urasando | 21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido | Real estate | 1,522.89 | 508 | 361 |
| | Castalia Maruyama Omotesando | 21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido | Real estate | 6,100.31 | 2,010 | 1,535 |
| | Castalia Higashi Hie | 5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka | Real estate | 3,061.60 | 1,050 | 837 |
| | Castalia Tower Nagahoribashi | 1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka | Real estate | 8,747.40 | 4,620 | 2,933 |
| | Castalia Sannomiya | 3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo | Real estate | 3,071.60 | 1,500 | 1,066 |
| | Castalia Kotodaikoen | 3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi | Real estate | 1,684.10 | 558 | 413 |
| | Castalia Ichibancho | 1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi | Real estate | 2,800.32 | 938 | 690 |
| | Castalia Omachi | 2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi | Real estate | 2,149.08 | 820 | 603 |
| | Castalia Uemachidai | 4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka | Real estate | 5,415.39 | 2,770 | 1,950 |
| | Castalia Tower Higobashi | 1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka | Real estate | 6,230.20 | 3,590 | 2,369 |
| | Big Tower Minami Sanjo | 2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido | Real estate in trust | 8,661.19 | 2,650 | 1,313 |
| | Castalia Fushimi | 1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi | Real estate in trust | 7,022.69 | 3,110 | 1,958 |
| | Castalia Meieki Minami | 1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi | Real estate in trust | 1,822.10 | 964 | 657 |
| | Castalia Yakuin | 2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka | Real estate | 2,784.83 | 1,180 | 886 |
| | Castalia Mibu | 79, Mibu Aiai-cho, Nakagyo Ward, Kyoto City, Kyoto | Real estate in trust | 2,828.39 | 1,490 | 1,100 |
| | Castalia Tsutsujigaoka | 4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi | Real estate in trust | 4,471.11 | 1,750 | 1,179 |
| | Castalia Ohori Bay Tower | 1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka | Real estate in trust | 11,089.75 | 3,670 | 2,589 |

| Asset class | Property name | Location (Note 1) | Form of ownership | Leasable area (m ²) (Note 2) | Assessed value at the end of period (Yen in millions) (Note 3) | Book value (Yen in millions) (Note 4) |
|------------------------|---|--|----------------------|--|--|---------------------------------------|
| Residential properties | Royal Parks Namba | 2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka | Real estate in trust | 10,354.15 | 2,970 | 2,512 |
| | Castalia Shigahondori | 1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi | Real estate in trust | 5,086.69 | 2,090 | 1,590 |
| | Castalia Kyoto Nishioji | 100-1, Shichijyo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto | Real estate | 2,035.37 | 1,080 | 1,006 |
| | Castalia Ningyocho III | 1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo | Real estate in trust | 2,897.06 | 2,440 | 1,997 |
| | Royal Parks Umejima | 5-25-33, Umeda, Adachi Ward, Tokyo | Real estate in trust | 6,828.78 | 2,200 | 1,980 |
| | Castalia Shinsakae II | 1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi | Real estate in trust | 4,425.46 | 1,960 | 1,841 |
| | Residential properties – Subtotal | | | 472,121.87 | 287,859 | 228,762 |
| | ACROSSMALL Shinkamagaya | 2-12-1, Shin-Kamagaya, Kamagaya City, Chiba | Real estate in trust | 41,742.84 | 8,340 | 7,511 |
| Retail properties | FOLEO Hirakata | 1-20-10, Koyamichi, Hirakata City, Osaka | Real estate in trust | 16,390.96 | 4,670 | 4,503 |
| | QIZ GATE URAWA | 3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama | Real estate in trust | 9,720.49 | 4,330 | 4,233 |
| | UNICUS Takasaki | 1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma | Real estate in trust | 9,277.08 | 3,110 | 2,947 |
| | ACROSSPLAZA Miyoshi (Land) | 855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama | Real estate in trust | 24,018.00 | 3,950 | 3,740 |
| | DREAM TOWN Ali | 3-1-1, Hamada, Aomori City, Aomori | Real estate in trust | 22,196.81 | 8,510 | 7,931 |
| | ASOBOX (Land) | 2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka | Real estate in trust | 11,207.90 | 1,900 | 1,617 |
| | FOLEO Ome Imai | 3-10-9, Imai, Ome City, Tokyo | Real estate in trust | 8,637.91 | 3,950 | 3,770 |
| | FOLEO Otsu Ichiriyama | 7-1-1, Ichiriyama, Otsu City, Shiga | Real estate in trust | 62,917.73 | 8,450 | 8,105 |
| | FOLEO Hakata | 1-14-46, Higashinaka, Hakata Ward, Fukuoka City, Fukuoka | Real estate in trust | 23,230.77 (Note 6) | 3,680 | 3,203 |
| | ACROSSMALL Semboku (Land) (Note 7) | 5-456-67, Harayamadai, Minami Ward, Sakai City, Osaka | Real estate in trust | 30,824.72 | 3,880 | 3,383 |
| | LIFE Sagamihara Wakamatsu | 5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa | Real estate in trust | 2,973.44 | 1,800 | 1,655 |
| | FOLEO Sendai Miyanomori | 4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi | Real estate in trust | 19,845.72 | 7,380 | 6,858 |
| | ACROSSPLAZA Inazawa (Land) | 5-1-1, Otsuka Minami, Inazawa City, Aichi | Real estate in trust | 31,981.70 | 2,520 | 2,390 |
| | Sports Depo and GOLF5 Kokurahigashi IC Store | 2-18-17, Kamikuzuhara, Kokuraminami Ward, Kitakyushu City, Fukuoka | Real estate in trust | 8,899.89 | 2,400 | 2,182 |
| | Hiratsuka Retail Property (Land) | 1-2, Kuryozutsumi, Hiratsuka City, Kanagawa | Real estate in trust | 28,002.92 | 6,640 | 5,857 |
| | Royal Home Center Morinomiya (Land) | 1-540-1, Tamatsukuri, Chuo Ward, Osaka City, Osaka | Real estate in trust | 6,669.74 | 5,220 | 4,541 |
| | COMBOX310 | 1-107-1, Miyamachi, Mito City, Ibaraki | Real estate in trust | 30,517.69 | 4,600 | 4,489 |
| | Retail properties – Subtotal | | | 389,056.31 | 85,330 | 78,921 |
| Hotel properties | Daiwa Roynet Hotel Yokohama Kannai | 2-7-4, Hagoromocho, Naka Ward, Yokohama City, Kanagawa | Real estate in trust | 7,932.37 | 4,940 | 4,803 |
| | Super Hotel JR Nara Station Sanjo Street | 500-1, Sanjo-cho, Nara City, Nara | Real estate in trust | 2,637.18 | 1,490 | 1,476 |
| Other assets | Hotel properties – Subtotal | | | 10,569.55 | 6,430 | 6,279 |
| | Urban Living Inage | 327-1, Sanno-cho, Inage Ward, Chiba City, Chiba | Real estate in trust | 4,177.52 | 1,280 | 848 |
| | Aburatsubo Marina HILLS | 1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa | Real estate in trust | 3,901.14 | 1,260 | 1,070 |
| | Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi) | 1-1-12, Omoromachi, Naha City, Okinawa | Real estate in trust | 13,480.00 | 8,010 | 7,379 |
| | Sharp Hiroshima Building | 2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima | Real estate in trust | 3,064.89 | 1,950 | 1,838 |
| Other – Subtotal | | | | 24,623.55 | 12,500 | 11,136 |
| Total | | | | 2,516,960.54 | 753,721 | 660,496 |

- (Notes)
1. "Location" means displayed address of each real estate or each real estate in trust. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.
 2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of February 28, 2019. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
 3. "Assessed value at the end of period" is the appraisal value as of February 28, 2019 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Real Estate Institute and JLL Morii Valuation & Advisory K.K.) in accordance with the Articles of Incorporation of DHR as well as "Regulations on Accounting of Investment Corporations." The amounts are rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.
 4. "Book value" is the amount recorded on the balance sheets as of February 28, 2019 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
 5. Undisclosed as consent for disclosure has not been obtained from the lessee.
 6. Separately from the building of this property, a part of the land of this property is leased to the lessee for the purpose of subleasing to Fukuoka Prefecture and other third parties as land for a police station, etc. The area of such leased land is not included in the leasable area.
 7. On April 1, 2019, CROSS MALL (Land) has changed its name to ACROSSMALL Semboku (Land). The same shall apply hereinafter.

I. Asset Management Report

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

| Asset class | Property name | 25th period (From March 1, 2018 to August 31, 2018) | | | 26th period (From September 1, 2018 to February 28, 2019) | | |
|----------------------|-----------------------------|--|---|---|--|---|---|
| | | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) |
| | | (%) (Note 1) | (%) (Note 1) | (%) (Note 2) | (%) (Note 1) | (%) (Note 1) | (%) (Note 2) |
| Logistics properties | D Project Machida | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Hachioji | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Aikawa-Machi | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Shin-Misato | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Urayasu I | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Urayasu II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Akanehama | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Noda | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Inuyama | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Gifu | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Neyagawa | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Sapporo Minami | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Morioka | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Sendai Minami | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Tsuchiura | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Gotenba | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Nishi-Hiroshima | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Fukuoka Umi | 100.0 | 126,633 | 0.6 | 100.0 | 127,702 | 0.6 |
| | D Project Tosu | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kuki I | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kuki II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kawagoe I | 100.0 | 102,933 | 0.5 | 100.0 | 102,969 | 0.4 |
| | D Project Kawagoe II | 100.0 | 140,520 | 0.6 | 100.0 | 141,550 | 0.6 |
| | DPL Inuyama | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Fukuoka Hakozaki | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kuki III | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kuki IV | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kuki V | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kuki VI | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Yashio | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Nishiyodogawa | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Matsudo | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Hibiki Nada | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Morioka II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kawagoe III | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kazo | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Urayasu III | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Tomisato | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kyotanabe | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Sendai Izumi | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Oyama | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Sano | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Tatebayashi | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kakegawa | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Hiroshima Seifu | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Tosu II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kawagoe IV | 100.0 | 126,079 | 0.6 | 100.0 | 161,065 | 0.7 |
| | D Project Kuki VII | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Chibakita | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Matsudo II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Tomisato II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Osaka Hirabayashi | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Sendai Izumi II | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Kaminokawa | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |

| Asset class | Property name | 25th period (From March 1, 2018 to August 31, 2018) | | | 26th period (From September 1, 2018 to February 28, 2019) | | |
|------------------------|-----------------------------------|--|---|---|--|---|---|
| | | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) |
| | | (%) (Note 1) | (%) (Note 1) | (%) (Note 2) | (%) (Note 1) | (%) (Note 1) | (%) (Note 2) |
| Logistics properties | D Project Fuji | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | D Project Tosu III | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | DPL Misato | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | DPL Fukuoka Kasuya | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | DPL Kitakyushu | — | — | — | 100.0 | (Note 3) | (Note 3) |
| | Logistics properties – Subtotal | 100.0 | 9,389,717 | 42.3 | 100.0 | 10,017,054 | 43.5 |
| Residential properties | Qiz Ebisu | 98.2 | 236,676 | 1.1 | 99.4 | 235,449 | 1.0 |
| | Castalia Azabujuban Shichimenzaka | 99.2 | 119,023 | 0.5 | 95.5 | 123,071 | 0.5 |
| | Castalia Shibakoen | 94.3 | 70,575 | 0.3 | 98.9 | 71,482 | 0.3 |
| | Castalia Ginza | 95.1 | 66,722 | 0.3 | 95.6 | 67,234 | 0.3 |
| | Castalia Hiroo | 100.0 | 52,810 | 0.2 | 100.0 | 52,197 | 0.2 |
| | Castalia Nihonbashi | 96.6 | 38,103 | 0.2 | 96.6 | 38,793 | 0.2 |
| | Castalia Hacchobori | 98.2 | 67,242 | 0.3 | 95.2 | 67,732 | 0.3 |
| | Castalia Azabujuban | 97.9 | 74,965 | 0.3 | 100.0 | 75,954 | 0.3 |
| | Castalia Azabujuban II | 93.2 | 66,949 | 0.3 | 95.2 | 68,289 | 0.3 |
| | Castalia Shinjuku Natsumezaka | 98.6 | 43,884 | 0.2 | 100.0 | 47,741 | 0.2 |
| | Castalia Ginza II | 100.0 | 51,334 | 0.2 | 93.5 | 51,395 | 0.2 |
| | Castalia Shibuya Sakuragaoka | 95.6 | 35,029 | 0.2 | 100.0 | 35,276 | 0.2 |
| | Castalia Nishi Azabu Kasumicho | 100.0 | 73,283 | 0.3 | 100.0 | 70,259 | 0.3 |
| | Castalia Ochanomizu | 97.8 | 59,522 | 0.3 | 100.0 | 60,403 | 0.3 |
| | Castalia Sangubashi | 91.8 | 44,501 | 0.2 | 100.0 | 45,406 | 0.2 |
| | Castalia Suitengu | 97.0 | 46,381 | 0.2 | 100.0 | 46,687 | 0.2 |
| | Castalia Suitengu II | 95.0 | 40,942 | 0.2 | 100.0 | 42,211 | 0.2 |
| | Castalia Shintomicho | 100.0 | 33,391 | 0.2 | 96.7 | 33,750 | 0.1 |
| | Castalia Shintomicho II | 96.5 | 28,336 | 0.1 | 100.0 | 29,168 | 0.1 |
| | Castalia Harajuku | 100.0 | 27,336 | 0.1 | 100.0 | 28,490 | 0.1 |
| | Castalia Yoyogi Uehara | 92.2 | 21,365 | 0.1 | 100.0 | 23,030 | 0.1 |
| | Castalia Sendagaya | 91.2 | 20,268 | 0.1 | 100.0 | 20,331 | 0.1 |
| | Castalia Shinjuku 7 chome | 100.0 | 19,120 | 0.1 | 100.0 | 18,888 | 0.1 |
| | Castalia Ningyocho | 100.0 | 37,269 | 0.2 | 97.7 | 36,510 | 0.2 |
| | Castalia Ningyocho II | 100.0 | 40,505 | 0.2 | 100.0 | 40,954 | 0.2 |
| | Castalia Shin-Ochanomizu | 100.0 | 33,566 | 0.2 | 100.0 | 33,542 | 0.1 |
| | Castalia Higashi Nihonbashi II | 100.0 | 50,309 | 0.2 | 100.0 | 51,020 | 0.2 |
| | Castalia Jinbocho | 100.0 | 43,218 | 0.2 | 100.0 | 43,506 | 0.2 |
| | Castalia Shintomicho III | 100.0 | 24,786 | 0.1 | 97.7 | 25,633 | 0.1 |
| | Castalia Shinjuku Gyoen | 100.0 | 83,827 | 0.4 | 100.0 | 83,844 | 0.4 |
| | Castalia Takanawadai | 100.0 | 30,307 | 0.1 | 100.0 | 30,491 | 0.1 |
| | Castalia Higashi Nihonbashi III | 100.0 | 24,413 | 0.1 | 100.0 | 24,336 | 0.1 |
| | Castalia Shinjuku Gyoen II | 100.0 | 16,490 | 0.1 | 100.0 | 16,261 | 0.1 |
| | Castalia Shintomicho IV | 100.0 | 16,019 | 0.1 | 95.0 | 16,669 | 0.1 |
| | Castalia Takanawadai II | 100.0 | 39,153 | 0.2 | 100.0 | 39,898 | 0.2 |
| | Castalia Minami Azabu | 100.0 | 21,234 | 0.1 | 100.0 | 21,472 | 0.1 |
| | Castalia Ginza III | 97.8 | 85,860 | 0.4 | 98.7 | 87,858 | 0.4 |
| | Castalia Kayabacho | 100.0 | 98,508 | 0.4 | 98.9 | 97,448 | 0.4 |
| | Castalia Takanawa | 100.0 | 249,787 | 1.1 | 97.6 | 251,183 | 1.1 |
| | Castalia Higashi Nihonbashi | 99.4 | 144,186 | 0.6 | 100.0 | 142,962 | 0.6 |
| | Castalia Shinjuku | 100.0 | 92,554 | 0.4 | 100.0 | 92,554 | 0.4 |
| | Castalia Ichigaya | 97.4 | 40,927 | 0.2 | 100.0 | 40,263 | 0.2 |
| | Shibaura Island Bloom Tower | 98.2 | 388,532 | 1.7 | 98.4 | 393,935 | 1.7 |
| | Castalia Hatsudai | 96.2 | 69,079 | 0.3 | 97.2 | 69,914 | 0.3 |
| | Castalia Hatsudai II | 92.3 | 58,803 | 0.3 | 100.0 | 60,375 | 0.3 |
| | Castalia Ebisu | 100.0 | 43,769 | 0.2 | 100.0 | 42,855 | 0.2 |
| | Castalia Meguro Kamurozaka | 97.6 | 130,295 | 0.6 | 94.5 | 126,414 | 0.5 |
| | Castalia Toritsudaigaku | 100.0 | 21,228 | 0.1 | 96.9 | 20,011 | 0.1 |

| Asset class | Property name | 25th period (From March 1, 2018 to August 31, 2018) | | | 26th period (From September 1, 2018 to February 28, 2019) | | |
|------------------------|-------------------------------------|--|---|---|--|---|---|
| | | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) |
| | | (%) (Note 1) | | | (%) (Note 1) | | |
| Residential properties | Castalia Yukigaya | 100.0 | 36,187 | 0.2 | 98.4 | 35,578 | 0.2 |
| | Castalia Yutenji | 95.8 | 37,465 | 0.2 | 100.0 | 36,918 | 0.2 |
| | Castalia Otsuka | 90.3 | 47,150 | 0.2 | 95.5 | 46,255 | 0.2 |
| | Castalia Kikukawa | 97.1 | 27,912 | 0.1 | 100.0 | 27,465 | 0.1 |
| | Castalia Meguro | 100.0 | 31,180 | 0.1 | 95.8 | 30,982 | 0.1 |
| | Castalia Otsuka II | 98.3 | 37,875 | 0.2 | 97.7 | 39,288 | 0.2 |
| | Castalia Jiyugaoka | 94.6 | 38,931 | 0.2 | 95.0 | 39,425 | 0.2 |
| | Castalia Mejiro | 96.0 | 34,598 | 0.2 | 100.0 | 34,529 | 0.2 |
| | Castalia Ikebukuro | 98.9 | 87,561 | 0.4 | 100.0 | 88,564 | 0.4 |
| | Castalia Kaname-cho | 100.0 | 39,759 | 0.2 | 98.6 | 39,117 | 0.2 |
| | Castalia Tower Shinagawa Seaside | 99.7 | 285,884 | 1.3 | 97.5 | 279,613 | 1.2 |
| | Castalia Yakumo | 94.5 | 25,154 | 0.1 | 100.0 | 25,863 | 0.1 |
| | Castalia Togoshiekimae | 100.0 | 52,801 | 0.2 | 100.0 | 51,462 | 0.2 |
| | Castalia Honjo Azumabashi | 100.0 | 37,238 | 0.2 | 94.3 | 39,237 | 0.2 |
| | Castalia Kitazawa | 93.4 | 24,536 | 0.1 | 93.3 | 25,173 | 0.1 |
| | Castalia Monzennakacho | 100.0 | 17,032 | 0.1 | 100.0 | 17,589 | 0.1 |
| | Castalia Kamiikedai | 100.0 | 7,592 | 0.0 | 100.0 | 7,800 | 0.0 |
| | Castalia Morishita | 97.1 | 33,568 | 0.2 | 100.0 | 33,236 | 0.1 |
| | Castalia Wakabayashikoen | 100.0 | 27,553 | 0.1 | 100.0 | 28,552 | 0.1 |
| | Castalia Asakusabashi | 100.0 | 32,500 | 0.1 | 94.7 | 32,700 | 0.1 |
| | Castalia Iriya | 100.0 | 23,747 | 0.1 | 100.0 | 22,639 | 0.1 |
| | Castalia Kita Ueno | 100.0 | 90,999 | 0.4 | 98.4 | 90,741 | 0.4 |
| | Castalia Morishita II | 97.4 | 27,737 | 0.1 | 100.0 | 28,702 | 0.1 |
| | Castalia Minowa | 96.9 | 50,573 | 0.2 | 97.9 | 49,625 | 0.2 |
| | Castalia Oyamadai | 94.2 | 17,683 | 0.1 | 94.2 | 17,130 | 0.1 |
| | Castalia Nakano | 95.4 | 36,069 | 0.2 | 100.0 | 37,118 | 0.2 |
| | Castalia Yoga | 90.9 | 33,019 | 0.1 | 97.2 | 32,399 | 0.1 |
| | Castalia Sumiyoshi | 100.0 | 33,101 | 0.1 | 98.1 | 35,613 | 0.2 |
| | Castalia Monzennakacho II | 100.0 | 69,711 | 0.3 | 100.0 | 69,444 | 0.3 |
| | Castalia Oshiage | 98.6 | 35,838 | 0.2 | 100.0 | 36,404 | 0.2 |
| | Castalia Kuramae | 100.0 | 43,813 | 0.2 | 100.0 | 44,458 | 0.2 |
| | Castalia Nakanobu | 96.6 | 73,629 | 0.3 | 92.1 | 70,154 | 0.3 |
| | Royal Parks Toyosu | 100.0 | 332,045 | 1.5 | 100.0 | 334,281 | 1.5 |
| | Castalia Togoshi | 97.4 | 75,562 | 0.3 | 99.1 | 75,882 | 0.3 |
| | Castalia Ooimachi | 100.0 | 46,067 | 0.2 | 100.0 | 39,156 | 0.2 |
| | Castalia Omori | 100.0 | 54,418 | 0.2 | 96.8 | 53,367 | 0.2 |
| | Castalia Mishuku | 96.6 | 69,115 | 0.3 | 94.8 | 69,159 | 0.3 |
| | Castalia Arakawa | 98.9 | 67,262 | 0.3 | 96.8 | 67,666 | 0.3 |
| | Castalia Omori II | 94.5 | 81,727 | 0.4 | 97.8 | 78,962 | 0.3 |
| | Castalia Nakameguro | 95.8 | 119,765 | 0.5 | 98.4 | 119,700 | 0.5 |
| | Castalia Meguro Chojyamaru | 96.3 | 63,344 | 0.3 | 98.8 | 64,900 | 0.3 |
| | Castalia Meguro Takaban | 96.8 | 53,510 | 0.2 | 96.8 | 53,983 | 0.2 |
| | Castalia Omori III | 98.3 | 50,235 | 0.2 | 98.7 | 49,171 | 0.2 |
| | Morino Tonari (Note 4) | 96.2 | 31,536 | 0.1 | – | 17,165 | 0.1 |
| | Castalia Meguro Tairamachi | 98.0 | 35,016 | 0.2 | 95.2 | 33,511 | 0.1 |
| | Royal Parks SEASIR | 100.0 | 245,984 | 1.1 | 100.0 | 245,852 | 1.1 |
| | Castalia Honkomagome | 97.0 | 52,579 | 0.2 | 100.0 | 50,744 | 0.2 |
| | Cosmo Heim Musashikosugi | 100.0 | 59,050 | 0.3 | 100.0 | 59,004 | 0.3 |
| | Castalia Tsurumi | 96.9 | 26,981 | 0.1 | 97.0 | 27,800 | 0.1 |
| | Castalia Funabashi | 96.6 | 31,559 | 0.1 | 95.5 | 30,827 | 0.1 |
| | Castalia Nishi Funabashi | 95.1 | 33,951 | 0.2 | 100.0 | 33,789 | 0.1 |
| | Castalia Nogeyama | 96.7 | 14,724 | 0.1 | 100.0 | 14,713 | 0.1 |
| | Castalia Ichikawa | 100.0 | 22,558 | 0.1 | 100.0 | 19,681 | 0.1 |
| | Royal Parks Hanakoganei | 100.0 | 245,389 | 1.1 | 100.0 | 246,140 | 1.1 |
| | Castalia Musashikosugi | 96.8 | 56,677 | 0.3 | 100.0 | 58,186 | 0.3 |

| Asset class | Property name | 25th period (From March 1, 2018 to August 31, 2018) | | | 26th period (From September 1, 2018 to February 28, 2019) | | |
|------------------------|---|--|---|---|--|---|---|
| | | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) | Occupancy rate (as of the end of period) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) |
| | | (%) (Note 1) | | | (%) (Note 1) | | |
| Residential properties | Royal Parks Wakabadai | 100.0 | 259,585 | 1.2 | 100.0 | 266,030 | 1.2 |
| | Pacific Royal Court Minatomirai Urban Tower | 100.0 | 519,188 | 2.3 | 100.0 | 520,501 | 2.3 |
| | L-Place Shinkoyasu | 100.0 | 56,822 | 0.3 | 100.0 | 57,036 | 0.2 |
| | Royal Parks Musashikosugi | 100.0 | 68,212 | 0.3 | 100.0 | 68,338 | 0.3 |
| | Crest Kusatsu (Note 5) | – | 78,817 | 0.4 | – | – | – |
| | Castalia Sakaisuji Honmachi | 98.7 | 62,039 | 0.3 | 96.8 | 61,610 | 0.3 |
| | Castalia Shin-Umeda | 98.2 | 55,294 | 0.2 | 95.8 | 56,648 | 0.2 |
| | Castalia Abeno | 94.5 | 175,357 | 0.8 | 100.0 | 179,731 | 0.8 |
| | Castalia Sakae | 93.7 | 44,873 | 0.2 | 96.4 | 44,799 | 0.2 |
| | Castalia Maruyama Urasando | 97.7 | 20,692 | 0.1 | 95.4 | 19,845 | 0.1 |
| | Castalia Maruyama Omotesando | 96.7 | 77,626 | 0.3 | 90.7 | 75,389 | 0.3 |
| | Castalia Higashi Hie | 96.0 | 43,349 | 0.2 | 96.8 | 43,309 | 0.2 |
| | Castalia Tower Nagahoribashi | 99.3 | 162,979 | 0.7 | 98.2 | 166,248 | 0.7 |
| | Castalia Sannomiya | 95.6 | 54,028 | 0.2 | 99.1 | 52,777 | 0.2 |
| | Castalia Kotodaikoen | 100.0 | 23,882 | 0.1 | 97.6 | 23,875 | 0.1 |
| | Castalia Ichibancho | 100.0 | 38,638 | 0.2 | 100.0 | 38,858 | 0.2 |
| | Castalia Omachi | 97.2 | 33,649 | 0.2 | 97.2 | 34,025 | 0.1 |
| | Castalia Uemachidai | 98.6 | 89,186 | 0.4 | 98.6 | 89,261 | 0.4 |
| | Castalia Tower Higobashi | 99.6 | 132,847 | 0.6 | 95.6 | 133,124 | 0.6 |
| | Big Tower Minami Sanjo | 97.1 | 112,723 | 0.5 | 94.6 | 110,220 | 0.5 |
| | Castalia Fushimi | 95.7 | 106,055 | 0.5 | 96.5 | 107,179 | 0.5 |
| | Castalia Meieki Minami | 94.2 | 31,676 | 0.1 | 95.9 | 32,034 | 0.1 |
| | Castalia Yakuin | 96.7 | 42,357 | 0.2 | 99.2 | 42,223 | 0.2 |
| | Castalia Mibu | 98.8 | 53,020 | 0.2 | 96.3 | 51,425 | 0.2 |
| | Castalia Tsutsujigaoka | 100.0 | 59,179 | 0.3 | 99.0 | 60,090 | 0.3 |
| | Castalia Ohori Bay Tower | 52.4 | 148,308 | 0.7 | 51.8 | 147,473 | 0.6 |
| | Royal Parks Namba | 100.0 | 136,241 | 0.6 | 100.0 | 135,660 | 0.6 |
| | Castalia Shigahondori | 96.3 | 73,403 | 0.3 | 97.2 | 74,484 | 0.3 |
| | Castalia Kyoto Nishioji | 97.5 | 34,616 | 0.2 | 100.0 | 33,923 | 0.1 |
| | Castalia Ningyocho III | 99.0 | 69,384 | 0.3 | 100.0 | 74,043 | 0.3 |
| | Royal Parks Umejima | 100.0 | 107,363 | 0.5 | 100.0 | 102,852 | 0.4 |
| | Castalia Shinsakae II | 100.0 | 61,813 | 0.3 | 100.0 | 60,503 | 0.3 |
| | Residential properties – Subtotal | 97.4 | 9,623,102 | 43.3 | 97.4 | 9,544,130 | 41.5 |
| Retail properties | ACROSSMALL Shinkamagaya | 100.0 | 275,907 | 1.2 | 100.0 | 276,055 | 1.2 |
| | FOLEO Hirakata | 94.8 | 287,082 | 1.3 | 92.8 | 269,536 | 1.2 |
| | QIZ GATE URAWA | 99.6 | 202,225 | 0.9 | 100.0 | 214,539 | 0.9 |
| | UNICUS Takasaki | 100.0 | 129,870 | 0.6 | 100.0 | 129,870 | 0.6 |
| | ACROSSPLAZA Miyoshi (Land) | 100.0 | 94,284 | 0.4 | 100.0 | 94,284 | 0.4 |
| | DREAM TOWN ALi | 100.0 | 390,185 | 1.8 | 100.0 | 392,653 | 1.7 |
| | ASOBIX (Land) | 100.0 | 47,076 | 0.2 | 100.0 | 47,076 | 0.2 |
| | FOLEO Ome Imai | 100.0 | 128,823 | 0.6 | 100.0 | 128,820 | 0.6 |
| | FOLEO Otsu Ichiriyama | 100.0 | 264,673 | 1.2 | 100.0 | 322,633 | 1.4 |
| | FOLEO Hakata | 100.0 | 104,148 | 0.5 | 100.0 | 126,216 | 0.5 |
| | ACROSSMALL Semboku (Land) | – | – | – | 100.0 | 42,388 | 0.2 |
| | LIFE Sagamihara Wakamatsu | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | FOLEO Sendai Miyanomori | 100.0 | 238,962 | 1.1 | 100.0 | 238,500 | 1.0 |
| | ACROSSPLAZA Inazawa (Land) | 100.0 | 69,660 | 0.3 | 100.0 | 69,660 | 0.3 |
| | Sports Depo and GOLF5 Kokurahigashi IC Store | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | Hiratsuka Retail Property (Land) | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | Royal Home Center Morinomiya (Land) | 100.0 | 88,258 | 0.4 | 100.0 | 103,488 | 0.4 |
| | COMBOX310 | – | – | – | 100.0 | 69,600 | 0.3 |
| | Retail properties – Subtotal | 99.7 | 2,585,235 | 11.6 | 99.7 | 2,789,389 | 12.1 |

| Asset class | Property name | 25th period (From March 1, 2018 to August 31, 2018) | | | 26th period (From September 1, 2018 to February 28, 2019) | | |
|------------------|---|--|---|---|--|---|---|
| | | Occupancy rate (as of the end of period) (%) (Note 1) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) | Occupancy rate (as of the end of period) (%) (Note 1) | Rental revenues (during the period) (Yen in thousands) | Rate to total real estate rental revenues (%) (Note 2) |
| | | | | | | | |
| Hotel properties | Daiwa Roynet Hotel Yokohama Kannai | 100.0 | 140,118 | 0.6 | 100.0 | 168,331 | 0.7 |
| | Super Hotel JR Nara Station Sanjo Street | — | — | — | 100.0 | 24,900 | 0.1 |
| | Hotel properties – Subtotal | 100.0 | 140,118 | 0.6 | 100.0 | 193,231 | 0.8 |
| Other assets | Urban Living Inage | 100.0 | 39,060 | 0.2 | 100.0 | 39,060 | 0.2 |
| | Aburatsubo Marina HILLS | 100.0 | 43,749 | 0.2 | 100.0 | 43,749 | 0.2 |
| | Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi) | 100.0 | 332,393 | 1.5 | 100.0 | 328,739 | 1.4 |
| | Sharp Hiroshima Building | 100.0 | (Note 3) | (Note 3) | 100.0 | (Note 3) | (Note 3) |
| | Other – Subtotal | 100.0 | 473,403 | 2.1 | 100.0 | 469,751 | 2.0 |
| | Total | 99.5 | 22,211,576 | 100.0 | 99.5 | 23,013,558 | 100.0 |

(Notes) 1. "Occupancy rate (as of the end of period)" is the leased floor space expressed as a percentage of the leasable floor space of each real estate or each real estate in trust as of August 31, 2018 and February 28, 2019, rounded to the first decimal place.
2. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of total rental revenues from the entire portfolio, rounded to the first decimal place.
3. Undisclosed as consent for disclosure has not been obtained from the lessee.
4. The sale of property was completed on December 7, 2018.
5. The sale of property was completed on June 22, 2018.

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

Not applicable.

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

Not applicable.

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

The following summarizes contracted amount and fair value of specified transactions of DHR as of February 28, 2019.

| Category | Type | Contracted amount (Yen in thousands) (Note 1) | | Fair value (Yen in thousands) (Note 2) (Note 3) |
|--|---|---|----------------------------|---|
| | | | Portion due after one year | |
| Transaction other than market transaction | Interest rate swap transaction Receipt: floating interest rate | 95,768,000 | 78,358,000 | (1,432,805) |
| | Payment: fixed interest rate | | | |
| Total | | 95,768,000 | 78,358,000 | (1,432,805) |

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

(7) Status of Other Assets

Real estate and trust beneficiary interests in real estate are all listed in "(3) Description of Portfolio" presented earlier in this report. The following are other specified assets as of February 28, 2019.

| (Yen in thousands) | | | | | | | | |
|---------------------|---|---------------------|------------|---------------------|-----------------------------|------------|---------------------------|--|
| Type | Issue name | Total face value | Book value | Accrued interest | Prepaid accrued interest | Fair value | Valuation gain or loss | Remark |
| Government bonds | 30-year principal- stripped government bonds (Series 27) | 10,000 | 9,360 | — | — | 9,228 | (132) | Deposited as business security deposit |
| | Total | 10,000 | 9,360 | — | — | 9,228 | (132) | |

(8) Holding of Assets by Country and Region

Not applicable.

4. Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc. for owned properties (real estate, real estate in trust, etc.) as of February 28, 2019. The estimated construction cost includes the portion charged to expenses.

| Property name (Location) | Purpose | Scheduled period | Estimated construction cost (Yen in thousands) | | |
|--|--|---------------------------------------|--|------------------------------|----------------------|
| | | | Total amount | Payment during the period | Total amount paid |
| D Project Gotenba (Gotenba City, Shizuoka) | Repair work of exterior walls | From April 2019 to June 2019 | 39,420 | — | — |
| Qiz Ebisu (Shibuya Ward, Tokyo) | Large-scale renovations | From October 2018 to November 2019 | 292,680 | — | — |
| Castalia Ichigaya (Shinjuku Ward, Tokyo) | Large-scale renovations | From March 2019 to June 2019 | 51,591 | — | — |
| Royal Parks Hanakoganei (Kodaira City, Tokyo) | Large-scale renovations | From January 2019 to August 2019 | 158,544 | — | — |
| Royal Parks Musashikosugi (Kawasaki City, Kanagawa) | Preventive maintenance construction in mechanical parking lots | From August 2019 to August 2019 | 12,734 | — | — |
| ACROSSMALL Shinkamagaya (Kamagaya City, Chiba) | Groundwater usage facilities installation construction | From October 2018 to March 2019 | 86,400 | 12,960 | 12,960 |

(2) Capital Expenditures during the Period

For owned properties (real estate, real estate in trust, etc.), an overview of major construction work conducted during the current fiscal period that falls into DHR's capital expenditures is as follows. Capital expenditures during the current fiscal period were ¥944,717 thousand together with ¥746,985 thousand in repairs and maintenance expenses and ¥230,219 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥1,921,923 thousand in construction work.

| Property name (Location) | Purpose | Period | Construction cost (Yen in thousands) |
|--|---|--|---|
| D Project Machida (Machida City, Tokyo) | Repair work of exterior walls | From October 2018 to January 2019 | 96,351 |
| Castalia Azabujuban II (Minato Ward, Tokyo) | Repair work of exterior walls | From October 2018 to February 2019 | 29,549 |
| Castalia Iriya (Taito Ward, Tokyo) | Repair work of exterior walls | From October 2018 to February 2019 | 20,832 |
| Castalia Oyamadai (Setagaya Ward, Tokyo) | Repair work of exterior walls | From November 2018 to February 2019 | 19,385 |
| Royal Parks Hanakoganei (Kodaira City, Tokyo) | Repair work of exterior walls (Building A and C) | From August 2018 to February 2019 | 102,518 |
| Castalia Yakuin (Fukuoka City, Fukuoka) | Preventive maintenance construction in mechanical parking lots | From February 2019 to February 2019 | 16,377 |

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

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

| (Yen in thousands) | | | | | |
|---|--|--|--|--|--|
| Operating period | 22nd period From September 1, 2016 to February 28, 2017 | 23rd period From March 1, 2017 to August 31, 2017 | 24th period From September 1, 2017 to February 28, 2018 | 25th period From March 1, 2018 to August 31, 2018 | 26th period From September 1, 2018 to February 28, 2019 |
| Balance of reserves at the beginning of period | 589,520 | 1,298,495 | 1,439,455 | 1,470,535 | 1,509,615 |
| Amount of reserves during period | 708,974 | 140,960 | 39,080 | 39,080 | 39,080 |
| Amount of reversal of reserves during period | — | — | 8,000 | — | — |
| Reserves carried forward | 1,298,495 | 1,439,455 | 1,470,535 | 1,509,615 | 1,548,695 |

5. Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

| Item | 25th period From March 1, 2018 to August 31, 2018 | 26th period From September 1, 2018 to February 28, 2019 |
|------------------------------|--|--|
| Asset management fees (Note) | 1,452,834 | 1,519,464 |
| Asset custody fees | 32,882 | 33,727 |
| Administrative service fees | 83,859 | 89,196 |
| Directors' remuneration | 6,600 | 6,600 |
| Other expenses | 340,219 | 351,000 |
| Total | 1,916,396 | 1,999,989 |

(Note) As for the asset management fees, in addition to the amount shown above, there were a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥242,450 thousand for the 25th period, and a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥39,900 thousand and a management fee for sale of properties of ¥6,000 thousand for the 26th period.

(2) Debt Financing

The status of loans per financial institution as of February 28, 2019 is as follows:

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|-------------------------------------|--|---|---|--------------------------------|-------------------|---------------------|----------|------------------------------|
| Lender | | | | | | | | |
| MUFG Bank, Ltd. | March 27, 2012 | 4,000,000 | 4,000,000 | 1.07% (Note 3) | March 27, 2019 | Bullet repayment | (Note 5) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | 2,000,000 | 2,000,000 | | | | | |
| Aozora Bank, Ltd. | | 2,000,000 | 2,000,000 | | | | | |
| The Norinchukin Bank | | 1,000,000 | 1,000,000 | | | | | |
| The Chiba Bank, Ltd. | March 31, 2016 | 600,000 | 600,000 | 0.26% | March 29, 2019 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 500,000 | 500,000 | | | | | |
| Mizuho Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Shizuoka Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Bank of Fukuoka, Ltd. | | 500,000 | 500,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | | — | 3,260,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | — | 4,430,000 | | | | | |
| Aozora Bank, Ltd. | January 31, 2013 and February 28, 2013 | — | 2,700,000 | 0.96% (Note 2) | January 31, 2020 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | — | 2,260,000 | | | | | |
| Mizuho Bank, Ltd. | | — | 1,930,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | — | 1,830,000 | | | | | |
| The Norinchukin Bank | | — | 1,000,000 | | | | | |
| Development Bank of Japan Inc. | January 31, 2013 | — | 1,500,000 | 0.96% (Note 3) | January 31, 2020 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | — | 2,000,000 | | | | | |
| MUFG Bank, Ltd. | | — | 2,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | November 29, 2012 | — | 2,000,000 | 1.29% (Note 3) | November 29, 2019 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | | — | 2,000,000 | | | | | |
| Development Bank of Japan Inc. | | — | 2,000,000 | | | | | |
| Subtotal | — | 11,600,000 | 40,510,000 | — | — | — | — | — |

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|-------------------------------------|--|---|---|--------------------------------|-------------------|---------------------|----------|------------------------------|
| Lender | | | | | | | | |
| Sumitomo Mitsui Banking Corporation | | 3,260,000 | — | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 4,430,000 | — | | | | | |
| Aozora Bank, Ltd. | January 31, 2013 and February 28, 2013 | 2,700,000 | — | 0.96% (Note 2) | January 31, 2020 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 2,260,000 | — | | | | | |
| Mizuho Bank, Ltd. | | 1,930,000 | — | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 1,830,000 | — | | | | | |
| The Norinchukin Bank | | 1,000,000 | — | | | | | |
| Development Bank of Japan Inc. | January 31, 2013 | 1,500,000 | — | 0.96% (Note 3) | January 31, 2020 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| The Norinchukin Bank | January 31, 2014 | 3,500,000 | 3,500,000 | 0.90% (Note 2) | January 31, 2021 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 936,000 | 936,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,599,000 | 1,599,000 | | | | | |
| The Norinchukin Bank | | 1,510,000 | 1,510,000 | | | | | |
| Aozora Bank, Ltd. | January 30, 2015 | 1,169,000 | 1,169,000 | 0.61% (Note 2) | January 31, 2022 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | | 603,000 | 603,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 454,000 | 454,000 | | | | | |
| MUFG Bank, Ltd. | | 437,000 | 437,000 | | | | | |
| The Chiba Bank, Ltd. | | 150,000 | 150,000 | | | | | |
| Development Bank of Japan Inc. | January 30, 2015 | 2,000,000 | 2,000,000 | 0.88% (Note 3) | January 31, 2024 | Bullet repayment | (Note 7) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | 2,030,000 | 2,030,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | | 1,354,500 | 1,354,500 | | | | | |
| The Norinchukin Bank | | 1,600,000 | 1,600,000 | | | | | |
| Aozora Bank, Ltd. | | 1,192,000 | 1,192,000 | | | | | |
| Mizuho Bank, Ltd. | May 1, 2015 | 1,017,000 | 1,017,000 | 0.66% (Note 2) | April 28, 2022 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 907,500 | 907,500 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 524,000 | 524,000 | | | | | |
| Nippon Life Insurance Company | | 500,000 | 500,000 | | | | | |
| Development Bank of Japan Inc. | | 400,000 | 400,000 | | | | | |
| The Shizuoka Bank, Ltd. | | 260,000 | 260,000 | | | | | |
| The Chiba Bank, Ltd. | | 215,000 | 215,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | | 1,800,000 | 1,800,000 | | | | | |
| MUFG Bank, Ltd. | | 3,200,000 | 3,200,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | December 28, 2015 | 1,800,000 | 1,800,000 | 0.59% (Note 2) | December 28, 2022 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | | 1,800,000 | 1,800,000 | | | | | |
| Resona Bank, Limited | | 1,400,000 | 1,400,000 | | | | | |
| Shinsei Bank, Limited | | 500,000 | 500,000 | | | | | |

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|--|--------------------|---|---|--------------------------------|--------------------|---------------------|----------|------------------------------|
| Lender | | | | | | | | |
| Sumitomo Mitsui Banking Corporation | November 29, 2012 | 2,000,000 | – | 1.29% (Note 3) | November 29, 2019 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 2,000,000 | – | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 2,000,000 | – | | | | | |
| Mizuho Bank, Ltd. | | 2,000,000 | – | | | | | |
| Development Bank of Japan Inc. | | 2,000,000 | – | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | March 27, 2013 | 2,000,000 | 2,000,000 | 1.50% (Note 2) | March 27, 2023 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | April 1, 2014 | 500,000 | 500,000 | 1.05% (Note 2) | April 1, 2021 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | April 1, 2014 | 500,000 | 500,000 | 1.21% (Note 2) | April 1, 2022 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | April 1, 2014 | 500,000 | 500,000 | 1.52% (Note 2) | April 1, 2024 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 500,000 | 500,000 | | | | | |
| Development Bank of Japan Inc. | | 500,000 | 500,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | April 1, 2014 | 500,000 | 500,000 | 2.03% (Note 2) | April 1, 2026 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 500,000 | 500,000 | | | | | |
| Development Bank of Japan Inc. | | 500,000 | 500,000 | | | | | |
| Nippon Life Insurance Company | September 30, 2014 | 1,000,000 | 1,000,000 | 1.00% (Note 3) | September 29, 2023 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Mitsui Sumitomo Insurance Company, Limited | April 1, 2015 | 1,000,000 | 1,000,000 | 0.57% (Note 3) | April 1, 2020 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | April 1, 2015 | 1,000,000 | 1,000,000 | 0.87% (Note 2) | October 3, 2022 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| The Norinchukin Bank | April 1, 2015 | 1,000,000 | 1,000,000 | 0.99% (Note 2) | October 2, 2023 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Resona Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |

Long-term loans

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|-------------------------------------|--------------------|---|---|--------------------------------|--------------------|---------------------|----------|------------------------------|
| Lender | | | | | | | | |
| Sumitomo Mitsui Banking Corporation | April 1, 2015 | 1,000,000 | 1,000,000 | 1.23% (Note 2) | October 1, 2025 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | April 1, 2015 | 3,000,000 | 3,000,000 | 1.18% (Note 3) | October 1, 2025 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Development Bank of Japan Inc. | April 1, 2015 | 1,500,000 | 1,500,000 | 1.46% (Note 3) | April 1, 2027 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | September 28, 2015 | 1,000,000 | 1,000,000 | 0.65% (Note 2) | September 28, 2022 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Nippon Life Insurance Company | September 28, 2015 | 1,000,000 | 1,000,000 | 0.73% (Note 3) | September 30, 2024 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | November 30, 2015 | 1,000,000 | 1,000,000 | 0.51% (Note 2) | November 30, 2021 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 3,000,000 | 3,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Resona Bank, Limited | November 30, 2015 | 1,000,000 | 1,000,000 | 0.71% (Note 2) | May 31, 2023 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | November 30, 2015 | 1,000,000 | 1,000,000 | 0.97% (Note 2) | May 30, 2025 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | November 30, 2015 | 1,000,000 | 1,000,000 | 1.09% (Note 2) | May 29, 2026 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |

Long-term loans

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|-------------------------------------|--------------------|---|---|--------------------------------|--------------------|---------------------|----------|------------------------------|
| | | | | | | | | |
| Lender | | | | | | | | |
| Sumitomo Mitsui Banking Corporation | September 28, 2016 | 1,500,000 | 1,500,000 | 0.63% (Note 3) | September 29, 2025 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | 1,500,000 | 1,500,000 | | | | | |
| MUFG Bank, Ltd. | | 2,000,000 | 2,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,500,000 | 1,500,000 | | | | | |
| Resona Bank, Limited | | 500,000 | 500,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 500,000 | 500,000 | | | | | |
| Shinsei Bank, Limited | | 500,000 | 500,000 | | | | | |
| Shinkin Central Bank | | 500,000 | 500,000 | | | | | |
| The Bank of Fukuoka, Ltd. | | 500,000 | 500,000 | | | | | |
| Development Bank of Japan Inc. | September 28, 2016 | 1,000,000 | 1,000,000 | 0.69% (Note 3) | September 28, 2026 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | September 30, 2016 | 950,000 | 950,000 | 0.21% | March 31, 2020 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 1,950,000 | 1,950,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | | 950,000 | 950,000 | | | | | |
| Mizuho Bank, Ltd. | | 950,000 | 950,000 | | | | | |
| Resona Bank, Limited | | 800,000 | 800,000 | | | | | |
| The Norinchukin Bank | | 500,000 | 500,000 | | | | | |
| The Chiba Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| Shinsei Bank, Limited | | 300,000 | 300,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | September 30, 2016 | 1,700,000 | 1,700,000 | 0.41% (Note 3) | March 31, 2023 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 2,700,000 | 2,700,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,700,000 | 1,700,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,700,000 | 1,700,000 | | | | | |
| Aozora Bank, Ltd. | | 1,500,000 | 1,500,000 | | | | | |
| Resona Bank, Limited | | 800,000 | 800,000 | | | | | |
| Shinsei Bank, Limited | | 300,000 | 300,000 | | | | | |
| MUFG Bank, Ltd. | | 2,800,000 | 2,800,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,800,000 | 1,800,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | September 30, 2016 | 1,800,000 | 1,800,000 | 0.48% (Note 3) | March 29, 2024 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | | 1,800,000 | 1,800,000 | | | | | |
| Aozora Bank, Ltd. | | 1,500,000 | 1,500,000 | | | | | |
| Resona Bank, Limited | | 900,000 | 900,000 | | | | | |
| Shinsei Bank, Limited | | 400,000 | 400,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | November 29, 2016 | 3,000,000 | 3,000,000 | 0.87% (Note 3) | November 30, 2026 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | | 3,000,000 | 3,000,000 | | | | | |
| MUFG Bank, Ltd. | | 5,000,000 | 5,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 3,000,000 | 3,000,000 | | | | | |
| Resona Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| Development Bank of Japan Inc. | March 9, 2017 | 2,000,000 | 2,000,000 | 0.85% (Note 3) | March 31, 2027 | Bullet repayment | (Note 8) | Unsecured and non-guaranteed |

Long-term loans

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|--|----------------|---|---|--------------------------------|--------------------|---------------------|----------|------------------------------|
| | | | | | | | | |
| Lender | | | | | | | | |
| Mitsui Sumitomo Insurance Company, Limited | March 9, 2017 | 1,000,000 | 1,000,000 | 0.55% (Note 3) | March 29, 2024 | Bullet repayment | (Note 8) | Unsecured and non-guaranteed |
| Mizuho Bank, Ltd. | March 31, 2017 | 4,000,000 | 4,000,000 | 0.57% (Note 3) | September 29, 2023 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | 4,000,000 | 4,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | March 31, 2017 | 4,000,000 | 4,000,000 | 0.70% (Note 3) | March 31, 2025 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Aozora Bank, Ltd. | | 2,500,000 | 2,500,000 | | | | | |
| Shinkin Central Bank | | 2,000,000 | 2,000,000 | | | | | |
| MUFG Bank, Ltd. | | 1,500,000 | 1,500,000 | | | | | |
| Resona Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | April 11, 2017 | 2,200,000 | 2,200,000 | 0.40% (Note 3) | April 30, 2021 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 1,600,000 | 1,600,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,600,000 | 1,600,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,600,000 | 1,600,000 | | | | | |
| The Norinchukin Bank | | 1,500,000 | 1,500,000 | | | | | |
| Nippon Life Insurance Company | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | April 11, 2017 | 1,800,000 | 1,800,000 | 0.76% (Note 3) | April 30, 2026 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 2,200,000 | 2,200,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,200,000 | 1,200,000 | | | | | |
| Resona Bank, Limited | | 1,100,000 | 1,100,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Shinsei Bank, Limited | | 1,000,000 | 1,000,000 | | | | | |
| The Bank of Fukuoka, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 700,000 | 700,000 | | | | | |
| Sumitomo Mitsui Banking Corporation | April 11, 2017 | 2,100,000 | 2,100,000 | 1.02% (Note 3) | April 28, 2028 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 3,700,000 | 3,700,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 1,800,000 | 1,800,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,800,000 | 1,800,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 600,000 | 600,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | July 31, 2017 | 3,400,000 | 3,400,000 | 0.89% (Note 3) | July 30, 2027 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 3,400,000 | 3,400,000 | | | | | |
| Mizuho Bank, Ltd. | | 3,400,000 | 3,400,000 | | | | | |
| MUFG Bank, Ltd. | | 1,900,000 | 1,900,000 | | | | | |

Long-term loans

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|--|-------------------|---|---|--------------------------------|--------------------|---------------------|----------|------------------------------|
| | | | | | | | | |
| Lender | | | | | | | | |
| Sumitomo Mitsui Banking Corporation | November 29, 2017 | 2,500,000 | 2,500,000 | 0.90% (Note 3) | November 30, 2027 | Bullet repayment | (Note 6) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | | 2,000,000 | 2,000,000 | | | | | |
| Development Bank of Japan Inc. | | 3,000,000 | 3,000,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | | 2,500,000 | 2,500,000 | | | | | |
| Mizuho Bank, Ltd. | | 2,500,000 | 2,500,000 | | | | | |
| The 77 Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| The Nishi-Nippon City Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| The Iyo Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Bank of Kyoto, Ltd. | | 500,000 | 500,000 | | | | | |
| The Chugoku Bank, Limited | | 500,000 | 500,000 | | | | | |
| Mitsui Sumitomo Insurance Company, Limited | March 27, 2018 | 1,000,000 | 1,000,000 | 0.44% (Note 3) | March 31, 2023 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| MUFG Bank, Ltd. | March 27, 2018 | 1,500,000 | 1,500,000 | 0.75% (Note 3) | September 30, 2027 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Nippon Life Insurance Company | April 10, 2018 | 1,000,000 | 1,000,000 | 0.43% (Note 3) | September 9, 2022 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Development Bank of Japan Inc. | April 10, 2018 | 2,000,000 | 2,000,000 | 0.65% (Note 3) | April 30, 2026 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | April 10, 2018 | 1,000,000 | 1,000,000 | 0.42% (Note 3) | April 28, 2022 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,000,000 | 1,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Bank of Fukuoka, Ltd. | | 500,000 | 500,000 | | | | | |
| The Chiba Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The 77 Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Nishi-Nippon City Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Shizuoka Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Iyo Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Bank of Kyoto, Ltd. | | 500,000 | 500,000 | | | | | |
| The Chugoku Bank, Limited | | 500,000 | 500,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | April 10, 2018 | 500,000 | 500,000 | 0.52% (Note 3) | April 30, 2024 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,500,000 | 1,500,000 | | | | | |
| Mizuho Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Aozora Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Norinchukin Bank | | 500,000 | 500,000 | | | | | |
| Shinsei Bank, Limited | | 500,000 | 500,000 | | | | | |
| Shinkin Central Bank | | 500,000 | 500,000 | | | | | |
| | | | | | | | | |

Long-term loans

| Classification | Borrowing date | Balance at the beginning of period (Yen in thousands) | Balance at the end of period (Yen in thousands) | Average interest rate (Note 1) | Repayment date | Method of repayment | Use | Note |
|--|--------------------|---|---|--------------------------------|--------------------|---------------------|----------|------------------------------|
| | | | | | | | | |
| Lender | | | | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | April 10, 2018 | 500,000 | 500,000 | 0.60% (Note 3) | April 30, 2025 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 1,500,000 | 1,500,000 | | | | | |
| Mizuho Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| Aozora Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| The Norinchukin Bank | | 500,000 | 500,000 | | | | | |
| Resona Bank, Limited | | 500,000 | 500,000 | | | | | |
| Shinsei Bank, Limited | | 500,000 | 500,000 | | | | | |
| Shinkin Central Bank | | 500,000 | 500,000 | | | | | |
| Sumitomo Mitsui Trust Bank, Limited | April 10, 2018 | 3,000,000 | 3,000,000 | 0.89% (Note 3) | April 28, 2028 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | | 3,000,000 | 3,000,000 | | | | | |
| Mizuho Bank, Ltd. | | 2,500,000 | 2,500,000 | | | | | |
| Mizuho Trust & Banking Co., Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| Resona Bank, Limited | | 500,000 | 500,000 | | | | | |
| The Dai-ichi Life Insurance Company, Limited | September 27, 2018 | – | 1,000,000 | 0.43% (Note 3) | September 29, 2023 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Taiyo Life Insurance Company | September 27, 2018 | – | 1,000,000 | 0.60% (Note 3) | September 30, 2025 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Banking Corporation | December 7, 2018 | – | 1,100,000 | 0.88% (Note 3) | December 29, 2028 | Bullet repayment | (Note 4) | Unsecured and non-guaranteed |
| Sumitomo Mitsui Trust Bank, Limited | | – | 1,100,000 | | | | | |
| Mizuho Bank, Ltd. | | – | 1,100,000 | | | | | |
| Japan Post Insurance Co., Ltd. | | – | 1,100,000 | | | | | |
| MUFG Bank, Ltd. | | – | 600,000 | | | | | |
| | | – | – | | | | | |
| Subtotal | – | 283,668,000 | 261,758,000 | – | – | – | – | – |
| Total | – | 295,268,000 | 302,268,000 | – | – | – | – | – |

Long-term loans

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

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of February 28, 2019 is as follows:

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

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

(4) Short-Term Investment Corporation Bonds

Not applicable.

(5) Unit Acquisition Rights

Not applicable.

6. Status of Acquisition and Sale during the Period

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

| Property name | Acquisition | | Sale | | | |
|--|--------------------|--|------------------|---|---------------------------------|---|
| | Acquisition date | Acquisition price (Yen in millions) (Note 1) | Date of sale | Sale price (Yen in millions) (Note 1) | Book value (Yen in millions) | Gain or loss on sale (Yen in millions) (Note 2) |
| DPL Kitakyushu | September 27, 2018 | 3,510 | — | — | — | — |
| Super Hotel JR Nara Station Sanjo Street | December 6, 2018 | 1,470 | — | — | — | — |
| ACROSSMALL Semboku (Land) | December 7, 2018 | 3,250 | — | — | — | — |
| COMBOX310 | December 7, 2018 | 4,480 | — | — | — | — |
| Morino Tonari | — | — | December 7, 2018 | 1,200 | 1,044 | 113 |
| Total | | 12,710 | | 1,200 | 1,044 | 113 |

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

(2) Transaction of Other Assets

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

(3) Review on Value of Specified Assets

Properties, etc.

| Acquisition or sale | Property name | Transaction date | Type of assets | Acquisition price or sale price (Yen in millions) (Note 1) | Appraisal value (Yen in millions) (Note 2) | Appraisal agency (Note 2) | Date of value appraised (Note 2) |
|---------------------|--|--------------------|--|--|--|---------------------------------------|-------------------------------------|
| Acquisition | DPL Kitakyushu | September 27, 2018 | Trust beneficiary interests in real estate | 3,510 | 3,560 | The Tanizawa Sōgō Appraisal Co., Ltd. | August 31, 2018 |
| Acquisition | Super Hotel JR Nara Station Sanjo Street | December 6, 2018 | Trust beneficiary interests in real estate | 1,470 | 1,490 | Daiwa Real Estate Appraisal Co., Ltd. | October 31, 2018 |
| Acquisition | ACROSSMALL Semboku (Land) | December 7, 2018 | Trust beneficiary interests in real estate | 3,250 | 3,880 | The Tanizawa Sōgō Appraisal Co., Ltd. | October 31, 2018 |
| Acquisition | COMBOX310 | December 7, 2018 | Trust beneficiary interests in real estate | 4,480 | 4,600 | Daiwa Real Estate Appraisal Co., Ltd. | October 31, 2018 |
| Sale | Morino Tonari | December 7, 2018 | Real estate | 1,200 | 1,170 | Japan Real Estate Institute | August 31, 2018 |

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

(4) Transactions with Interested Parties, etc.

Purchase and sale transactions, etc. with interested parties, etc. (Note 1) for the 26th period are as follows:

i) Status of Transactions

| Classification | Transaction amount, etc. (Note 2) | | | |
|---|-----------------------------------|---------|----------------|------|
| | Purchase | | Sale | |
| Total | ¥12,710 million | | ¥1,200 million | |
| Breakdown of transactions with interested parties | | | | |
| Daiwa Royal Co., Ltd. | ¥4,480 million | (35.2%) | ¥— million | (—%) |
| Daiwa House Industry Co., Ltd. | ¥3,510 million | (27.6%) | ¥— million | (—%) |
| Daiwa Lease Co., Ltd. | ¥1,470 million | (11.6%) | ¥— million | (—%) |
| Total | ¥9,460 million | (74.4%) | ¥— million | (—%) |

ii) Amount of Fees Paid

| Classification | Total amount paid (A) (Yen in thousands) | Breakdown of transactions with interested parties, etc. (Note 1) | | |
|----------------------------------|---|--|---------------------------------------|-------------------------------------|
| | | Payment recipient | Amount paid (B) (Yen in thousands) | Rate to total amount paid (B/A) (%) |
| Management fees | 1,283,640 | Daiwa Living Co., Ltd. | 528,300 | 41.2 |
| | | Daiwa House Property Management Co., Ltd. | 206,266 | 16.1 |
| | | Daiwa Information Service Co., Ltd. | 172,072 | 13.4 |
| | | Daiwa LifeNext Co., Ltd. | 31,542 | 2.5 |
| | | Daiwa Lease Co., Ltd. | 1,698 | 0.1 |
| Repairs and maintenance expenses | 746,985 | Daiwa Living Co., Ltd. | 264,178 | 35.4 |
| | | Daiwa House Property Management Co., Ltd. | 216,179 | 28.9 |
| | | Daiwa Information Service Co., Ltd. | 158,479 | 21.2 |
| | | Daiwa House Industry Co., Ltd. | 38,800 | 5.2 |
| | | Daiwa Lease Co., Ltd. | 24,528 | 3.3 |
| | | Daiwa House Reform Co., Ltd. | 5,267 | 0.7 |
| | | Daiwa LifeNext Co., Ltd. | 5,234 | 0.7 |
| | | Daiwa Energy Co., Ltd. | 3,892 | 0.5 |
| Restoration costs | 230,219 | Daiwa Living Co., Ltd. | 154,520 | 67.1 |
| Other rental expenses | 107,619 | Daiwa Living Co., Ltd. | 44,070 | 41.0 |
| | | Daiwa Information Service Co., Ltd. | 10,766 | 10.0 |
| | | Daiwa House Property Management Co., Ltd. | 379 | 0.4 |
| | | Daiwa LifeNext Co., Ltd. | 147 | 0.1 |
| | | Daiwa Lease Co., Ltd. | 4 | 0.0 |

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

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

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

7. Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notice

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

| Date of the Board of Directors meeting | Item | Description |
|--|---|--|
| February 8, 2019 | Conclusion of underwriting agreement for new investment units, etc. | Concerning issuance of new investment units, DHR resolved the conclusion of the underwriting agreement for new investment units, and entrusted Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., SMBC Nikko Securities Inc., and Mizuho Securities Co., Ltd. as underwriters for Japanese offering, and Morgan Stanley & Co. International plc, Daiwa Capital Markets Europe Limited, and Nomura International plc as joint lead managers for overseas offering, with relevant work for soliciting subscribers of new investment units. |

(2) Treatment of Fractions in Amounts and Rates

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

II. Balance Sheets

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of August 31, 2018 and February 28, 2019

| | As of | |
|--|---------------------|---------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Assets | | |
| Current assets: | | |
| Cash and bank deposits (Notes 3 and 4) | ¥37,460,508 | ¥41,250,978 |
| Operating accounts receivable | 176,748 | 275,683 |
| Prepaid expenses | 618,449 | 609,658 |
| Consumption taxes receivable | 3,551,655 | — |
| Other current assets | 227 | 25 |
| Allowance for doubtful accounts | (2,137) | (1,225) |
| Total current assets | 41,805,452 | 42,135,120 |
| Investment properties (Notes 8 and 9) | 646,194,941 | 654,523,691 |
| Other assets: | | |
| Goodwill (Note 7) | 71,360,157 | 69,377,930 |
| Leasehold rights in trust (Note 9) | 6,035,339 | 5,987,926 |
| Lease and guarantee deposits in trust | 3,489,293 | 3,489,293 |
| Guarantee deposits | 261 | 261 |
| Long-term prepaid expenses | 2,284,919 | 2,110,873 |
| Investment corporation bond issuance costs | 99,182 | 90,823 |
| Investment securities (Note 5) | 9,342 | 9,360 |
| Software | 569 | 276 |
| Trademark rights | 2,337 | 2,059 |
| Total other assets | 83,281,402 | 81,068,804 |
| Total assets | ¥771,281,796 | ¥777,727,616 |

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

Daiwa House REIT Investment Corporation
BALANCE SHEETS, CONTINUED
As of August 31, 2018 and February 28, 2019

| | As of | |
|---|---------------------|---------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Liabilities | | |
| Current liabilities: | | |
| Operating accounts and other payable | ¥1,642,979 | ¥1,364,351 |
| Current portion of long-term loans (Notes 4, 6 and 15) | 11,600,000 | 40,510,000 |
| Accrued expenses | 1,390,790 | 1,418,415 |
| Accrued consumption taxes | — | 398,538 |
| Advances received | 2,675,485 | 2,757,226 |
| Unearned revenue | 221,735 | 222,342 |
| Deposits received | 327,234 | 345,273 |
| Other | 90,429 | 91,929 |
| Total current liabilities | 17,948,655 | 47,108,077 |
| Non-current liabilities: | | |
| Investment corporation bonds (Notes 4 and 14) | 19,000,000 | 19,000,000 |
| Long-term loans (Notes 4, 6 and 15) | 283,668,000 | 261,758,000 |
| Long-term unearned revenue | 928,843 | 818,279 |
| Tenant leasehold and security deposits | 280,916 | 276,389 |
| Tenant leasehold and security deposits in trust | 17,422,350 | 17,854,492 |
| Asset retirement obligations (Note 11) | 620,349 | 626,251 |
| Derivative liabilities (Notes 4 and 6) | 816,561 | 1,063,056 |
| Total non-current liabilities | 322,737,022 | 301,396,469 |
| Total liabilities | 340,685,677 | 348,504,547 |
| Net assets (Notes 12 and 13) | | |
| Unitholders' equity: | 163,230,367 | 163,230,367 |
| Unitholders' capital | | |
| Units authorized: | | |
| 8,000,000 units as of August 31, 2018 and February 28, 2019 | | |
| Units issued and outstanding: | | |
| 1,927,000 units as of August 31, 2018 and February 28, 2019 | | |
| Surplus | | |
| Capital surplus | 247,667,563 | 247,667,563 |
| Voluntary reserve | | |
| Reserve for temporary difference adjustments | 10,785,218 | 8,804,571 |
| Reserve for distribution | 1,964,241 | 1,986,536 |
| Total voluntary reserve | 12,749,459 | 10,791,107 |
| Unappropriated retained earnings | 7,765,290 | 8,597,087 |
| Total surplus | 268,182,313 | 267,055,758 |
| Total unitholders' equity | 431,412,680 | 430,286,126 |
| Valuation and translation adjustments | | |
| Deferred gains or losses on hedges (Note 6) | (816,561) | (1,063,056) |
| Total valuation and translation adjustments | (816,561) | (1,063,056) |
| Total net assets | 430,596,119 | 429,223,069 |
| Total liabilities and net assets | ¥771,281,796 | ¥777,727,616 |

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

III. Statements of Income and Retained Earnings

| Daiwa House REIT Investment Corporation STATEMENTS OF INCOME AND RETAINED EARNINGS For the fiscal periods ended August 31, 2018 and February 28, 2019 | | |
|---|------------------------------|-------------------|
| | For the fiscal periods ended | |
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Operating revenues: | | |
| Rental revenues (Note 10) | ¥22,211,576 | ¥23,013,558 |
| Gain on sale of investment properties (Note 18) | — | 113,532 |
| Total operating revenues | 22,211,576 | 23,127,090 |
| Operating expenses: | | |
| Rental expenses (Note 10) | 8,944,104 | 9,184,698 |
| Loss on sale of investment properties (Note 18) | 99,380 | — |
| Asset management fees | 1,452,834 | 1,519,464 |
| Asset custody fees | 32,882 | 33,727 |
| Administrative service fees | 83,859 | 89,196 |
| Directors’ remuneration | 6,600 | 6,600 |
| Amortization of goodwill (Note 7) | 1,982,226 | 1,982,226 |
| Provision of allowance for doubtful accounts | 561 | — |
| Other operating expenses | 339,658 | 351,000 |
| Total operating expenses | 12,942,107 | 13,166,914 |
| Operating income | 9,269,468 | 9,960,176 |
| Non-operating revenues: | | |
| Interest income | 178 | 166 |
| Gain on forfeiture of unclaimed distributions | 4,168 | 4,436 |
| Settlement received | 10,070 | — |
| Reversal of allowance for doubtful accounts | — | 266 |
| Property tax adjustment at settlement | — | 1,564 |
| Refunded consumption taxes | 22,295 | 6,720 |
| Interest on tax refund | — | 1,518 |
| Other non-operating revenues | 2,573 | 1 |
| Total non-operating revenues | 39,287 | 14,674 |
| Non-operating expenses: | | |
| Interest expense | 1,019,240 | 1,036,887 |
| Interest expense on investment corporation bonds | 42,392 | 51,092 |
| Amortization of investment corporation bond issuance costs | 7,709 | 8,358 |
| Investment unit issuance expenses | 191,068 | — |
| Borrowing related expenses | 275,881 | 278,819 |
| Other non-operating expenses | 2,056 | 2,000 |
| Total non-operating expenses | 1,538,348 | 1,377,157 |
| Ordinary income | 7,770,407 | 8,597,692 |
| Extraordinary losses: | | |
| Loss on litigation (Note 19) | 4,512 | — |
| Total extraordinary losses | 4,512 | — |
| Income before income taxes | 7,765,895 | 8,597,692 |
| Income taxes-current (Note 17) | 605 | 605 |
| Net income | ¥7,765,290 | ¥8,597,087 |
| Unappropriated retained earnings | ¥7,765,290 | ¥8,597,087 |

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

IV. Statements of Changes in Net Assets

| Daiwa House REIT Investment Corporation | | | | | | | | | |
|--|----------------------|-----------------|--|--------------------------|----------------------------------|---------------------------|------------------------------------|---------------------------------------|--------------|
| STATEMENTS OF CHANGES IN NET ASSETS | | | | | | | | | |
| For the fiscal periods ended August 31, 2018 and February 28, 2019 | | | | | | | | | |
| | Unitholders' equity | | | | | | | Valuation and translation adjustments | |
| | Surplus | | | | | | | | |
| | Voluntary reserve | | | | | | | | |
| Number of units issued and out-standing | Unitholders' capital | Capital surplus | Reserve for temporary difference adjustments | Reserve for distribution | Unappropriated retained earnings | Total unitholders' equity | Deferred gains or losses on hedges | Total net assets | |
| (Units) | | | | | | | | | |
| (Yen in thousands) | | | | | | | | | |
| Balance as of February 28, 2018 | 1,690,000 | ¥108,136,162 | ¥247,667,563 | ¥12,767,357 | ¥1,617,617 | ¥7,142,344 | ¥377,331,045 | ¥(1,030,085) | ¥376,300,960 |
| Changes during the period: | | | | | | | | | |
| Issuance of investment units: on March 19, 2018 | 222,000 | 51,607,230 | — | — | — | — | 51,607,230 | — | 51,607,230 |
| on April 13, 2018 | 15,000 | 3,486,975 | — | — | — | — | 3,486,975 | — | 3,486,975 |
| Reversal of reserve for temporary difference adjustments | — | — | — | (1,982,138) | — | 1,982,138 | — | — | — |
| Reserve for distribution | — | — | — | — | 346,623 | (346,623) | — | — | — |
| Distributions from retained earnings | — | — | — | — | — | (8,777,860) | (8,777,860) | — | (8,777,860) |
| Net income | — | — | — | — | — | 7,765,290 | 7,765,290 | — | 7,765,290 |
| Net changes of items other than changes of unitholders' equity | — | — | — | — | — | — | — | 213,523 | 213,523 |
| Total changes during the period | 237,000 | 55,094,205 | — | (1,982,138) | 346,623 | 622,945 | 54,081,635 | 213,523 | 54,295,158 |
| Balance as of August 31, 2018 | 1,927,000 | ¥163,230,367 | ¥247,667,563 | ¥10,785,218 | ¥1,964,241 | ¥7,765,290 | ¥431,412,680 | ¥(816,561) | ¥430,596,119 |
| Changes during the period: | | | | | | | | | |
| Reversal of reserve for temporary difference adjustments | — | — | — | (1,980,646) | — | 1,980,646 | — | — | — |
| Reserve for distribution | — | — | — | — | 22,295 | (22,295) | — | — | — |
| Distributions from retained earnings | — | — | — | — | — | (9,723,642) | (9,723,642) | — | (9,723,642) |
| Net income | — | — | — | — | — | 8,597,087 | 8,597,087 | — | 8,597,087 |
| Net changes of items other than changes of unitholders' equity | — | — | — | — | — | — | — | (246,495) | (246,495) |
| Total changes during the period | — | — | — | (1,980,646) | 22,295 | 831,797 | (1,126,554) | (246,495) | (1,373,049) |
| Balance as of February 28, 2019 | 1,927,000 | ¥163,230,367 | ¥247,667,563 | ¥8,804,571 | ¥1,986,536 | ¥8,597,087 | ¥430,286,126 | ¥(1,063,056) | ¥429,223,069 |

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

V. Statements of Cash Flows

| Daiwa House REIT Investment Corporation | | |
|--|------------------------------|-------------------|
| STATEMENTS OF CASH FLOWS | | |
| For the fiscal periods ended August 31, 2018 and February 28, 2019 | | |
| | For the fiscal periods ended | |
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Cash flows from operating activities: | | |
| Income before income taxes | ¥7,765,895 | ¥8,597,692 |
| Depreciation and amortization | 4,296,514 | 4,454,820 |
| Amortization of goodwill | 1,982,226 | 1,982,226 |
| Amortization of investment corporation bond issuance costs | 7,709 | 8,358 |
| Amortization of trademark rights | 278 | 278 |
| Amortization of software | 292 | 292 |
| Loss on retirement of non-current assets | 16,012 | 17,768 |
| Investment unit issuance expenses | 191,068 | — |
| Interest income | (178) | (166) |
| Interest expense | 1,061,632 | 1,087,979 |
| Increase in operating accounts receivable | (28,319) | (98,934) |
| (Increase) decrease in accounts receivable | (127) | 127 |
| (Increase) decrease in consumption taxes receivable | (3,785,886) | 3,950,194 |
| (Increase) decrease in prepaid expenses | (46,785) | 8,790 |
| Increase (decrease) in operating accounts and other payable | 275,412 | (229,900) |
| Increase in accrued expenses | 170,806 | 29,267 |
| (Decrease) increase in deposits received | (47,265) | 18,038 |
| Increase in advances received | 424,696 | 81,741 |
| (Increase) decrease in long-term prepaid expenses | (75,229) | 174,045 |
| Decrease in allowance for doubtful accounts | (23,989) | (911) |
| Decrease in provision for loss on litigation | (89,514) | — |
| Decrease in investment properties due to sales | — | 1,044,407 |
| Decrease in investment properties in trust due to sales | 2,814,320 | — |
| Increase in lease and guarantee deposits in trust | (74,572) | — |
| Other | 214,356 | 104,553 |
| Subtotal | 15,049,353 | 21,230,670 |
| Interest received | 178 | 166 |
| Interest paid | (1,168,950) | (1,199,579) |
| Income taxes paid | (608) | (603) |
| Net cash provided by operating activities | 13,879,972 | 20,030,654 |
| Cash flows from investing activities: | | |
| Acquisition of investment properties | (97,941,078) | (13,850,790) |
| Acquisition of intangible assets in trust | (661,753) | — |
| Proceeds from tenant leasehold and security deposits | 43,535 | 26,682 |
| Repayment of tenant leasehold and security deposits | (19,069) | (82,788) |
| Proceeds from tenant leasehold and security deposits in trust | 3,801,302 | 844,486 |
| Repayment of tenant leasehold and security deposits in trust | (766,840) | (457,861) |
| Net cash used in investing activities | (95,543,905) | (13,520,271) |
| Cash flows from financing activities: | | |
| Proceeds from long-term loans | 32,000,000 | 7,000,000 |
| Repayment of long-term loans | (3,000,000) | — |
| Proceeds from issuance of investment corporation bonds | 2,971,170 | — |
| Proceeds from issuance of investment units | 54,903,136 | — |
| Distribution payment | (8,771,497) | (9,719,912) |
| Net cash provided by (used in) financing activities | 78,102,808 | (2,719,912) |
| Net increase (decrease) in cash and cash equivalents | (3,561,123) | 3,790,470 |
| Cash and cash equivalents at beginning of the period | 41,021,631 | 37,460,508 |
| Cash and cash equivalents at end of the period (Note 3) | ¥37,460,508 | ¥41,250,978 |

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

VI. Notes to Financial Statements

| Daiwa House REIT Investment Corporation |
|--|
| Notes to Financial Statements |
| As of and for the fiscal periods ended August 31, 2018 and February 28, 2019 |

Note 1 – Organization and Basis of Presentation

Organization

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

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

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

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

After the merger, DHR shifted to a diversified REIT portfolio that targets investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investments in the past. As of February 28, 2019, DHR’s portfolio included 216 properties at a total acquisition price of ¥683.4 billion.

Basis of Presentation

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

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

DHR maintains its accounting records in Japanese yen, the currency of the country in which DHR operates. As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than thousand yen have been omitted. Unless otherwise specified, amounts of less than the units indicated are truncated, while values of ratios are rounded up or down to the nearest value of the last digit in the accompanying financial statements. As a result, totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Investment Properties

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

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

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

(c) Intangible Assets

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

| | Years |
|-------------------|-------|
| Goodwill | 20 |
| Computer software | 5 |

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

(d) Investment Corporation Bond Issuance Costs

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

(e) Investment Unit Issuance Expenses

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

(f) Investment Securities

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

(g) Revenue Recognition

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

(h) Taxes on Property and Equipment

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

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

(i) Income Taxes

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

(j) Allowance for Doubtful Accounts

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

(k) Consumption Taxes

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

(l) Trust Beneficiary Interests

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

(m) Derivatives and Hedge Accounting

Deferral hedge accounting is applied for derivatives. DHR uses interest-rate swaps as hedging instruments in

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

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

Note 3 – Cash and Cash Equivalents

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

| | As of | |
|---------------------------|--------------------|-------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Cash and bank deposits | ¥37,460,508 | ¥41,250,978 |
| Cash and cash equivalents | ¥37,460,508 | ¥41,250,978 |

Note 4 – Financial Instruments

(a) Qualitative Information on Financial Instruments

Policy on financial instruments

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

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

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

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

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

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

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

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

Supplemental explanation concerning fair value of financial instruments

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

(b) Estimated Fair Value of Financial Instruments

Book value on the balance sheet, fair value and the difference as of August 31, 2018 and February 28, 2019 are as follows:

| | As of | | | | | |
|--|--------------------|--------------|------------|-------------------|--------------|------------|
| | August 31, 2018 | | | February 28, 2019 | | |
| | (Yen in thousands) | | | | | |
| Assets | Book value | Fair value | Difference | Book value | Fair value | Difference |
| (1) Cash and bank deposits | ¥37,460,508 | ¥37,460,508 | ¥— | ¥41,250,978 | ¥41,250,978 | ¥— |
| (2) Investment securities: Held-to-maturity bonds | 9,342 | 8,921 | (421) | 9,360 | 9,228 | (132) |
| Total | ¥37,469,850 | ¥37,469,429 | ¥(421) | ¥41,260,338 | ¥41,260,206 | ¥(132) |
| Liabilities | | | | | | |
| (3) Current portion of long-term loans | ¥11,600,000 | ¥11,613,463 | ¥13,463 | ¥40,510,000 | ¥40,614,396 | ¥104,396 |
| (4) Investment corporation bonds | 19,000,000 | 19,028,099 | 28,099 | 19,000,000 | 19,129,020 | 129,020 |
| (5) Long-term loans | 283,668,000 | 286,291,112 | 2,623,112 | 261,758,000 | 265,438,709 | 3,680,709 |
| (6) Tenant leasehold and security deposits in trust | 624,821 | 609,723 | (15,098) | 603,606 | 596,174 | (7,432) |
| Total | ¥314,892,821 | ¥317,542,398 | ¥2,649,577 | ¥321,871,606 | ¥325,778,301 | ¥3,906,694 |
| (7) Derivatives (*) | ¥(816,561) | ¥(816,561) | ¥— | ¥(1,063,056) | ¥(1,063,056) | ¥— |

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

Notes:

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

Assets:

(1) Cash and bank deposits

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

(2) Investment securities

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

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

Liabilities:

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

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

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

(4) Investment corporation bonds

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

(6) Tenant leasehold and security deposits in trust

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

(7) Derivatives

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

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

| | As of | |
|---|--------------------|-------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Tenant leasehold and security deposits | ¥280,916 | ¥276,389 |
| Tenant leasehold and security deposits in trust | 16,797,529 | 17,250,886 |

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

3. Redemption schedule for monetary claims after August 31, 2018 and February 28, 2019 is as follows:

| As of August 31, 2018 | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
|------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| | (Yen in thousands) | | | | | |
| Cash and bank deposits | ¥37,460,508 | ¥— | ¥— | ¥— | ¥— | ¥— |
| Investment securities | — | — | — | — | — | 10,000 |
| Total | ¥37,460,508 | ¥— | ¥— | ¥— | ¥— | ¥10,000 |

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

4. Repayment schedule for investment corporation bonds and long-term loans after August 31, 2018 and February 28, 2019 is as follows:

| As of August 31, 2018 | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
|------------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| | (Yen in thousands) | | | | | |
| Investment corporation bonds | ¥— | ¥— | ¥3,000,000 | ¥4,000,000 | ¥— | ¥12,000,000 |
| Long-term loans (*) | 11,600,000 | 36,810,000 | 16,000,000 | 33,858,000 | 35,900,000 | 161,100,000 |
| Total | ¥11,600,000 | ¥36,810,000 | ¥19,000,000 | ¥37,858,000 | ¥35,900,000 | ¥173,100,000 |

(*) The figures above include the current portion.

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

(*) The figures above include the current portion.

Note 5 – Investment Securities

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

Book value on the balance sheet, fair value and the difference as of August 31, 2018 and February 28, 2019 are as follows:

| | As of | | | | | |
|---|--------------------|---------------|---------------|-------------------|---------------|---------------|
| | August 31, 2018 | | | February 28, 2019 | | |
| | (Yen in thousands) | | | | | |
| | Book value | Fair value | Difference | Book value | Fair value | Difference |
| Fair value exceeding the book value | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Government bonds | ¥— | ¥— | ¥— | ¥— | ¥— | ¥— |
| Subtotal | — | — | — | — | — | — |
| Fair value not exceeding the book value | | | | | | |
| Held-to-maturity bonds: | | | | | | |
| Government bonds | 9,342 | 8,921 | (421) | 9,360 | 9,228 | (132) |
| Subtotal | 9,342 | 8,921 | (421) | 9,360 | 9,228 | (132) |
| Total | ¥9,342 | ¥8,921 | ¥(421) | ¥9,360 | ¥9,228 | ¥(132) |

Note 6 – Derivative Transactions

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

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

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

| | | As of | | | | | |
|--|----------------|-----------------|--------------------|------------------------|-------------------|--------------------|--------------------------|
| Type of derivative transaction | Hedged item | August 31, 2018 | | | February 28, 2019 | | |
| | | Contract amount | | Fair value | Contract amount | | Fair value |
| | | Total | Due after one year | | Total | Due after one year | |
| (Yen in thousands) | | | | | | | |
| <u>Principle method</u> | | | | | | | |
| Interest-rate swap Receive floating/ Pay fixed | Long-term loan | ¥47,500,000 | ¥47,500,000 | ¥(816,561) (Note 1) | ¥47,500,000 | ¥47,500,000 | ¥(1,063,056) (Note 1) |
| <u>Special treatment for interest-rate swaps</u> | | | | | | | |
| Interest-rate swap Receive floating/ Pay fixed | Long-term loan | 48,268,000 | 48,268,000 | (Note 2) | 48,268,000 | 30,858,000 | (Note 2) |
| Total | | ¥95,768,000 | ¥95,768,000 | ¥(816,561) | ¥95,768,000 | ¥78,358,000 | ¥(1,063,056) |

Notes:

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

Note 7 – Goodwill

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

On the business combination date, consideration given for the acquisition was ¥219,425,976 thousand, which was the amount equivalent to the fair value of DHR investment units allotted, while the fair value of the net assets acquired from the former DHR was ¥140,136,912 thousand. The excess of the acquisition cost over the fair value of the net assets acquired, in the amount of ¥79,289,063 thousand, was recognized as goodwill upon the Merger. The amount of goodwill is amortized over 20 years using the straight-line method. As of August 31, 2018 and February 28, 2019, the unamortized balances of goodwill from the Merger were ¥71,360,157 thousand and ¥69,377,930 thousand, respectively.

Note 8 – Investment Properties

As of August 31, 2018 and February 28, 2019, investment properties consist of the following property and equipment and property and equipment in trust.

| | As of | | | | | |
|----------------------------------|--------------------|--------------------------|--------------|-------------------|--------------------------|--------------|
| | August 31, 2018 | | | February 28, 2019 | | |
| | (Yen in thousands) | | | | | |
| | Acquisition cost | Accumulated depreciation | Net | Acquisition cost | Accumulated depreciation | Net |
| Property and equipment: | | | | | | |
| Land | ¥21,637,530 | ¥— | ¥21,637,530 | ¥20,879,124 | ¥— | ¥20,879,124 |
| Buildings | 26,566,010 | 4,374,887 | 22,191,122 | 26,298,220 | 4,602,743 | 21,695,476 |
| Structures | 249,493 | 43,759 | 205,733 | 245,467 | 45,395 | 200,072 |
| Machinery and equipment | 454,987 | 129,260 | 325,726 | 472,105 | 138,790 | 333,314 |
| Tools, furniture and fixtures | 669,144 | 354,201 | 314,943 | 676,056 | 377,657 | 298,398 |
| Property and equipment in trust: | | | | | | |
| Land | 302,954,257 | — | 302,954,257 | 310,001,420 | — | 310,001,420 |
| Buildings | 317,552,921 | 27,516,054 | 290,036,867 | 323,844,247 | 31,322,569 | 292,521,677 |
| Structures | 7,054,268 | 547,644 | 6,506,624 | 7,302,031 | 688,505 | 6,613,525 |
| Machinery and equipment | 2,361,439 | 932,610 | 1,428,829 | 2,417,497 | 1,017,666 | 1,399,830 |
| Tools, furniture and fixtures | 867,589 | 348,059 | 519,530 | 967,046 | 401,423 | 565,623 |
| Construction in progress | 73,774 | — | 73,774 | 15,228 | — | 15,228 |
| Total | ¥680,441,418 | ¥34,246,477 | ¥646,194,941 | ¥693,118,444 | ¥38,594,752 | ¥654,523,691 |

Note 9 – Fair Value of Investment Properties

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

| | As of / For the fiscal periods ended | |
|--|---|--------------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Book value: | | |
| Balance at beginning of the period | ¥560,376,601 | ¥652,230,280 |
| Net change during the period | 91,853,678 | 8,281,337 |
| Balance at end of the period | ¥652,230,280 | ¥660,511,618 |
| Fair value at end of the period | ¥731,042,000 | ¥753,721,000 |

Notes:

1. The book value above includes leasehold rights in trust of ¥6,035,339 thousand and ¥5,987,926 thousand as of August 31, 2018 and February 28, 2019, respectively.
2. For the period ended August 31, 2018, the increase is mainly due to acquisitions of 16 properties including DPL Fukuoka Kasuya (¥97,823,050 thousand), while the decrease is principally attributable to the sale of Crest Kusatsu (¥2,814,320 thousand) and depreciation. For the period ended February 28, 2019, the increase is mainly due to acquisitions of four properties including COMBOX310 (¥12,912,161 thousand), while the decrease is principally attributable to the sale of Morino Tonari (¥1,044,407 thousand) and depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

Note 10 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended August 31, 2018 and February 28, 2019 are as follows:

| | For the fiscal periods ended | |
|---|-------------------------------------|--------------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Rental revenues: | | |
| Rental revenues | ¥20,695,802 | ¥21,511,590 |
| Common area charges | 464,918 | 473,366 |
| Subtotal | 21,160,720 | 21,984,957 |
| Other revenues related to property leasing: | | |
| Facility charges | 365,832 | 382,753 |
| Incidental revenues | 295,306 | 283,633 |
| Other revenues | 389,716 | 362,213 |
| Subtotal | 1,050,855 | 1,028,600 |
| Total rental revenues | ¥22,211,576 | ¥23,013,558 |

| For the fiscal periods ended | |
|-------------------------------------|--------------------------|
| August 31, 2018 | February 28, 2019 |
| (Yen in thousands) | |

Rental expenses:

| | | |
|--|--------------------|--------------------|
| Management fees | ¥1,303,367 | ¥1,283,640 |
| Utilities | 342,082 | 349,856 |
| Taxes and public dues | 1,440,930 | 1,432,107 |
| Repairs | 568,311 | 746,985 |
| Restoration costs | 311,974 | 230,219 |
| Insurance premiums | 26,911 | 27,558 |
| Custodian fees | 68,447 | 58,202 |
| Depreciation and amortization | 4,296,514 | 4,454,820 |
| Other operating expenses | 585,563 | 601,307 |
| Total rental expenses | ¥8,944,104 | ¥9,184,698 |
| Operating income from property leasing activities | ¥13,267,472 | ¥13,828,859 |

Note 11 – Asset Retirement Obligations

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

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (46 – 60 years), and uses a 1.0 – 2.4% discount rate for the calculation of asset retirement obligations. Changes in asset retirement obligations for the periods ended August 31, 2018 and February 28, 2019 are as follows:

| | For the fiscal periods ended | |
|--|-------------------------------------|--------------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Balance at beginning of the period | ¥439,186 | ¥620,349 |
| Increase due to acquisitions of property and equipment | 175,465 | — |
| Accretion expense | 5,698 | 5,901 |
| Balance at end of the period | ¥620,349 | ¥626,251 |

Note 12 – Net Assets

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

Note 13 – Distribution Information

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

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

Adopting the transitional measure stipulated in the paragraph 3 of supplementary provision of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), subsequent to February 28, 2017, DHR transferred the reserve for distribution of ¥14,748,347,148, which was the balance retained from gain on negative goodwill recognized in the past, to the reserve for temporary difference adjustments account. The Ordinance prescribes that, from the fiscal period following the period in which the amount is reserved, a minimum of 1% of the remaining balance shall be appropriated from reserve for temporary difference adjustments for cash distributions. Instead of appropriating the minimum amounts as set forth by the Ordinance, DHR appropriated the amounts equivalent to goodwill amortization expenses in accordance with the cash distribution policy set forth in the Articles of Incorporation from the fiscal period ended August 31, 2017. The amounts appropriated for distributions related to the periods ended August 31, 2018 and February 28, 2019 were ¥1,980,646,890 and ¥1,980,994,520, respectively, which were greater than the aforementioned minimum amounts as set forth by the Ordinance.

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

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

| | For the fiscal periods ended | | | |
|--|------------------------------|----------|-------------------|----------|
| | August 31, 2018 | | February 28, 2019 | |
| | (Yen) | | | |
| | Total | Per unit | Total | Per unit |
| Unappropriated retained earnings | ¥7,765,290,290 | | ¥8,597,087,441 | |
| Reversal of voluntary reserve: | | | | |
| Reserve for temporary difference adjustments | 1,980,646,890 | | 1,980,994,520 | |
| Accumulation of voluntary reserve: | | | | |
| Reserve for distribution | (22,295,180) | | (120,252,961) | |
| Cash distributions | ¥9,723,642,000 | ¥5,046 | ¥10,457,829,000 | ¥5,427 |
| Retained earnings carried forward | ¥— | | ¥— | |

Note 14 – Investment Corporation Bonds

The following summarizes the status of the DHR’s unsecured investment corporation bonds with special pari passu conditions among specified investment corporation bonds as of August 31, 2018 and February 28, 2019. The bonds are to be repaid on a lump-sum basis on the maturity date.

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

Note 15 – Long-Term Loans

Long-term loans consist of borrowings from financial institutions under loan agreements. None of the loans are secured by collateral or guaranteed. The following table summarizes long-term loans as of August 31, 2018 and February 28, 2019.

| | Due date | As of | | | |
|----------------------------------|--------------------|--------------------|---------------|--------------------|---------------|
| | | August 31, 2018 | | February 28, 2019 | |
| | | (Yen in thousands) | Interest rate | (Yen in thousands) | Interest rate |
| Long-term loans: | | | | | |
| Fixed-rate long-term loan | March 27, 2019 | ¥4,000,000 | 1.07% | ¥4,000,000 | 1.07% |
| Floating-rate long-term loan | March 29, 2019 | 7,600,000 | 0.25 | 7,600,000 | 0.26 |
| Fixed-rate long-term loan | November 29, 2019 | 10,000,000 | 1.29 | 10,000,000 | 1.29 |
| Floating-rate long-term loan (*) | January 31, 2020 | 17,410,000 | 0.96 | 17,410,000 | 0.96 |
| Fixed-rate long-term loan | January 31, 2020 | 1,500,000 | 0.96 | 1,500,000 | 0.96 |
| Fixed-rate long-term loan | April 1, 2020 | 1,000,000 | 0.57 | 1,000,000 | 0.57 |
| Floating-rate long-term loan | March 31, 2020 | 6,900,000 | 0.20 | 6,900,000 | 0.21 |
| Floating-rate long-term loan (*) | January 31, 2021 | 3,500,000 | 0.90 | 3,500,000 | 0.90 |
| Floating-rate long-term loan (*) | April 1, 2021 | 3,000,000 | 1.05 | 3,000,000 | 1.05 |
| Floating-rate long-term loan (*) | November 30, 2021 | 7,000,000 | 0.51 | 7,000,000 | 0.51 |
| Fixed-rate long-term loan | April 30, 2021 | 9,500,000 | 0.40 | 9,500,000 | 0.40 |
| Floating-rate long-term loan (*) | January 31, 2022 | 6,858,000 | 0.61 | 6,858,000 | 0.61 |
| Floating-rate long-term loan (*) | April 28, 2022 | 10,000,000 | 0.66 | 10,000,000 | 0.66 |
| Floating-rate long-term loan (*) | December 28, 2022 | 10,500,000 | 0.59 | 10,500,000 | 0.59 |
| Floating-rate long-term loan (*) | April 1, 2022 | 3,500,000 | 1.21 | 3,500,000 | 1.21 |
| Floating-rate long-term loan (*) | October 3, 2022 | 3,000,000 | 0.87 | 3,000,000 | 0.87 |
| Floating-rate long-term loan (*) | September 28, 2022 | 4,000,000 | 0.65 | 4,000,000 | 0.65 |
| Fixed-rate long-term loan | September 9, 2022 | 1,000,000 | 0.43 | 1,000,000 | 0.43 |
| Fixed-rate long-term loan | April 28, 2022 | 6,500,000 | 0.42 | 6,500,000 | 0.42 |
| Floating-rate long-term loan (*) | March 27, 2023 | 2,000,000 | 1.50 | 2,000,000 | 1.50 |
| Fixed-rate long-term loan | September 29, 2023 | 1,000,000 | 1.00 | 1,000,000 | 1.00 |
| Floating-rate long-term loan (*) | October 2, 2023 | 4,000,000 | 0.99 | 4,000,000 | 0.99 |
| Floating-rate long-term loan (*) | May 31, 2023 | 4,000,000 | 0.71 | 4,000,000 | 0.71 |
| Fixed-rate long-term loan | March 31, 2023 | 10,400,000 | 0.41 | 10,400,000 | 0.41 |
| Fixed-rate long-term loan | September 29, 2023 | 10,000,000 | 0.57 | 10,000,000 | 0.57 |
| Fixed-rate long-term loan | March 31, 2023 | 1,000,000 | 0.44 | 1,000,000 | 0.44 |
| Fixed-rate long-term loan | September 29, 2023 | — | — | 1,000,000 | 0.43 |
| Fixed-rate long-term loan | January 31, 2024 | 2,000,000 | 0.88 | 2,000,000 | 0.88 |
| Floating-rate long-term loan (*) | April 1, 2024 | 3,000,000 | 1.52 | 3,000,000 | 1.52 |
| Fixed-rate long-term loan | September 30, 2024 | 1,000,000 | 0.73 | 1,000,000 | 0.73 |
| Fixed-rate long-term loan | March 29, 2024 | 11,000,000 | 0.48 | 11,000,000 | 0.48 |
| Fixed-rate long-term loan | March 29, 2024 | 1,000,000 | 0.55 | 1,000,000 | 0.55 |
| Fixed-rate long-term loan | April 30, 2024 | 5,000,000 | 0.52 | 5,000,000 | 0.52 |
| Floating-rate long-term loan (*) | October 1, 2025 | 4,000,000 | 1.23 | 4,000,000 | 1.23 |
| Fixed-rate long-term loan | October 1, 2025 | 3,000,000 | 1.18 | 3,000,000 | 1.18 |
| Floating-rate long-term loan (*) | May 30, 2025 | 4,000,000 | 0.97 | 4,000,000 | 0.97 |

| | As of | | | | |
|--|--------------------|--------------------|---------------|--------------------|---------------|
| | August 31, 2018 | | | February 28, 2019 | |
| | Due date | (Yen in thousands) | Interest rate | (Yen in thousands) | Interest rate |
| Fixed-rate long-term loan | September 29, 2025 | 9,000,000 | 0.63 | 9,000,000 | 0.63 |
| Fixed-rate long-term loan | March 31, 2025 | 11,000,000 | 0.70 | 11,000,000 | 0.70 |
| Fixed-rate long-term loan | April 30, 2025 | 5,000,000 | 0.60 | 5,000,000 | 0.60 |
| Fixed-rate long-term loan | September 30, 2025 | — | — | 1,000,000 | 0.60 |
| Floating-rate long-term loan (*) | April 1, 2026 | 2,000,000 | 2.03 | 2,000,000 | 2.03 |
| Floating-rate long-term loan (*) | May 29, 2026 | 4,000,000 | 1.09 | 4,000,000 | 1.09 |
| Fixed-rate long-term loan | September 28, 2026 | 1,000,000 | 0.69 | 1,000,000 | 0.69 |
| Fixed-rate long-term loan | November 30, 2026 | 15,000,000 | 0.87 | 15,000,000 | 0.87 |
| Fixed-rate long-term loan | April 30, 2026 | 10,000,000 | 0.76 | 10,000,000 | 0.76 |
| Fixed-rate long-term loan | April 30, 2026 | 2,000,000 | 0.65 | 2,000,000 | 0.65 |
| Fixed-rate long-term loan | April 1, 2027 | 1,500,000 | 1.46 | 1,500,000 | 1.46 |
| Fixed-rate long-term loan | March 31, 2027 | 2,000,000 | 0.85 | 2,000,000 | 0.85 |
| Fixed-rate long-term loan | July 30, 2027 | 12,100,000 | 0.89 | 12,100,000 | 0.89 |
| Fixed-rate long-term loan | November 30, 2027 | 16,000,000 | 0.90 | 16,000,000 | 0.90 |
| Fixed-rate long-term loan | September 30, 2027 | 1,500,000 | 0.75 | 1,500,000 | 0.75 |
| Fixed-rate long-term loan | April 28, 2028 | 10,000,000 | 1.02 | 10,000,000 | 1.02 |
| Fixed-rate long-term loan | April 28, 2028 | 10,000,000 | 0.89 | 10,000,000 | 0.89 |
| Fixed-rate long-term loan | December 29, 2028 | — | — | 5,000,000 | 0.88 |
| Total long-term loans | | 295,268,000 | | 302,268,000 | |
| Less: current portion | | (11,600,000) | | (40,510,000) | |
| Long-term loans, less current portion | | ¥283,668,000 | | ¥261,758,000 | |

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

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

The repayment schedule for short-term and long-term loans subsequent to August 31, 2018 and February 28, 2019 is disclosed in Note 4 – “Financial Instruments.”

DHR has entered into a commitment line agreement with four financial institutions in order to secure flexible and stable financing. The status of the commitment line agreement as of August 31, 2018 and February 28, 2019 is as follows:

| | As of | |
|---------------------------------|--------------------|-------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Total amount of commitment line | ¥20,000,000 | ¥25,000,000 |
| Balance executed as loans | — | — |
| Unused line of credit | ¥20,000,000 | ¥25,000,000 |

Note 16 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of August 31, 2018 and February 28, 2019 are as follows:

| | As of | |
|---------------------|---------------------|---------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Due within one year | ¥21,249,137 | ¥21,668,874 |
| Due after one year | 142,337,743 | 142,417,289 |
| Total | ¥163,586,881 | ¥164,086,163 |

Note 17 – Deferred Income Taxes

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

(a) Significant Components of Deferred Tax Assets and Liabilities

| | As of | |
|--|--------------------|-------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Deferred tax assets: | | |
| Excess provision of allowance for doubtful accounts | ¥652 | ¥386 |
| Deferred interest income | 360,001 | 328,554 |
| Valuation difference at the time of merger (Long-term prepaid expenses, etc.) | 134 | 90 |
| Valuation difference at the time of merger (Land and Buildings) | 2,748,571 | 2,677,223 |
| Loss carryforward assumed at the time of merger | 160,307 | 160,288 |
| Asset retirement obligations | 195,991 | 197,832 |
| Deferred gains or losses on hedges | 257,982 | 335,819 |
| Amortization of fixed-term land lease rights | 107,406 | 122,371 |
| Other payable (loss on litigation) | 28,713 | — |
| Other | 2,210 | 9,589 |
| Subtotal | 3,861,972 | 3,832,157 |
| Valuation reserve | (3,861,972) | (3,832,157) |
| Total deferred tax assets | — | — |

| | As of | |
|---|--------------------|-------------------|
| | August 31, 2018 | February 28, 2019 |
| | (Yen in thousands) | |
| Deferred tax liabilities: | | |
| Valuation difference at the time of merger (Investment securities) | (758) | (740) |
| Valuation difference at the time of merger (Land and Buildings) | (14,555,319) | (14,519,107) |
| Asset retirement costs | (174,361) | (174,340) |
| Subtotal | (14,730,439) | (14,694,188) |
| Valuation reserve | 14,730,439 | 14,694,188 |
| Total deferred tax liabilities | — | — |
| Net deferred tax assets | ¥— | ¥— |

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

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

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

| | For the fiscal periods ended | |
|--|------------------------------|-------------------|
| | August 31, 2018 | February 28, 2019 |
| Statutory tax rate | 31.74% | 31.51% |
| Adjustments: | | |
| Tax-deductible cash distributions paid | (38.84) | (37.87) |
| Amortization of goodwill | 8.10 | 7.26 |
| Change in valuation allowance | (1.01) | (0.92) |
| Other | 0.02 | 0.01 |
| Effective tax rate | 0.01% | 0.01% |

Note 18 – Gain and Loss on Sale of Investment Properties

For the period ended August 31, 2018, DHR sold one investment property and reported a loss as follows:

| | For the fiscal period ended August 31, 2018 (Yen in thousands) |
|---|---|
| Crest Kusatsu | |
| Proceeds from sale of investment properties | ¥2,800,000 |
| Cost of investment properties sold | 2,814,320 |
| Other sales expenses | 85,060 |
| Loss on sale of investment properties | ¥99,380 |

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

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

Note 19 – Loss on Litigation

Asahi Security Co., Ltd., the tenant of D Project Shin-Misato, filed a claim in the Tokyo District Court on June 27, 2014 against Mitsubishi UFJ Trust and Banking Corporation, the trustee of the property, requesting approval of a reduction in rent of approximately 16% compared with the current level for the period from May 1, 2014. The Tokyo District Court rendered the judgement on July 24, 2017, ordering DHR to confirm the rent reduction by approximately 6% for the period from May 1, 2014 onward. DHR appealed to the Supreme Court through the trustee on April 18, 2018; however, the appeal was dismissed on October 2, 2018.

DHR fully compensated for the reduced portion of the rent by recognizing loss on litigation by the end of the period ended August 31, 2018.

Note 20 – Per Unit Information

Earnings per unit for the periods ended August 31, 2018 and February 28, 2019 and net assets per unit as of August 31, 2018 and February 28, 2019 are as follows:

| | For the fiscal periods ended August 31, 2018 February 28, 2019 (Yen) | |
|--|---|-------------------|
| Earnings per unit: | | |
| Net income per unit | ¥4,083 | ¥4,461 |
| Weighted average number of units outstanding (units) | 1,901,777 | 1,927,000 |
| | | |
| | As of | |
| | August 31, 2018 | February 28, 2019 |
| | (Yen) | |
| Net assets per unit | ¥223,454 | ¥222,741 |

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

Note 21 – Related-Party Transactions

Related-party transactions for the periods ended August 31, 2018 and February 28, 2019 are as follows:

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

(b) *Affiliates* — None

(c) *Transactions under Common Control* — None

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

Note 22 – Segment Information

(a) *Segment Information*

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

(b) *Related Information*

Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHR’s statements of income and retained earnings for the periods ended August 31, 2018 and February 28, 2019, information about products and services has been omitted.

Information about geographic areas

- (1) Operating revenues
- Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHR’s statements of income and retained earnings for the periods ended August 31, 2018 and February 28, 2019, information about geographic areas has been omitted.
- (2) Investment properties
- Since over 90% of total investment properties on the balance sheets as of August 31, 2018 and February 28, 2019, are located within Japan, information about geographic areas on such investment properties has been omitted.

Information about major customers

Since there is not any customer accounting for 10% or more of total operating revenues in DHR’s statements of income and retained earnings for the periods ended August 31, 2018 and February 28, 2019, information about major customers has been omitted.

Note 23 – Accounting Standards Issued But Not Yet Applied

As of February 28, 2019, DHR has not yet applied the following accounting standard and its implementation guidance.

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

(a) Overview

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

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

(b) Scheduled Date of Application

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

(c) Effect of Application of the New Accounting Standard

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

Note 24 – Subsequent Events

(a) Issuance of New Investment Units

At the Board of Directors’ meetings held on February 8, 2019 and on February 20, 2019, it was resolved to issue new investment units as described below. The proceeds from the issuance of new investment units through a public offering were fully received on March 1, 2019, while the proceeds from the issuance of new investment units through a third-party allotment were fully received on March 26, 2019.

After the issuance, unitholders’ capital increased to ¥198,492 million and the number of investment units issued and outstanding came to 2,075,000 units.

| | |
|--|--|
| (1) Issuance of new investment units through a public offering | |
| Number of new investment units issued: | 138,000 units (86,900 units in Japan and 51,100 units overseas) |
| Issue price: | ¥245,784 per unit |
| Total issue price: | ¥33,918,192,000 |
| Amount paid in (issue value): | ¥238,260 per unit |
| Total amount paid in (issue value): | ¥32,879,880,000 |
| Payment date: | March 1, 2019 |
| (2) Issuance of new investment units through a third-party allotment | |
| Number of new investment units issued: | 10,000 units |
| Amount paid in (issue value): | ¥238,260 per unit |
| Total amount paid in (issue value): | ¥2,382,600,000 |
| Payment date: | March 26, 2019 |
| Allottee: | Nomura Securities Co., Ltd. |

(b) Acquisition of Investment Properties

DHR acquired trust beneficiary interests in the following properties.

| Property name | Acquisition price (Note 1) (Yen in thousands) | Asset class | Seller (Note 2) | Acquisition date |
|--|---|-------------|--------------------------------|------------------|
| D Project Kitahachioji I | ¥4,300,000 | Logistics | DH Development II Godo Kaisha | April 5, 2019 |
| D Project Kitahachioji II | 5,700,000 | Logistics | DH Development II Godo Kaisha | April 5, 2019 |
| D Project Kitahachioji III | 7,300,000 | Logistics | DH Development II Godo Kaisha | April 5, 2019 |
| D Project Itabashi Shingashi | 12,300,000 | Logistics | Daiwa House Industry Co., Ltd. | April 10, 2019 |
| D Project Sagamihara | 3,900,000 | Logistics | Daiwa House Industry Co., Ltd. | April 10, 2019 |
| D Project Kuki VIII | 6,100,000 | Logistics | Daiwa House Industry Co., Ltd. | April 10, 2019 |
| D Project Yokkaichi | 1,490,000 | Logistics | Daiwa House Industry Co., Ltd. | April 10, 2019 |
| D Project Ibaraki Ishioka | 4,050,000 | Logistics | Daiwa House Industry Co., Ltd. | April 10, 2019 |
| iias Tsukuba (30% quasi co-ownership) | 10,320,000 | Retail | Daiwa House Industry Co., Ltd. | April 5, 2019 |
| Aoyama Tailor Bunkyo Sengoku Ekimae Store | 750,000 | Retail | Daiwa House Industry Co., Ltd. | April 5, 2019 |
| FOLEO Shobu | 5,000,000 | Retail | Daiwa House Industry Co., Ltd. | April 5, 2019 |
| Daiwa Roynet Hotel Nagoya Shinkansenguchi | 4,500,000 | Hotel | Nihon Jyutaku Ryutu Co., Ltd. | April 5, 2019 |
| Nursery Room Berry Bear Omori Nishi and Welcia Ota Omori Nishi Store | 1,380,000 | Other | Daiwa House Industry Co., Ltd. | March 12, 2019 |

Notes:

- The acquisition prices do not include acquisition-related expenses, taxes and dues adjustments at settlement and consumption taxes.
- The sellers of the assets: i) Daiwa House, the seller of D Project Itabashi Shingashi, D Project Sagamihara, D Project Kuki VIII, D Project Yokkaichi, D Project Ibaraki Ishioka, iias Tsukuba, Aoyama Tailor Bunkyo Sengoku Ekimae Store, FOLEO Shobu and Nursery Room Berry Bear Omori Nishi and Welcia Ota Omori Nishi Store; and ii) Nihon Jyutaku Ryutu Co., Ltd., the seller of Daiwa Roynet Hotel Nagoya Shinkansenguchi, are each deemed as an interested party as defined in the Investment Trust Act.
DH Development II Godo Kaisha, the seller of D Project Kitahachioji I, D Project Kitahachioji II and D Project Kitahachioji III, is a special purpose company (Tokutei Mokuteki Kaisha) which Daiwa House, the parent company of the Asset Manager, has business relationships with, and is accordingly classified as an interested party as stipulated in the Asset Manager’s internal rules on transactions with interested parties, while it is not deemed as an interested party under the Investment Trust Act.
The Asset Manager has gone through the necessary discussion and approval procedures in accordance with the Asset Manager’s internal rules on transactions with interested parties.

(c) Borrowing of Funds and Repayment of Loans

Subsequent to the balance sheet date, DHR obtained the following loans to acquire assets as stated in “(b) Acquisition of Investment Properties” above.

| Type | Loan amount (Yen in millions) | Interest rate | Loan execution date | Repayment date |
|---------------------------|----------------------------------|--------------------------|---------------------|------------------|
| Unsecured loan | ¥1,000 | 0.45000% (Fixed rate) | April 5, 2019 | April 30, 2026 |
| Unsecured loan | 500 | 0.49677% (Fixed rate) | April 5, 2019 | April 30, 2027 |
| Unsecured loan | 1,500 | 0.58880% (Fixed rate) | April 5, 2019 | April 28, 2028 |
| Unsecured syndicated loan | 6,000 | 1-month TIBOR + 0.23% | April 10, 2019 | October 31, 2022 |
| Unsecured syndicated loan | 8,100 | 0.39138% (Fixed rate) | April 10, 2019 | October 31, 2024 |
| Unsecured syndicated loan | 10,400 | 0.74800% (*) | April 10, 2019 | April 27, 2029 |

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

VII. Independent Auditor's Report



Ernst & Young ShinNihon LLC
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Independent Auditor's Report

The Board of Directors
Daiwa House REIT Investment Corporation

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation, which comprise the balance sheets as at February 28, 2019 and August 31, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at February 28, 2019 and August 31, 2018, and its financial performance and cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

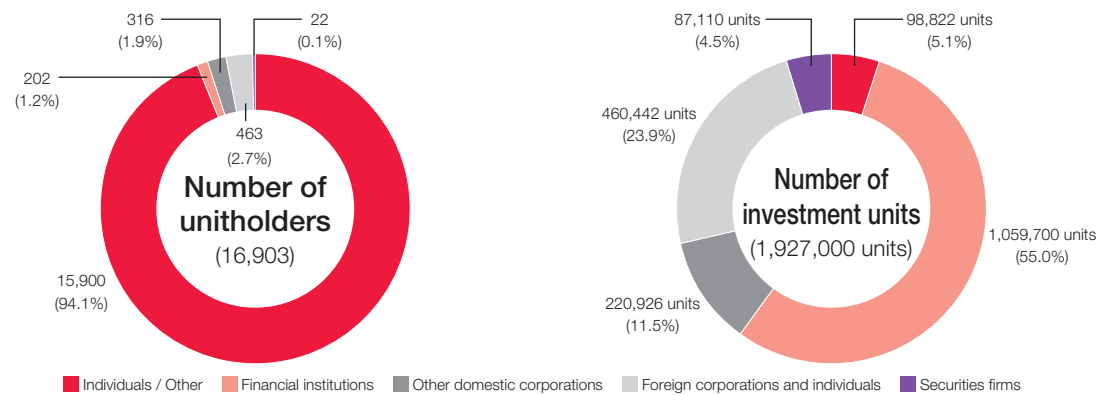
May 24, 2019
Tokyo, Japan

Investment Unit Price



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

Unitholders Data (as of February 28, 2019)



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

Outline of the Asset Manager

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

Procedures for Changes of Address, etc.

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

Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the local office of the Japan Post Bank in Japan or to a post office (bank agent).

If the period for receiving distributions has elapsed, please contact the transfer agent Sumitomo Mitsui Trust Bank, Limited.

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

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

Distribution Statement

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

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

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

Use of the My Number for Investment Unit Related Business

As stipulated by laws and regulations, it is now required to state the My Number of the unitholder on payment records that are submitted to the tax office. Unitholders are therefore requested to submit their My Number to their securities company.

[Contact address for inquiries on submitting My Number]

- Unitholders whose investment units are managed by a securities account
➡ Please direct your inquiries to your securities company, etc.
- Unitholders not conducting transactions via a securities company
➡ Please call the following toll-free phone number.
Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited TEL: 0120-782-031

Note for Unitholders

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