



Daiwa House Residential Investment Corporation

FINANCIAL STATEMENTS FOR THE TWELFTH FISCAL PERIOD

(September 1, 2011 — February 29, 2012)

To Our Unitholders

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

Recently, DHI marked the closing of the 12th Fiscal Period (from September 1, 2011 to February 29, 2012). I again would like to extend my heartfelt thanks to unitholders for this could not have been achieved without your understanding and support.

I hereby report on the management status and financial results for the 12th Fiscal Period.

In the 12th Fiscal Period, along with issuing new investment units, DHI took such steps as making loans all unsecured and reducing financial costs, thereby managing to largely improve the financial base of DHI.

Concerning the replacement of properties, DHI sold two properties of small size and inefficient management even though loss on sales were incurred (sale price total: ¥766 million), while acquiring six properties including two properties from the Daiwa House Group (acquisition price total: ¥18,933 million), thereby managing to achieve external growth.

As evident by such performance as the occupancy rate of portfolio properties also being maintained at a favorable level, recording an all-time high of 97.2% at the end of February 2012, DHI managed to register steady results.

In addition, DHI made the change to a management policy of investing solely in residential properties and further implemented measures, such as changing the corporate name, introducing a new brand name and filing a shelf registration of investment corporation bonds for the purpose of diversifying fund procurement means in December 2011, in an effort to facilitate stable management in the next and subsequent fiscal periods.

The results of the management above in the 12th Fiscal Period were operating revenues of ¥7,421 million, operating income of ¥3,434 million, ordinary income of ¥2,357 million, net income of ¥2,234 million and net income per unit of ¥14,665. Although incurring loss on sales of properties of ¥63 million, etc., DHI ensured that distributions are not affected through reversal of internal reserves. In addition, having set the target distribution per unit for the 12th Fiscal Period at ¥16,000, DHI worked to achieve such through reversal of internal reserves of ¥334 million and thus declared distribution per unit for the 12th Fiscal Period of ¥16,000.

Both DHI and the asset management company will continue to make utmost efforts to achieve steady growth of the portfolio and maximization of unitholder returns while making the most of the comprehensive strengths and know-how of the main sponsor the Daiwa House Group.

The continued support of unitholders is greatly appreciated.

Daiwa House Residential Investment Corporation
Executive Director
Michio Taki

Michio Taki

Distribution per Unit (Yen)**¥16,000**

Twelfth Fiscal Period (September 1, 2011 — February 29, 2012)

1. FINANCIAL HIGHLIGHT**(1) Management Highlight**

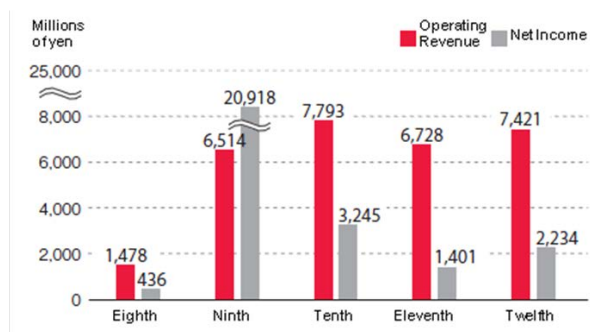
	(Millions of yen)			
	Operating Revenues	Operating Income	Ordinary Income	Net Income
Twelfth Fiscal Period	¥7,421	¥3,434	¥2,357	¥2,234
Eleventh Fiscal Period	¥6,728	¥2,478	¥1,437	¥1,401
Tenth Fiscal Period	¥7,793	¥3,796	¥2,761	¥3,245
Ninth Fiscal Period	¥6,514	¥2,951	¥1,845	¥20,918
Eighth Fiscal Period	¥1,478	¥742	¥437	¥436

	(Millions of yen, Yen; days)		
	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
Twelfth Fiscal Period	¥16,000	¥2,568	182
Eleventh Fiscal Period	¥16,320	¥1,937	184
Tenth Fiscal Period	¥16,880	¥2,004	181
Ninth Fiscal Period	¥15,341	¥1,821	274
Eighth Fiscal Period	¥8,862	¥436	183

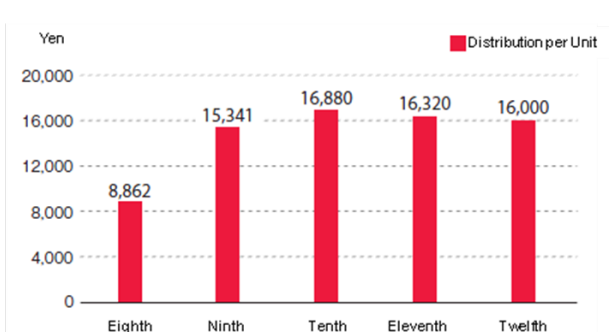
Notes:

- Twelfth Fiscal Period: September 1, 2011 — February 29, 2012
Eleventh Fiscal Period: March 1, 2011 — August 31, 2011
Tenth Fiscal Period: September 1, 2010 — February 28, 2011
Ninth Fiscal Period: December 1, 2009 — August 31, 2010
Eighth Fiscal Period: June 1, 2009 — November 30, 2009
- “Net income” for the Ninth Fiscal Period is the amount including the gain on negative goodwill (19,009 million yen) at the merger.
“Net income” for the Tenth Fiscal Period is the amount including the reversal of internal reserves.
The funds from which distributions are paid out for the Twelfth Fiscal Period and Eleventh Fiscal Period are the amount including the reversal of internal reserves and differ from “net income”.

< Operating Revenue / Net Income >



< Distribution per Unit >



(2) Financial Position

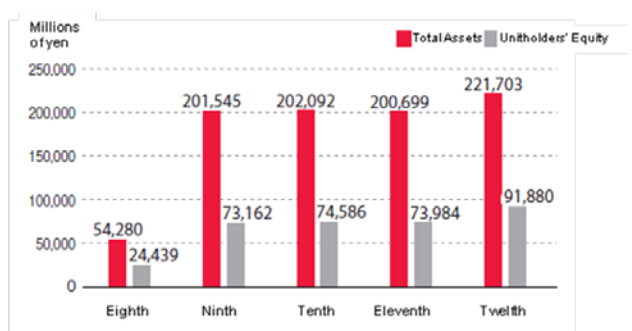
(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Equity Ratio (%)	Unitholders' Equity per Unit (Yen)	Interest-bearing Debt (Millions of yen)	LTV (%)
Twelfth Fiscal Period	¥221,703	¥91,880	41.4%	¥572,339	¥125,325	56.5%
Eleventh Fiscal Period	¥200,699	¥73,984	36.9%	¥623,103	¥122,653	61.1%
Tenth Fiscal Period	¥202,092	¥74,586	36.9%	¥628,176	¥123,325	61.0%
Ninth Fiscal Period	¥201,545	¥73,162	36.3%	¥616,183	¥124,590	61.8%
Eighth Fiscal Period	¥54,280	¥24,439	45.0%	¥496,125	¥28,674	52.8%

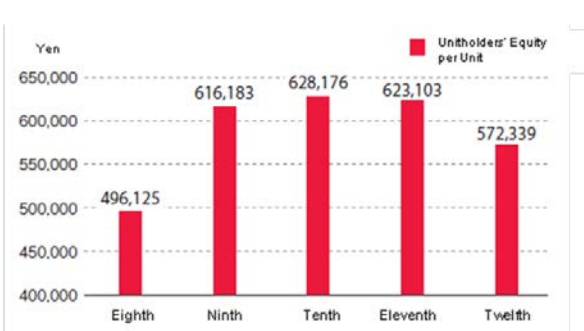
Notes:

- Twelfth Fiscal Period: September 1, 2011 — February 29, 2012
Eleventh Fiscal Period: March 1, 2011 — August 31, 2011
Tenth Fiscal Period: September 1, 2010 — February 28, 2011
Ninth Fiscal Period: December 1, 2009 — August 31, 2010
Eighth Fiscal Period: June 1, 2009 — November 30, 2009

< Total Assets / Unitholders' Equity >



< Unitholders' Equity per Unit >



Independent Auditor's Report

The Board of Directors
Daiwa House Residential Investment Corporation

We have audited the accompanying financial statements of Daiwa House Residential Investment Corporation which comprise the balance sheet as at February 29, 2012, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House Residential Investment Corporation as at February 29, 2012, and their financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young Shin Nihon LLC

May 17, 2012
Tokyo, Japan

Daiwa House Residential Investment Corporation

Balance Sheets

As of August 31, 2011 and February 29, 2012

	As of August 31, 2011	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Assets			
Current assets:			
Cash and bank deposits (including trust accounts)	¥ 9,230,422	¥ 11,177,156	\$ 138,536
Rental receivables	109,237	98,397	1,219
Prepaid expenses	167,999	198,111	2,455
Consumption tax receivable	43,175	101,809	1,261
Other current assets	624	7,894	97
Allowance for doubtful accounts	(21,379)	(20,784)	(257)
Total current assets	9,530,079	11,562,584	143,314
Property and equipment:			
Land	20,923,344	21,393,132	265,160
Buildings and structures	27,850,204	28,394,794	351,943
Machinery and equipment	417,987	432,205	5,357
Tools, furniture and fixtures	643,168	644,106	7,983
Land in trust	70,844,184	73,208,489	907,393
Buildings and structures in trust	72,148,561	86,996,245	1,078,287
Machinery and equipment in trust	1,030,530	1,315,940	16,310
Tools, furniture and fixtures in trust	281,813	292,737	3,628
Less – accumulated depreciation	(5,049,435)	(6,384,275)	(79,130)
Net property and equipment	189,090,358	206,293,377	2,556,933
Investments and other assets:			
Long-term prepaid expenses	103,960	356,006	4,412
Guarantee deposits	10,334	10,030	124
Leasehold rights in trust	1,521,476	2,250,129	27,889
Trademark rights	2,186	1,901	23
Lease and guarantee deposits in trust	440,769	1,229,521	15,239
Total investments and other assets	2,078,726	3,847,589	47,689
Total assets	<u>¥ 200,699,164</u>	<u>¥ 221,703,552</u>	<u>\$ 2,747,936</u>

	As of August 31, 2011	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Liabilities and net assets			
Current liabilities:			
Trade and other payables	¥ 679,444	¥ 418,059	\$ 5,181
Short-term loans	—	3,200,000	39,662
Current portion of long-term loans	28,352,000	12,519,000	155,168
Accrued expenses	406,900	482,222	5,976
Rent received in advance	607,946	841,654	10,432
Deposits received	173,809	226,140	2,802
Current portion of rehabilitation obligations	16,019,513	22,435,033	278,074
Total current liabilities	46,239,613	40,122,110	497,299
Long-term liabilities:			
Long-term loans	10,500,000	42,300,000	524,293
Tenant leasehold and security deposits	316,421	333,971	4,139
Tenant leasehold and security deposits in trust	1,693,047	1,811,945	22,458
Asset retirement obligations	184,241	383,545	4,753
Rehabilitation obligations	67,781,664	44,871,495	556,166
Total long-term liabilities	80,475,375	89,700,958	1,111,811
Total liabilities	126,714,989	129,823,069	1,609,110
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000			
Units issued and outstanding:			
118,735 units as of August 31, 2011			
160,535 units as of February 29, 2012	24,002,588	41,602,436	515,647
Capital surplus	28,241,587	28,241,587	350,044
Reserve for distribution	20,338,145	19,802,245	245,441
Retained earnings	1,401,854	2,234,214	27,692
Total unitholders' equity	73,984,175	91,880,482	1,138,826
Total net assets	73,984,175	91,880,482	1,138,826
Total liabilities and net assets	¥ 200,699,164	¥ 221,703,552	\$ 2,747,936

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Income and Retained Earnings

For the period from March 1, 2011 to August 31, 2011
and for the period from September 1, 2011 to February 29, 2012

	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:			
Rental revenues	¥ 6,728,311	¥ 7,421,373	\$ 91,985
Gain on sales of real estate properties	648	—	—
Total operating revenues	<u>6,728,960</u>	<u>7,421,373</u>	<u>91,985</u>
Operating expenses:			
Real estate rental expenses	3,053,848	3,167,042	39,254
Loss on sales of real estate properties	501,850	63,408	785
Asset management fees	404,357	445,962	5,527
Asset custodian and consignment fees	19,990	21,457	265
Administrative service and consignment fees	65,438	69,977	867
Directors' remuneration	6,600	6,600	81
Provision of allowance for doubtful accounts	—	7,032	87
Other operating expenses	198,592	205,494	2,547
Total operating expenses	<u>4,250,678</u>	<u>3,986,975</u>	<u>49,417</u>
Operating income	<u>2,478,282</u>	<u>3,434,398</u>	<u>42,568</u>
Non-operating income (expenses):			
Interest income	825	730	9
Interest expense	(876,366)	(825,519)	(10,232)
Reversal of allowance for doubtful accounts	11,391	—	—
Financing related expenses	(177,610)	(191,746)	(2,376)
Investment unit issuance expenses	—	(59,352)	(735)
Other, net	716	(1,328)	(16)
Total non-operating income (expenses)	<u>(1,041,044)</u>	<u>(1,077,216)</u>	<u>(13,351)</u>
Ordinary income	<u>1,437,237</u>	<u>2,357,181</u>	<u>29,216</u>
Extraordinary income:			
Gain on retirement of rehabilitation obligations due to payments	22,670	7,079	87
Other	270	1,224	15
Total extraordinary income	<u>22,941</u>	<u>8,304</u>	<u>102</u>
Extraordinary loss:			
Impairment loss	—	130,666	1,619
Loss on disaster	57,722	—	—
Total extraordinary loss	<u>57,722</u>	<u>130,666</u>	<u>1,619</u>
Income before income taxes	<u>1,402,457</u>	<u>2,234,819</u>	<u>27,699</u>
Income taxes:			
Current	<u>605</u>	<u>605</u>	<u>7</u>

Total income taxes	<u>605</u>	<u>605</u>	<u>7</u>
Net income	1,401,852	2,234,214	27,692
Retained earnings at beginning of period	<u>2</u>	<u>—</u>	<u>—</u>
Retained earnings at end of period	<u>¥ 1,401,854</u>	<u>¥ 2,234,214</u>	<u>\$ 27,692</u>

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Changes in Net Assets

For the period from March 1, 2011 to August 31, 2011

	Net assets					
	Unitholders' equity					
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity
						Total net assets
	<i>(Thousands of yen)</i>					
Balance as of February 28, 2011	118,735	¥24,002,588	¥28,241,587	–	¥22,342,395	¥74,586,570
Changes during the fiscal period:						
Reserve for distribution	–	–	–	¥20,338,145	(20,338,145)	–
Dividends from retained earnings	–	–	–	–	(2,004,246)	(2,004,246)
Net income	–	–	–	–	1,401,852	1,401,852
Total changes during the fiscal period	–	–	–	20,338,145	(20,940,540)	(602,394)
Balance as of August 31, 2011	118,735	¥24,002,588	¥28,241,587	¥20,338,145	¥1,401,854	¥73,984,175

For the period from September 1, 2011 to February 29, 2012

	Net assets					
	Unitholders' equity					
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity
						Total net assets
	<i>(Thousands of yen)</i>					
Balance as of August 31, 2011	118,735	¥24,002,588	¥28,241,587	¥20,338,145	¥1,401,854	¥73,984,175
Changes during the fiscal period:						
Issuance of new investment units	41,800	17,599,848	–	–	–	17,599,848
Reserve for distribution	–	–	–	–	–	–
Reversal of reserve for distribution	–	–	–	(535,900)	535,900	–
Dividends from retained earnings	–	–	–	–	(1,937,755)	(1,937,755)
Net income	–	–	–	–	2,234,214	2,234,214
Total changes during the fiscal period	41,800	17,599,848	–	(535,900)	832,359	17,896,307
Balance as of February 29, 2012	160,535	¥41,602,436	¥28,241,587	¥19,802,245	¥2,234,214	¥91,880,482

For the period from September 1, 2011 to February 29, 2012

	Net assets					
	Unitholders' equity					
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity
						Total net assets
	<i>(Thousands of U.S. dollars)</i>					
Balance as of August 31, 2011	118,735	\$297,503	\$350,044	\$252,084	\$ 17,375	\$917,007
Changes during the fiscal period:						
Issuance of new investment units	41,800	218,143	–	–	–	218,143
Reserve for distribution	–	–	–	–	–	–
Reversal of reserve for distribution	–	–	–	(6,642)	6,642	–
Dividends from retained earnings	–	–	–	–	(24,017)	(24,017)
Net income	–	–	–	–	27,692	27,692
Total changes during the fiscal period	41,800	218,143	–	(6,642)	10,316	221,818
Balance as of February 29, 2012	160,535	\$515,647	\$350,044	\$245,441	\$27,692	\$1,138,826

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Cash Flows

For the period from March 1, 2011 to August 31, 2011
and for the period from September 1, 2011 to February 29, 2012

	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash flows from operating activities			
Income before income taxes	¥ 1,402,457	¥ 2,234,819	\$ 27,699
Depreciation and amortization	1,176,164	1,363,674	16,902
Gain on retirement of rehabilitation obligations due to payments	(22,670)	(7,079)	(87)
Impairment loss	—	130,666	1,619
Loss on retirement of noncurrent assets	17,068	—	—
Amortization of trademark rights	285	285	3
Investment unit issuance expenses	—	59,352	735
Interest income	(825)	(730)	(9)
Interest expense	876,366	825,519	10,232
Change in rental receivables	108,334	10,840	134
Change in accounts receivable, other	(148)	(162)	(2)
Change in consumption taxes receivable	(43,175)	(43,979)	(545)
Change in advance payments	70,797	(30,112)	(373)
Change in trade payables	36,422	(237,114)	(2,938)
Change in other payables	45,216	(28,684)	(355)
Change in accrued consumption taxes	(125,606)	(14,654)	(181)
Change in accrued expenses	(60,678)	51,064	632
Change in deposits received	(83,726)	3,709	45
Change in rent received in advance	37,406	233,708	2,896
Change in long-term prepaid expenses	58,723	(252,046)	(3,124)
Change in allowance for doubtful accounts	(32,964)	(595)	(7)
Decrease in disposal of property and equipment	2,939,497	—	—
Decrease in disposal of property and equipment in trust	423,355	820,892	10,174
Change in guarantee deposits	(334)	—	—
Change in lease and guarantee deposits in trust	30	(788,448)	(9,772)
Other	(162,444)	(66,987)	(830)
Subtotal	6,659,553	4,263,937	52,849
Interest received	825	730	9
Interest paid	(874,498)	(801,263)	(9,931)
Income taxes paid	(464)	(442)	(5)
Net cash provided by operating activities	5,785,415	3,462,962	42,922
Cash flows from investing activities			
Purchases of property and equipment	(1,256,341)	(1,029,534)	(12,760)
Purchases of property and equipment in trust	(2,434,415)	(19,021,982)	(235,770)
Proceeds from tenant leasehold and security deposits	75,243	61,071	756
Payment of tenant leasehold and security deposits	(49,692)	(19,353)	(239)
Proceeds from tenant leasehold and security deposits in trust	262,916	349,887	4,336
Payment of tenant leasehold and security deposits in trust	(89,950)	(142,903)	(1,771)
Net cash used in investing activities	(3,492,240)	(19,802,814)	(245,448)
Cash flows from financing activities			
Proceeds from short-term loans	—	3,200,000	39,662
Proceeds from long-term loans	—	31,800,000	394,149
Repayment of long-term loans	(104,000)	(15,833,000)	(196,244)
Repayment of rehabilitation obligations	(545,515)	(16,487,569)	(204,357)
Proceeds from issuance of new investment units	—	17,540,495	217,408
Dividend payment	(1,998,870)	(1,933,340)	(23,963)
Net cash used in financing activities	(2,648,386)	18,286,585	226,655
Net (decrease) increase in cash and cash equivalents	(355,211)	1,946,733	24,129
Cash and cash equivalents at beginning of period	9,585,634	9,230,422	114,407
Cash and cash equivalents at end of period	¥ 9,230,422	¥ 11,177,156	\$ 138,536

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Notes to Financial Statements

For the period from March 1, 2011 to August 31, 2011
and for the period from September 1, 2011 to February 29, 2012

1. Organization and Basis of Presentation

(a) Organization

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

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

(b) Basis of presentation

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

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

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

1. Organization and Basis of Presentation (continued)

The U.S. dollar amounts in the accompanying financial statements have been translated from yen amounts solely for the convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥80.68 = U.S.\$1.00, the rate of exchange prevailing on February 29, 2012. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in trust, bank deposits and deposits in trust redeemable on demand, and investments, which are readily convertible to cash, with an original maturity of three months or less, and an insignificant risk of price fluctuation.

(b) Property and equipment

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

Buildings	2 – 69 years
Structures	6 – 63 years
Machinery and equipment	10 – 29 years
Tools, furniture and fixtures	2 – 28 years

(c) Intangible fixed assets

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

(d) Investment unit issuance expenses

Investment unit issuance expenses are charged to income as incurred.

(e) Revenue recognition

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

(f) Taxes on property and equipment

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

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

2. Summary of Significant Accounting Policies (continued)

(g) 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.

(h) Allowance for doubtful accounts

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

(i) 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.

(j) 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.

(k) Derivatives and hedge accounting

(1) Derivatives and hedge accounting

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

(2) Hedging instruments and hedged items

Hedging instruments: Interest-rate swaps

Hedged items: Interest rates on loans

(3) Hedging policy

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

(4) Method of evaluating hedge effectiveness

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

3. Additional Information

Effective September 1, 2011, DHI has adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No.24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 issued on December 4, 2009) for changes in accounting policies and corrections of prior period errors.

4. Cash and Cash Equivalents

A reconciliation of cash and bank deposits in the accompanying balance sheets at August 31, 2011 and February 29, 2012 with cash and cash equivalents in the accompanying statements of cash flows is as follows:

	As of August 31, 2011	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥ 4,350,254	¥ 6,286,819	\$ 77,922
Cash in trust and deposits in trust	4,880,168	4,890,336	60,613
Cash and cash equivalents	<u>¥ 9,230,422</u>	<u>¥ 11,177,156</u>	<u>\$ 138,536</u>

5. Lease Transactions

Operating lease transactions as lessor at August 31, 2011 and February 29, 2012 are as follows:

	As of August 31, 2011	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Future lease receivable equivalents			
Due within one year	¥ 1,168,382	¥ 937,191	\$ 11,616
Due after one year	544,959	1,246,126	15,445
Total	<u>¥ 1,713,341</u>	<u>¥ 2,183,317</u>	<u>\$ 27,061</u>

6. Short-Term Loans, Current Portion of Long-Term Loans and Long-Term Loans

Short-term loans, current portion of long-term loans and the long-term loans as of August 31, 2011 and February 29, 2012 consisted of the following:

Lender	As of August 31, 2011	As of February 29, 2012	As of February 29, 2012	Average interest rate (%) (1)	Due on	Use of funds	Note
	(Thousands of yen)	(Thousands of yen)	(Thousands of U.S. dollars)				
Short-term loans:							
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	—	¥800,000	\$9,915	1.10	December 18, 2012	Acquisition of trust beneficiary rights and real estate (incl. these co- ownership interests)	Unsecured
Sumitomo Mitsui Banking Corporation	—	800,000	9,915				
The Chuo Mitsui Trust and Banking Co., Ltd. (2)	—	800,000	9,915				
Mizuho Corporate Bank, Ltd.	—	800,000	9,915				
Subtotal	—	3,200,000	39,662	—	—	—	—
Current portion of long-term loans:							
Sumitomo Mitsui Banking Corporation	¥3,781,350	—	—	1.44	September 30, 2011	Refinance or acquisition of real estate in trust	Secured
The Chuo Mitsui Trust and Banking Co., Ltd. (2)	3,781,350	—	—				
Mizuho Corporate Bank, Ltd.	3,781,350	—	—				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,961,990	—	—				
The Sumitomo Trust and Banking Co., Ltd. (2)	1,480,960	—	—				
Sumitomo Mitsui Banking Corporation	3,527,700	¥3,514,780	\$43,564	1.34	July 31, 2012	Refinance or acquisition of real estate in trust	Unsecured
The Chuo Mitsui Trust and Banking Co., Ltd (2)	3,527,700	3,514,780	43,564				
Mizuho Corporate Bank, Ltd.	3,527,700	3,514,780	43,564				
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,981,900	1,974,660	24,475				
Subtotal	28,352,000	12,519,000	155,168	—	—	—	—
Long-term loans:							
Sumitomo Mitsui Banking Corporation	1,800,000	1,800,000	\$22,310	1.40	December 28, 2015	Purchase of rehabilitation obligations (others), retirement of rehabilitation obligations (investment corporation bonds), and repayment of part of rehabilitation obligations (loans)	Unsecured
The Chuo Mitsui Trust and Banking Co., Ltd (2)	1,800,000	1,800,000	22,310				
Mizuho Corporate Bank, Ltd.	1,800,000	1,800,000	22,310				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,800,000	1,800,000	22,310				
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000	1,400,000	17,352	1.03	September 30, 2016	Repayment of loans and rehabilitation obligations with right of separate satisfaction	Unsecured
Resona Bank, Ltd.	1,400,000	1,400,000	17,352				
Shinsei Bank, Limited.	500,000	500,000	6,197				
The Chuo Mitsui Trust and Banking Co., Ltd(2)	—	3,543,000	43,914				
Sumitomo Mitsui Banking Corporation	—	5,200,000	64,452	1.03	September 30, 2016	Repayment of loans and rehabilitation obligations with right of separate satisfaction	Unsecured
Mizuho Corporate Bank, Ltd.	—	5,200,000	64,452				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	—	5,200,000	64,452				
Aozora Bank, Ltd.	—	4,500,000	55,775				
Mitsubishi UFJ Trust and Banking Co., Ltd.	—	3,000,000	37,183				

Resona Bank, Ltd.	—	2,500,000	30,986
The Sumitomo Trust and Banking Co., Ltd. (2)	—	1,657,000	20,537
Shinsei Bank, Limited.	—	1,000,000	12,394
Subtotal	<u>10,500,000</u>	<u>42,300,000</u>	<u>524,293</u>
Total	<u>¥38,852,000</u>	<u>¥58,019,000</u>	<u>\$719,124</u>

- (1) The average interest rate for each loan has been rounded to the second decimal place.
- (2) The Chuo Mitsui Trust and Banking Co., Ltd, The Sumitomo Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Company, Limited merged on April 1, 2012 and the name changed to Sumitomo Mitsui Trust Bank, Limited.

7. Collateral Pledged and Secured Liabilities

	As of August 31, 2011
	<i>(Thousands of yen)</i>
Pledged assets:	
Cash in trust and deposits in trust	¥ 3,126,287
Buildings in trust	36,932,178
Structures in trust	268,880
Machinery and equipment in trust	319,137
Tools, furniture and fixtures in trust	81,195
Land in trust	43,807,346
Leasehold rights in trust	954,737
Total	<u>¥ 85,489,763</u>

	As of August 31, 2011
	<i>(Thousands of yen)</i>
Secured liabilities:	
Current portion of long-term loans	¥ 28,352,000
Current portion of rehabilitation obligations	16,019,513
Total	<u>¥ 44,371,513</u>

(Note) There were no pledged assets or secured liabilities as of February 29, 2012.

8. Commitment Line Agreement

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

	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Total amount of commitment line agreements	¥ 6,000,000	\$ 74,367
Outstanding loans at end of the period.	3,200,000	39,662
Amount unutilized at end of the period.	<u>¥ 2,800,000</u>	<u>\$ 34,705</u>

9. Details of Rental Revenues and Expenses

	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Real estate rental revenues:			
Rental income	¥ 6,120,280	¥ 6,756,200	\$ 83,740
Common service fees	177,351	195,784	2,426
Subtotal	6,297,632	6,951,985	86,167
Other rental revenues:			
Facility charges	158,472	187,516	2,324
Incidental revenues	27,527	31,910	395
Other rental business revenues	244,679	249,962	3,098
Subtotal	430,679	469,388	5,817
Total rental revenues	6,728,311	7,421,373	91,985
Real estate rental expenses:			
Management fees	825,833	791,837	9,814
Utilities	95,925	100,707	1,248
Taxes and public dues	364,789	356,797	4,422
Repairs	172,474	134,136	1,662
Insurance premiums	10,932	12,294	152
Restoration costs	219,647	181,346	2,247
Custodian fees	50,891	50,903	630
Depreciation and amortization	1,176,164	1,363,674	16,902
Other operating expenses	137,189	175,344	2,173
Total real estate rental expenses	3,053,848	3,167,042	39,254
Rental income	¥ 3,674,463	¥ 4,254,331	\$ 52,730

Details of Gain on Sales of Real Estate Properties

	From March 1, 2011 to August 31, 2011
	<i>(Thousands of yen)</i>
New City Residence Denenchofu	
Revenue from sale of real estate	¥ 425,468
Cost of real estate sales	423,355
Other sales expenses	1,800
Gain on sales of real estate	313
New City Residence Otedori	
Revenue from sale of real estate	300,000
Cost of real estate sales	295,164
Other sales expenses	4,500
Gain on sales of real estate	335
New City Residence Minami Aoyama	
Revenue from sale of real estate	2,175,135
Cost of real estate sales	2,655,234
Other sales expenses	21,751
Loss on sales of real estate	(501,850)

**From September 1, 2011
to February 29, 2012**

	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
New City Residence Minamirinkan		
Revenue from sale of real estate	¥ 313,751	\$ 3,888
Cost of real estate sales	351,743	4,359
Other sales expenses	3,937	48
Loss on sales of real estate	<u>(41,928)</u>	<u>(519)</u>
New City Residence Kumegawa		
Revenue from sale of real estate	453,000	5,614
Cost of real estate sales	469,149	5,814
Other sales expenses	5,330	66
Loss on sales of real estate	<u>(21,479)</u>	<u>(266)</u>

Impairment loss

DHI recognized an impairment loss on the following asset group:

**From September 1, 2011
to February 29, 2012**

			<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Purpose of use	Location	Type		
Rental apartment	Hino City, Tokyo	Land in trust	¥ 59,197	\$ 733
		Buildings in trust, etc.	71,469	885

(Note) The above rental apartment is New City Residence Toyota.

For the impairment loss calculation, an asset group is classified by individual to each property. Therefore, the carrying amount of one fixed asset group that DHI plans to sell was reduced to the recoverable amount, and this reduction was recognized as an impairment loss (¥130,666 thousand) (\$1,619 thousand), and included in extraordinary loss for the current period.

The breakdown of the impairment loss is ¥69,819 thousand (\$865 thousand) for buildings in trust, ¥782 thousand (\$9 thousand) for structures in trust, ¥776 thousand (\$9 thousand) for machinery and equipment in trust, ¥91 thousand (\$1 thousand) for tools, furniture and fixtures in trust, and ¥59,197 thousand (\$733 thousand) for land in trust.

The recoverable amount of this asset group is measured at fair value less costs to sell, which is calculated by subtracting the expected disposal cost from the actual sales price.

10. Financial Instruments

1. Status of Financial Instruments

(a) Policy for the use of financial instruments

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

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

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

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

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

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

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

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

(c) Supplementary explanation concerning fair value of financial instruments

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

10. Financial Instruments (continued)

2. Fair Value of Financial Instruments

The book value on the balance sheet, fair value and the difference as of August 31, 2011 and February 29, 2012 are as follows.

	As of August 31, 2011		
	(Thousands of yen)		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 9,230,422	¥ 9,230,422	—
(2) Current portion of long-term loans	28,352,000	28,352,000	—
(3) Current portion of rehabilitation obligations	16,019,513	16,019,513	—
(4) Long-term loans	10,500,000	10,548,044	(¥48,044)
(5) Rehabilitation obligations	67,781,664	67,829,810	(48,146)
(6) Derivatives	—	—	—

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

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

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

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

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

(4) Long-term loans

These instruments carry floating interest rates, and their fair values are approximately equal to their book values, thus, the measurement is based on their book values. However, concerning long-term loans carrying floating interest rates that are hedged by interest-rate swaps under the special treatment, DHI employs a method to calculate the fair values by dividing the total amount of the principal under a separate accounting treatment as part of the corresponding interest-rate swaps, by a reasonable estimate of the interest rate applied to similar types of loans.

(5) Rehabilitation obligations

Among rehabilitation obligations, those with variable interest rates have market values approximately equal to their book values, thus, the measurement is based on their book values. Also, those with fixed interest rates are measured based on a calculation method where the total principal is discounted at a reasonably estimated rate that would be applied if similar rehabilitation obligations (loans) were entered into.

(6) Derivatives

Please refer to “11. Derivative Transactions” below.

10. Financial Instruments (continued)

	As of February 29, 2012		
	<i>(Thousands of yen)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 11,177,155	¥ 11,177,155	—
(2) Short-term loans	3,200,000	3,200,000	—
(3) Current portion of long-term loans	12,519,000	12,519,000	—
(4) Current portion of rehabilitation obligations	22,435,033	22,435,033	—
(5) Long-term loans	42,300,000	42,248,790	¥51,209
(6) Rehabilitation obligations	44,871,495	44,909,110	(37,614)
(7) Derivatives	—	—	—

	As of February 29, 2012		
	<i>(Thousands of U.S. dollars)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	\$138,536	\$138,536	—
(2) Short-term loans	39,662	39,662	—
(3) Current portion of long-term loans	155,168	155,168	—
(4) Current portion of rehabilitation obligations	278,074	278,074	—
(5) Long-term loans	524,293	523,658	\$634
(6) Rehabilitation obligations	556,166	556,632	(466)
(7) Derivatives	—	—	—

10. Financial Instruments (continued)

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

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

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

(2) Short-term loans, (3) Current portion of long-term loans and (4) Current portion of rehabilitation obligations

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

(5) Long-term loans

These instruments carry floating interest rates, and their fair values are approximately equal to their book values, thus, the measurement is based on their book values. However, concerning long-term loans carrying floating interest rates that are hedged by interest-rate swaps under the special treatment, DHI employs a method to calculate the fair values by dividing the total amount of the principal under a separate accounting treatment as part of the corresponding interest-rate swaps, by a reasonable estimate of the interest rate applied to similar types of loans.

(6) Rehabilitation obligations

Among rehabilitation obligations, those with variable interest rates have market values approximately equal to their book values, thus, the measurement is based on their book values. Also, those with fixed interest rates are measured based on a calculation method where the total principal is discounted at a reasonably estimated rate that would be applied if similar rehabilitation obligations (loans) were entered into.

(7) Derivatives

Please refer to “11. Derivative Transactions” below.

(Note 2) Amount of redemption (scheduled) for monetary claims after August 31, 2011 and February 29, 2012 are as follows.

	As of August 31, 2011	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	Within one year		
Cash and bank deposits (including trust accounts)	¥9,230,422	¥11,177,155	\$138,536

10. Financial Instruments (continued)

(Note 3) Redemptions (scheduled) for long-term loans and rehabilitation obligations after August 31, 2011 and February 29, 2012 are as follows.

As of August 31, 2011					
<i>(Thousands of yen)</i>					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Current portion of long-term loans	¥28,352,000	—	—	—	—
Current portion of rehabilitation obligations	16,019,513	—	—	—	—
Long-term loans	—	—	—	—	¥10,500,000
Rehabilitation obligations	—	¥22,593,408	¥22,593,408	¥22,594,847	—

As of February 29, 2012					
<i>(Thousands of yen)</i>					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Current portion of long-term loans	¥12,519,000	—	—	—	—
Current portion of rehabilitation obligations	22,435,033	—	—	—	—
Long-term loans	—	—	—	¥10,500,000	¥31,800,000
Rehabilitation obligations	—	¥22,435,033	¥22,436,462	—	—

As of February 29, 2012					
<i>(Thousands of U.S. dollars)</i>					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Current portion of long-term loans	\$155,168	—	—	—	—
Current portion of rehabilitation obligations	278,074	—	—	—	—
Long-term loans	—	—	—	\$130,143	\$394,149
Rehabilitation obligations	—	\$278,074	\$278,091	—	—

11. Derivative Transactions

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

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

As of August 31, 2011

(Thousands of yen)

Hedge accounting method	Contract amount, etc.		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥10,500,000	¥10,500,000	(Note)	—
Total	¥10,500,000	¥10,500,000	—	—

As of February 29, 2012

(Thousands of yen)

Hedge accounting method	Contract amount, etc.		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥42,300,000	¥42,300,000	(Note)	—
Total	¥42,300,000	¥42,300,000	—	—

As of February 29, 2012

(Thousands of U.S. dollars)

Hedge accounting method	Contract amount, etc.		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	\$524,293	\$524,293	(Note)	—
Total	\$524,293	\$524,293	—	—

(Note) Interest-rate swaps subject to special accounting treatment are included in the accounting for the hedged long-term loan, thus, the fair value is included in the fair value of the corresponding applicable long-term loan. (Please refer to “10.Financial Instruments” above.)

12. Asset Retirement Obligations

1. Details of applicable asset retirement obligations

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

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

For the period from March 1, 2011 to August 31, 2011

DHI estimates the useful life of applicable assets as the remaining agreement period of the applicable fixed-term land lease rights (54 years), and uses a 2.111% discount rate for the calculation of applicable asset retirement obligations.

For the period from September 1, 2011 to February 29, 2012

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

12. Asset Retirement Obligations (continued)

3. Changes in applicable asset retirement obligations

	Six-month period ended August 31, 2011
	<i>(Thousands of yen)</i>
Balance at February 28, 2011	¥182,308
Increase due to purchase of property and equipment	—
Accretion expense	1,932
Balance at August 31, 2011	184,241
	Six-month period ended February 29, 2012
	<i>(Thousands of yen)</i>
Balance at August 31, 2011	¥184,241
Increase due to purchase of property and equipment	195,389
Accretion expense	3,914
Balance at February 29, 2012	383,545
	Six-month period ended February 29, 2012
	<i>(Thousands of U.S. dollars)</i>
Balance at August 31, 2011	\$2,283
Increase due to purchase of property and equipment	2,421
Accretion expense	48
Balance at February 29, 2012	4,753

13. Investment and Rental Properties

DHI owns residential housing for lease in Tokyo and other areas for the purpose of earning rental revenues. The book value on the balance sheet corresponding to these rental and other real estate properties, changes during the period and the fair value as of August 31, 2011 and February 29, 2012 are as follows.

	As of August 31, 2011 <i>(Thousands of yen)</i>
Book value on balance sheets	
Balance at February 28, 2011	¥191,477,164
Change during the period	(865,329)
Balance at August 31, 2011	190,611,835
Fair value at August 31, 2011	181,039,000

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

(Note 2) Increase from prior period (¥3,616,314 thousand) was primarily caused by the acquisition of 3 properties.
Decrease from prior period (¥3,373,753 thousand) was primarily due to the sale of 3 properties.

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

The profit or loss regarding rental and other real estate properties for the fiscal period ended August 31, 2011 is as shown in “9. Details of Rental Revenues and Expenses.”

	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Book value on balance sheets		
Balance at August 31, 2011	¥190,611,835	\$2,362,566
Change during the period	17,931,672	222,256
Balance at February 29, 2012	208,543,507	2,584,822
Fair value at February 29, 2012	200,882,000	2,489,861

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

(Note 2) Increase from prior period (¥19,949,885 thousand) (\$247,271 thousand) was primarily caused by the acquisition of 6 properties. Decrease from prior period (¥820,892 thousand) (\$10,174 thousand) was primarily due to the sale of 2 properties, depreciation and amortization.

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

The profit or loss regarding rental and other real estate properties for the fiscal period ended February 29, 2012 is as shown in “9. Details of Rental Revenues and Expenses.”

14. Segment Information

1. Segment Information

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

2. Related Information

(1) Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHI's statements of income and retained earnings, information about products and services has been omitted.

(2) Information about geographic areas

(a) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHI's statement of income and retained earnings for the period ended August 31, 2011 and February 29, 2012, information about geographic areas has been omitted.

(b) Property and equipment

Since over 90% of total property and equipment on the balance sheet as of August 31, 2011 and February 29, 2012 are located within Japan, information about geographic areas on such property and equipment has been omitted.

(3) Information about major customers

Since no single external client represents 10% or more of total operating revenues in DHI's statement of income and retained earnings for the period ended August 31, 2011 and February 29, 2012, information about major client has been omitted.

3. Information about impairment loss for fixed assets

DHI booked ¥130,666 thousand (\$1,619 thousand) of impairment loss for fixed assets for the period ended February 29, 2012. Related segment information has been omitted since DHI has been engaged in a single segment of the real estate leasing business.

15. Deferred Income Taxes

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

	As of August 31, 2011	
	<i>(Thousands of yen)</i>	
Deferred tax assets - current:		
Allowance for doubtful accounts	¥2,617	
Others	22,023	
Subtotal-Deferred tax assets - current	24,640	
Valuation reserve	¥24,640	
Total deferred tax assets - current	—	
Net deferred tax assets - current	—	
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥5,856	
Valuation difference from the time of merger (Land, Buildings)	2,265,911	
Loss carryforward assumed at the time of merger	17,511,301	
Asset retirement obligations	72,462	
Subtotal	19,855,531	
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	2,365,365	
Asset retirement costs (associated with asset retirement obligations)	71,199	
Subtotal	2,436,565	
Valuation reserve	¥17,418,965	
Total deferred tax assets - non-current	—	
Net deferred tax assets - non-current	—	
	As of February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets - current:		
Allowance for doubtful accounts	¥1,661	\$20
Others	22,672	281
Subtotal-Deferred tax assets - current	24,333	301
Valuation reserve	¥24,333	\$301
Total deferred tax assets - current	—	—
Net deferred tax assets - current	—	—
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥4,712	\$58
Valuation difference from the time of merger (Land, Buildings)	1,947,629	24,140
Loss carryforward assumed at the time of merger	15,209,408	188,515

Asset retirement obligations	131,019	1,623
Impairment loss	51,391	636
Others	1,613	19
Subtotal	17,345,774	214,994
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	2,038,716	25,269
Asset retirement costs (associated with asset retirement obligations)	128,585	1,593
Subtotal	2,167,301	26,862
Valuation reserve	¥15,178,472	\$188,131
Total deferred tax assets - non-current	—	—
Net deferred tax assets - non-current	—	—

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

	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012
Statutory tax rate	39.33%	39.33%
(Adjustment)		
Tax-deductible dividends paid	(37.35)	(41.15)
Other	(1.94)	1.85
Effective tax rates after applying deferred income tax accounting	0.04%	0.03%

For the period from September 1, 2011 to February 29, 2012

- (c) Changes in deferred tax assets and liabilities due to the corresponding income tax changes

The “Act for Partial Revision of Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Law No. 117 of 2011) were promulgated on December 2, 2011.

In accordance with this reform, the effective statutory tax rate used in calculating deferred tax assets and deferred tax liabilities will change from 39.33% to 36.59% for temporary differences expected to reverse in the period from April 1, 2012 until March 31, 2015, and to 34.16% for temporary differences expected to reverse on and after April 1, 2015.

These changes will have no impact on DHI.

16. Related Party Transactions

(a) For the period from March 1, 2011 to August 31, 2011

1) Controlling investors and major corporate investors

Not applicable.

2) Directors and major individual investors

Not applicable.

3) Subsidiaries

Not applicable.

4) Affiliates

Attribute	Name	Location	Capital (Millions of yen)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen)	Line item	Balance at end of period (Thousands of yen)
						Position of director(s) serving concurrently	Business relationship				
Affiliates	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	—	Consigned asset-management operations	Asset-management compensation payment	¥433,565	Accrued operating expenses payable	¥252,061
	DAIWAROYAL CO., LTD.	Chiyoda-ku, Tokyo	¥500	Real estate property management	—	—	Consigned property lease management	Consignment of lease management	¥2,914	Accrued operating expenses payable	¥1,045
	DAIWA LIVING Co., Ltd.	Chiyoda-ku, Tokyo	¥140	Real estate property management	—	—	Property lease and management	Rent income	¥315,802	—	—
							Consigned property lease management	Consignment of lease management	¥25,458	Accrued operating expenses payable	¥7,845
	DAIWARAKU DA INDUSTRY Co., Ltd.	Osaka City, Osaka	¥450	Construction support	—	—	Property lease and management	Rent income	¥318	—	—
	DH Leasing LLC	Chiyoda-ku, Tokyo	¥3	Real estate property management	—	—	Property lease and management	Master lease fee	¥1,579	Trade and other payables	¥882

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

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

16. Related Party Transactions (continued)

(b) For the period from September 1, 2011 to February 29, 2012

1) Controlling investors and major corporate investors

Not applicable.

2) Directors and major individual investors

Not applicable.

3) Subsidiaries

Not applicable.

4) Affiliates

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Line item	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Affiliates	Daiwa House Asset Management Co., Ltd.	Chiyoda -ku, Tokyo	¥300 (\$3)	Asset management	—	—	Consigned asset- management operations	Asset- management compensation payment	¥545,908 (\$6,766)	Accrued operating expenses payable	¥278,690 (\$3,454)
	Royal Parks Hanakoganei Co., Ltd.	Chiyoda -ku, Tokyo	¥100 (\$1)	Selling, buying, exchanging trust beneficiary rights in real estate	—	—	Selling, buying, trust beneficiary rights in real estate	Acquisition of trust beneficiary rights in real estate	¥5,300,000 (\$65,691)	—	—
	Shibaura Canal Development Ltd.	Chiyoda -ku, Tokyo	¥3 (\$0)	Selling, buying, managing trust beneficiary rights in real estate	—	—	Selling, buying, trust beneficiary rights in real estate	Acquisition of trust beneficiary rights in real estate	¥7,580,000 (\$93,951)	—	—

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

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

(Note 3) Acquisition price of trust beneficiary rights in real estate determining based on appraisal value by third party.

17. Per Unit Information

- (a) The following table summarizes information about net assets per unit at August 31, 2011 and net income per unit for the period from March 1, 2011 to August 31, 2011:

Net assets per unit	¥623,103
Net income per unit	¥11,806

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

- (b) The following table summarizes information about net assets per unit at February 29, 2012 and net income per unit for the period from September 1, 2011 to February 29, 2012:

Net assets per unit	¥572,339	\$7,093
Net income per unit	¥14,665	\$181

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

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

	From March 1, 2011 to August 31, 2011	From September 1, 2011 to February 29, 2012	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net income	¥1,401,852	¥2,234,214	\$27,692
Amount not attributable to common unitholders	—	—	—
Net income attributable to common units	¥1,401,852	¥2,234,214	\$27,692
Average number of investment units during the period (in units)	118,735	152,350	152,350

18. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand (\$619 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

19. Significant Subsequent Events

(a) For the period from March 1, 2011 to August 31, 2011

1. Cash dividends

On October 13, 2011, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥16,320 per unit, aggregating to ¥1,937,755,200, to unitholders of record as of August 31, 2011.

(Method of calculation of cash dividends)

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

However, as a result of the merger with New City Residence Investment Corporation ("NCR"), NCR's loss carryforward was disposed to DHI. Thus, there was no taxable income, and the provision set forth under Article 67-15 of the Special Taxation Measures Law does not apply.

Accordingly, as the maximum integral multiple of the 118,735 units issued, DHI set income available for distribution of dividends at ¥1,937,755,200 (¥16,320 per unit), which is the amount of the unappropriated income at the end of this fiscal period after adjustment including net loss of (¥501,201,280) on sales of real estate, ¥22,941,298 in gains on retirement by purchase of rehabilitation obligations, and loss on disaster of (¥57,722,062), which consists of repair expenses for damages caused by Great East Japan Earthquake. No cash distribution exceeding the income amount set forth in Section 37.1.2 of the bylaws of this investment corporation shall be made.

Also, the difference, ¥535,900,422, between the total distribution of ¥1,937,755,200 and the unappropriated income at the end of this fiscal period is allocated from the reserve for distribution.

19. Significant Subsequent Events (continued)

(b) For the period from September 1, 2011 to February 29, 2012

1. Cash dividends

On April 10, 2012, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥16,000 (\$198) per unit, aggregating to ¥2,568,560,000 (\$31,836,390), to unitholders of record as of February 29, 2012.

(Method of calculation of cash dividends)

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

Beginning from this fiscal period, DHI has introduced the concept of target distribution, intending to implement its policy of stabilized distribution by utilizing the reserve fund for distribution.

With the target of distribution per unit set at ¥16,000 (\$198) for this period, the distribution shall not be affected, as previous, by extraordinary profit or loss, if any, in connection with losses on sales of properties (including impairment loss) and/or gains on retirement by purchase of rehabilitation obligations, and to reverse the reserve for distribution to cover the difference, if any, between the total distribution calculated based on a target of ¥16,000 (\$198) per unit and the income available for this distribution.

In accordance with the foresaid policy, ¥2,568,560,000 (\$31,836,390) (¥16,000 per unit) (\$198 per unit) was set as the amount of distribution of dividends. The difference of ¥334,345,957 (\$4,144,099), between the total distribution of ¥2,568,560,000 (\$31,836,390) and the current period's unappropriated income of ¥2,234,214,043 (\$27,692,291), is covered by partially reversing the reserve for distribution.

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

19. Significant Subsequent Events (continued)

2. Acquisition and disposition of property

DHI acquired of the following assets subsequent to February 29, 2012.

Property Name	Castalia Arakawa
Acquisition Price (Thousands of yen) (Thousands of U.S. dollars)	¥1,660,000 (\$20,575)
Seller	Special purpose company in Japan
Asset Type	Beneficiary right in trust that places real estate in trust
Location	2-3-1, Arakawa, Arakawa-ku, Tokyo
Acquisition Date	March 28, 2012

Property Name	Castalia Omori II
Acquisition Price (Thousands of yen) (Thousands of U.S. dollars)	¥2,370,000 (\$29,375)
Seller	Nomura Real Estate Development Co., Ltd.
Asset Type	Beneficiary right in trust that places real estate in trust
Location	1-8-15, Omori kita, Omori-ku, Tokyo
Acquisition Date	March 29, 2012

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

DHI disposed of the following assets subsequent to February 29, 2012.

Property Name	Comfort Time Otsuka
Disposition Price (Thousands of yen) (Thousands of U.S. dollars)	¥803,010 (\$9,953)
Book Value (Thousands of yen) (Thousands of U.S. dollars)	¥753,197 (as of February 29, 2012) (\$9,335)
Buyer	Company engaged in general business in Japan
Asset Type	Beneficiary right in trust that places real estate in trust
Disposition Date	March 7, 2012

Property Name	Aprile Tarumi (part of land)
Disposition Price (Thousands of yen) (Thousands of U.S. dollars)	¥30,031 (\$372)
Book Value (Thousands of yen) (Thousands of U.S. dollars)	¥17,063 (as of February 29, 2012) (\$211)
Buyer	Kobe City
Asset Type	Beneficiary right in trust that places real estate in trust (part of land)
Disposition Date	March 15, 2012

Property Name	New City Residence Ichigaya Sanaicho
Disposition Price (Thousands of yen) (Thousands of U.S. dollars)	¥450,925 (\$5,589)
Book Value (Thousands of yen) (Thousands of U.S. dollars)	¥417,004 (as of February 29, 2012) (\$5,168)

Buyer	Company engaged in general business in Japan
Asset Type	Real estate
Disposition Date	March 26, 2012

Property Name	New City Residence Toyoda
Disposition Price (Thousands of yen) (Thousands of U.S. dollars)	¥720,151 (\$8,926)
Book Value (Thousands of yen) (Thousands of U.S. dollars)	¥842,817 (as of February 29, 2012) (\$10,446)
Buyer	K.K. Yutaka Kikaku
Asset Type	Beneficiary right in trust that places real estate in trust
Disposition Date	March 26, 2012

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

(Note 2) Book value after booking of impairment loss is ¥712,150 thousand (\$8,826 thousand).

3. Borrowing of funds

DHI borrowed ¥18,000 million (\$223 million) in total, as seen below, in order to purchase and retire some rehabilitation obligations (investment corporation bonds) and to make a repayment of some rehabilitation obligations (loans) before maturity.

The details of new loans are as follows:

Term Loan V

Lenders: Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd.,
Mitsubishi UFJ Trust and Banking Corporation,
Shinkin Central Bank

Loan amount: ¥7,000 million (\$86 million)

Interest rate: Base rate (JBA 3-month Yen TIBOR) + 0.60% (floating interest rate)

Transaction date: March 27, 2012

Due date: March 31, 2017

Method of payment: Bullet repayment (lump sum payment at maturity)

Collateral, guarantee: Unsecured and non-guaranteed

Term Loan VI

Lenders: Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Trust Bank,
Limited (Note), Mizuho Trust & Banking Co., Ltd.

Loan amount: ¥7,000 million (\$86 million)

Interest rate: Base rate (JBA 3-month Yen TIBOR) + 0.60% (floating interest rate)

Transaction date: March 27, 2012

Due date: March 31, 2017

Method of payment: Bullet repayment (lump sum payment at maturity)

Collateral, guarantee: Unsecured and non-guaranteed

(Note) The Chuo Mitsui Trust and Banking Co., Ltd., The Sumitomo Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Company, Limited merged on April 1, 2012, and the name changed to Sumitomo Mitsui Trust Bank, Limited. Hereinafter the same shall apply.

Negotiated transaction

Lender: Bank of Tokyo Mitsubishi UFJ, Ltd.

Loan amount:	¥4,000 million (\$49 million)
Interest rate:	1.07% (fixed)
Transaction date:	March 27, 2012
Due date:	March 27, 2019
Method of payment:	Bullet repayment (lump sum payment at maturity)
Collateral, guarantee:	Unsecured and non-guaranteed

DHI borrowed the following funds in order to utilize them for repayment (refinance) of the borrowings based on Commitment Line I.

Negotiated transaction

Lender:	Resona Bank Limited
Loan amount:	¥1,095 million (\$13 million)
Interest rate:	Base rate (JBA 3-month Yen TIBOR) + 0.60% (floating interest rate)
Transaction date:	March 26, 2012
Due date:	March 31, 2017
Method of payment:	Bullet repayment (lump sum payment at maturity)
Collateral, guarantee:	Unsecured and non-guaranteed

DHI borrowed the following funds in order to acquire trust beneficiary interests stated previously in "2. Acquisition and disposition of property."

Commitment Line I-2

Lenders:	Bank of Tokyo Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mizuho Corporate Bank, Ltd.
Loan amount:	¥3,200 million (\$39 million)
Interest rate:	Base rate (JBA 1-month Yen TIBOR) + 0.90% (floating interest rate)
Transaction date:	March 28, 2012
Due date:	March 27, 2013
Method of payment:	Bullet repayment (lump sum payment at maturity)
Collateral, guarantee:	Unsecured and non-guaranteed

4. Issuance of investment corporation bonds

DHI issued new investment corporation bonds on March 2, 2012 as follows.

Name:	Daiwa House Residential Investment Corporation No. 1 Unsecured Investment Corporation Bond (with special pari passu conditions among specified DHI Bonds)
Aggregate amount:	¥3,000 million (\$37 million)
Issue price:	¥100 (\$1) per par value of ¥100 (\$1) of each bond
Interest rate:	1.12% per annum
Collateral, guarantee:	Unsecured and non-guaranteed
Date of redemption:	The entire principal of DHI Bonds shall be redeemed on March 9, 2017. The DHI Bonds may be purchased and cancelled at any time on and after the date following the payment date unless otherwise stipulated by the depository.

Interest payment date: March 9 and September 9 of every year

Usage of proceeds: ¥2,100 million (\$26 million) shall be used as part of prepayment of short-term loans (¥3,200 million) (\$39 million) scheduled on March 26, 2012, and the remaining ¥877 million (\$10 million) shall be used as part of prepayment of rehabilitation obligations (loans) scheduled on March 16, 2012.

20. Changes in Investment Units Issued

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

Date	Type	Investment units issued (Units)		Total unitholders' capital (Millions of yen)		Comments
		Change in number	Balance	Amount of change	Balance	
March 2, 2007	Third-party allotment	8,000	49,260	¥ 4,034	¥24,002	(Note 1)
April 1, 2010	Merger	69,475	118,735	0	¥24,002	(Note 2)
October 4, 2011	Capital increase by public offering	38,000	156,735	¥15,999	¥40,002	(Note 3)
November 2, 2011	Third-party allotment	3,800	160,535	¥ 1,599	¥41,602	(Note 4)

(Note 1) Additional units were issued at an issue price of ¥504,261 per unit to obtain funds for acquiring new properties.

(Note 2) DHI merged with NCR on April 1, 2010.

(Note 3) Investment units were issued at ¥435,337 per unit (value of investment unit issued ¥421,049) by public offering to obtain funds for acquiring new properties.

(Note 4) Investment units were issued at ¥421,049 per unit by third-party allotment to obtain property acquisition funds.

21. Other Supplementary Information

- 1) Detailed Schedule of Portfolio
Not applicable.

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

(Thousands of yen)

Category	Type	Contract amount, etc.		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	¥42,300,000	¥42,300,000	—
Total		¥42,300,000	¥42,300,000	—

(Thousands of U.S. dollars)

Category	Type	Contract amount, etc.		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	\$524,293	\$524,293	—
Total		\$524,293	\$524,293	—

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

(Note 2) Interest rate swap agreements are subject to special accounting treatment. (Please see “10. Financial Instruments” for details.)

- 3) General Overview of Detailed Schedule of Real Estate

(Thousands of yen)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	¥ 27,616,500	¥ 541,118	—	¥28,157,619	¥ 1,044,396	¥285,776	¥27,113,223
	Structures	233,703	3,470	—	237,174	9,210	2,537	227,964
	Machinery and equipment	417,987	14,217	—	432,205	28,368	7,884	403,837
	Tools, furniture and fixtures	643,168	938	—	644,106	90,895	23,789	553,211
	Land	20,923,344	469,788	—	21,393,132	—	—	21,393,132
	Buildings in trust	71,613,114	15,339,812	¥608,182 [69,819]	86,344,743	4,906,522	899,684	81,438,221
	Structures in trust	535,446	123,687	7,632 [782]	651,501	34,666	10,365	616,835
	Machinery and equipment in trust	1,030,530	287,750	2,340 [776]	1,315,940	205,143	40,360	1,110,797
	Tools, furniture and fixtures in trust	281,813	11,775	851 [91]	292,737	65,073	17,183	227,664
	Land in trust	70,844,184	2,721,070	356,764 [59,197]	73,208,489	—	—	73,208,489
	Total	¥194,139,794	¥19,513,631	¥975,772 [130,666]	¥212,677,653	¥6,384,275	¥1,287,583	¥206,293,377
Intangible fixed assets	Leasehold rights in trust	¥1,521,476	¥733,274	—	¥2,254,750	¥4,621	¥4,621	¥2,250,129
	Trademark rights	2,756	—	—	2,756	855	¥285	1,901
	Total	¥1,524,232	¥733,274	—	¥2,257,507	¥5,476	¥4,906	¥2,252,030

(Thousands of U.S. dollars)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	\$342,296	\$6,706	–	\$349,003	\$ 12,944	\$3,542	\$336,058
	Structures	2,896	43	–	2,939	114	31	2,825
	Machinery and equipment	5,180	176	–	5,357	351	97	5,005
	Tools, furniture and fixtures	7,971	11	–	7,983	1,126	294	6,856
	Land	259,337	5,822	–	265,160	–	–	265,160
	Buildings in trust	887,619	190,131	\$7,538 [865]	1,070,212	60,814	11,151	1,009,397
	Structures in trust	6,636	1,533	94 [9]	8,075	429	128	7,645
	Machinery and equipment in trust	12,773	3,566	29 [9]	16,310	2,542	500	13,767
	Tools, furniture and fixtures in trust	3,492	145	10 [1]	3,628	806	212	2,821
	Land in trust	878,088	33,726	4,421 [733]	907,393	–	–	907,393
	Total	\$2,406,293	\$241,864	\$12,094 [1,619]	\$2,636,064	\$79,130	\$15,959	\$2,556,933
Intangible fixed assets	Leasehold rights in trust	\$18,858	9,088	–	\$27,946	57	57	\$27,889
	Trademark rights	34	–	–	34	\$10	\$3	23
	Total	\$18,892	\$9,088	–	\$27,980	\$67	\$60	\$27,913

(Note 1) Amount in [] of decrease during the period indicate amount of impairment loss.

(Note 2) Details of the increase (decrease) during the period are shown below.

21. Other Supplementary Information (continued)

1. Increase in buildings

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Building work	Building	¥ 391,910
Castalia Ooimachi	Building work	Building	7,474
Besta Yakuin	Electric facilities construction	Installation of equipment for building	34,138
Besta Yakuin	Plumbing sanitary	Installation of equipment for building	52,051
Besta Yakuin	Work on air conditioning	Installation of equipment for building	32,211
Besta Yakuin	Lifting-carrier equipment work	Installation of equipment for building	20,915
Total			¥ 538,701

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Building work	Building	\$4,857
Castalia Ooimachi	Building work	Building	92
Besta Yakuin	Electric facilities construction	Installation of equipment for building	423
Besta Yakuin	Plumbing sanitary	Installation of equipment for building	645
Besta Yakuin	Work on air conditioning	Installation of equipment for building	399
Besta Yakuin	Lifting-carrier equipment work	Installation of equipment for building	259
Total			\$6,677

2. Increase in structures

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Exterior construction	Structures	¥ 2,915
Total			¥ 2,915

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Exterior construction	Structures	\$36
Total			\$36

3. Increase in machinery and equipment

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Machinery and equipment	Machinery and equipment	¥ 14,217
Total			¥ 14,217

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
------------------	-----------------	------------------------------	--------

Besta Yakuin	Machinery and equipment	Machinery and equipment	\$176
Total			\$176

4. Increase in land

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Land	Land	¥ 467,932
Total			¥ 467,932

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Besta Yakuin	Land	Land	\$5,799
Total			\$5,799

5. Increase in buildings in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Shibaura Island Bloom Tower	Building work	Buildings in trust	¥ 6,484,963
Shibaura Island Bloom Tower	Electric facilities construction	Installation of equipment for building in trust	203,551
Shibaura Island Bloom Tower	Plumbing sanitary	Installation of equipment for building in trust	295,992
Shibaura Island Bloom Tower	Work on air conditioning	Installation of equipment for building in trust	152,545
Shibaura Island Bloom Tower	Lifting-carrier equipment work	Installation of equipment for building in trust	98,268
Castalia Hatsudai	Building work	Buildings in trust	763,018
Castalia Hatsudai	Electric facilities construction	Installation of equipment for building in trust	62,035
Castalia Hatsudai	Plumbing sanitary	Installation of equipment for building in trust	77,108
Castalia Hatsudai	Work on air conditioning	Installation of equipment for building in trust	30,843
Castalia Hatsudai	Lifting-carrier equipment work	Installation of equipment for building in trust	11,265
Castalia Mishuku	Building work	Buildings in trust	713,392
Castalia Mishuku	Electric facilities construction	Installation of equipment for building in trust	41,883
Castalia Mishuku	Plumbing sanitary	Installation of equipment for building in trust	70,706
Castalia Mishuku	Work on air conditioning	Installation of equipment for building in trust	19,546
Castalia Mishuku	Lifting-carrier equipment work	Installation of equipment for building in trust	30,180
Royal Parks Hanakoganei	Building work	Buildings in trust	4,677,299
Royal Parks Hanakoganei	Electric facilities construction	Installation of equipment for building in trust	271,365
Royal Parks Hanakoganei	Plumbing sanitary	Installation of equipment for building in trust	293,290

Royal Parks Hanakoganei	Work on air conditioning	Installation of equipment for building in trust	93,862
Royal Parks Hanakoganei	Lifting-carrier equipment work	Installation of equipment for building in trust	44,627
Castalia Mibu	Building work	Buildings in trust	697,822
Castalia Mibu	Electric facilities construction	Installation of equipment for building in trust	40,321
Castalia Mibu	Plumbing sanitary	Installation of equipment for building in trust	52,054
Castalia Mibu	Work on air conditioning	Installation of equipment for building in trust	28,681
Castalia Mibu	Lifting-carrier equipment work	Installation of equipment for building in trust	11,306
Meguro Kamurozaka Residencia	Repair work of shared corridor	Installation of equipment for building in trust	5,109
Qiz Ebisu	Construction work to partition the 3rd floor for stores	Installation of equipment for building in trust	29,638
IPSE Azabujuban Shichimenzaka	Duct installation	Installation of equipment for building in trust	6,908
Total			¥ 15,307,591

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Shibaura Island Bloom Tower	Building work	Buildings in trust	\$80,378
Shibaura Island Bloom Tower	Electric facilities construction	Installation of equipment for building in trust	2,522
Shibaura Island Bloom Tower	Plumbing sanitary	Installation of equipment for building in trust	3,668
Shibaura Island Bloom Tower	Work on air conditioning	Installation of equipment for building in trust	1,890
Shibaura Island Bloom Tower	Lifting-carrier equipment work	Installation of equipment for building in trust	1,217
Castalia Hatsudai	Building work	Buildings in trust	9,457
Castalia Hatsudai	Electric facilities construction	Installation of equipment for building in trust	768
Castalia Hatsudai	Plumbing sanitary	Installation of equipment for building in trust	955
Castalia Hatsudai	Work on air conditioning	Installation of equipment for building in trust	382
Castalia Hatsudai	Lifting-carrier equipment work	Installation of equipment for building in trust	139
Castalia Mishuku	Building work	Buildings in trust	8,842
Castalia Mishuku	Electric facilities construction	Installation of equipment for building in trust	519
Castalia Mishuku	Plumbing sanitary	Installation of equipment for building in trust	876
Castalia Mishuku	Work on air conditioning	Installation of equipment for building in trust	242
Castalia Mishuku	Lifting-carrier equipment work	Installation of equipment for building in trust	374
Royal Parks Hanakoganei	Building work	Buildings in trust	57,973

Royal Parks Hanakoganei	Electric facilities construction	Installation of equipment for building in trust	3,363
Royal Parks Hanakoganei	Plumbing sanitary	Installation of equipment for building in trust	3,635
Royal Parks Hanakoganei	Work on air conditioning	Installation of equipment for building in trust	1,163
Royal Parks Hanakoganei	Lifting-carrier equipment work	Installation of equipment for building in trust	553
Castalia Mibu	Building work	Buildings in trust	8,649
Castalia Mibu	Electric facilities construction	Installation of equipment for building in trust	499
Castalia Mibu	Plumbing sanitary	Installation of equipment for building in trust	645
Castalia Mibu	Work on air conditioning	Installation of equipment for building in trust	355
Castalia Mibu	Lifting-carrier equipment work	Installation of equipment for building in trust	140
Meguro Kamurozaka Residencia	Repair work of shared corridor	Installation of equipment for building in trust	63
Qiz Ebisu	Construction work to partition the 3rd floor for stores	Installation of equipment for building in trust	367
IPSE Azabujuban Shichimenzaka	Duct installation	Installation of equipment for building in trust	85
Total			\$189,732

6. Increase in structures in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Shibaura Island Bloom Tower	Exterior construction	Structures in trust	¥55,725
Castalia Hatsudai	Exterior construction	Structures in trust	3,649
Castalia Mishuku	Exterior construction	Structures in trust	5,348
Royal Parks Hanakoganei	Exterior construction	Structures in trust	47,611
Castalia Mibu	Exterior construction	Structures in trust	8,613
Total			¥120,949

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Shibaura Island Bloom Tower	Exterior construction	Structures in trust	\$690
Castalia Hatsudai	Exterior construction	Structures in trust	45
Castalia Mishuku	Exterior construction	Structures in trust	66
Royal Parks Hanakoganei	Exterior construction	Structures in trust	590
Castalia Mibu	Exterior construction	Structures in trust	106
Total			\$1,499

7. Increase in machinery and equipment in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Shibaura Island Bloom Tower	Mechanical parking	Machinery and equipment in trust	¥245,009

Castalia Hatsudai	Mechanical parking	Machinery and equipment in trust	6,273
Castalia Mishuku	Mechanical parking	Machinery and equipment in trust	6,955
Royal Parks Hanakoganei	Mechanical parking	Machinery and equipment in trust	10,143
Castalia Mibu	Mechanical parking	Machinery and equipment in trust	19,369
Total			¥287,750

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Shibaura Island Bloom Tower	Mechanical parking	Machinery and equipment in trust	\$3,036
Castalia Hatsudai	Mechanical parking	Machinery and equipment in trust	77
Castalia Mishuku	Mechanical parking	Machinery and equipment in trust	86
Royal Parks Hanakoganei	Mechanical parking	Machinery and equipment in trust	125
Castalia Mibu	Mechanical parking	Machinery and equipment in trust	240
Total			\$3,566

8. Increase in tools, furniture and fixtures in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Castalia Tower Shinagawa Seaside	Fitness room equipment	Tools, furniture and fixtures in trust	¥7,137
Total			¥7,137

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Castalia Tower Shinagawa Seaside	Fitness room equipment	Tools, furniture and fixtures in trust	\$88
Total			\$88

9. Increase in land in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
Castalia Hatsudai	Land	Land in trust	¥1,189,496
Castalia Mishuku	Land	Land in trust	1,120,335
Castalia Mibu	Land	Land in trust	411,238
Total			¥2,721,070

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
Castalia Hatsudai	Land	Land in trust	\$14,743
Castalia Mishuku	Land	Land in trust	13,886
Castalia Mibu	Land	Land in trust	5,097
Total			\$33,726

10. Decrease in buildings in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Framework construction, etc.	Buildings in trust	¥234,752
NCR Kumegawa	Electric facilities construction, etc.	Installation of equipment for building in trust	43,772
NCR Minamiriinkan	Framework construction, etc.	Buildings in trust	212,383
NCR Minamiriinkan	Electric facilities construction, etc.	Installation of equipment for building in trust	47,455
Total			¥538,363

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Framework construction, etc.	Buildings in trust	\$2,909
NCR Kumegawa	Electric facilities construction, etc.	Installation of equipment for building in trust	542
NCR Minamiriinkan	Framework construction, etc.	Buildings in trust	2,632
NCR Minamiriinkan	Electric facilities construction, etc.	Installation of equipment for building in trust	588
Total			\$6,672

11. Decrease in structures in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Paving work, etc.	Structures in trust	¥3,817
NCR Minamiriinkan	Paving work, etc.	Structures in trust	3,032
Total			¥6,850

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Paving work, etc.	Structures in trust	\$47
NCR Minamiriinkan	Paving work, etc.	Structures in trust	37
Total			\$84

12. Decrease in machinery and equipment in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Mechanical parking	Machinery and equipment in trust	¥1,563
Total			¥1,563

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Mechanical parking	Machinery and equipment in trust	\$19
Total			\$19

13. Decrease in land in trust

(Thousands of yen)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Land	Land in trust	¥197,420
NCR Minamiriinkan	Land	Land in trust	100,147
Total			¥297,567

(Thousands of U.S. dollars)

Name of property	Name of project	Type of tangible fixed asset	Amount
NCR Kumegawa	Land	Land in trust	\$2,446
NCR Minamiriinkan	Land	Land in trust	1,241
Total			\$3,688

- 4) Detailed Schedule of Other Specific Assets
Not applicable.
- 5) Detailed Schedule of Investment Corporation Bonds
Please refer to the following 7) Detailed Schedule of Rehabilitation Obligations.

21. Other Supplementary Information (continued)

6) Detailed Schedule of Loans

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Short-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	–	¥800,000 (\$9,915)	–	¥800,000 (\$9,915)	1.10%	December 18, 2012	(Note 5)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	–	800,000 (9,915)	–	800,000 (9,915)				
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 2)	–	800,000 (9,915)	–	800,000 (9,915)				
	Mizuho Corporate Bank, Ltd.	–	800,000 (9,915)	–	800,000 (9,915)				
	Subtotal	–	3,200,000 (39,662)	–	3,200,000 (39,662)	–	–	–	–
Current portion of long-term loans	Sumitomo Mitsui Banking Corporation	¥3,781,350 (\$46,868)	–	¥3,781,350 (\$46,868)	–	1.44%	September 30, 2011	(Note 6)	Secured without warranty (Note 9)
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 2)	3,781,350 (46,868)	–	3,781,350 (46,868)	–				
	Mizuho Corporate Bank, Ltd.	3,781,350 (46,868)	–	3,781,350 (46,868)	–				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,961,990 (36,712)	–	2,961,990 (36,712)	–				
	The Sumitomo Trust and Banking Co., Ltd. (Note 2)	1,480,960 (18,355)	–	1,480,960 (18,355)	–				
	Sumitomo Mitsui Banking Corporation	3,527,700 (43,724)	–	12,920 (160)	3,514,780 (43,564)	1.34%	July 31, 2012	(Note 6)	Unsecured without warranty (Note 10)
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 2)	3,527,700 (43,724)	–	12,920 (160)	3,514,780 (43,564)				
	Mizuho Corporate Bank, Ltd.	3,527,700 (43,724)	–	12,920 (160)	3,514,780 (43,564)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,981,900 (24,564)	–	7,240 (89)	1,974,660 (24,475)				
	Subtotal	28,352,000 (351,412)	–	15,833,000 (196,244)	12,519,000 (155,168)	–	–	–	–
Long-term loans	Sumitomo Mitsui Banking Corporation	1,800,000 (22,310)	–	–	1,800,000 (22,310)	1.40% (Note 3)	December 28, 2015	(Note 7)	Unsecured without warranty
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 2)	1,800,000 (22,310)	–	–	1,800,000 (22,310)				
	Mizuho Corporate Bank, Ltd.	1,800,000 (22,310)	–	–	1,800,000 (22,310)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (22,310)	–	–	1,800,000 (22,310)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (17,352)	–	–	1,400,000 (17,352)				
	Resona Bank, Ltd.	1,400,000 (17,352)	–	–	1,400,000 (17,352)	1.03% (Note 4)	September 30, 2016	(Note 8)	Unsecured without warranty
	Shinsei Bank, Limited.	500,000 (6,197)	–	–	500,000 (6,197)				
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 2)	–	3,543,000 (43,914)	–	3,543,000 (43,914)				
	Sumitomo Mitsui Banking Corporation	–	5,200,000 (64,452)	–	5,200,000 (64,452)				
	Mizuho Corporate Bank, Ltd.	–	5,200,000 (64,452)	–	5,200,000 (64,452)				

Classification		Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
	Lender								
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	–	5,200,000 (64,452)	–	5,200,000 (64,452)	1.03% (Note 4)	September 30, 2016	(Note 8)	Unsecured without warranty
	Aozora Bank, Ltd.	–	4,500,000 (55,775)	–	4,500,000 (55,775)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	–	3,000,000 (37,183)	–	3,000,000 (37,183)				
	Resona Bank, Ltd.	–	2,500,000 (30,986)	–	2,500,000 (30,986)				
	The Sumitomo Trust and Banking Co., Ltd. (Note 2)	–	1,657,000 (20,537)	–	1,657,000 (20,537)				
	Shinsei Bank, Limited.	–	1,000,000 (12,394)	–	1,000,000 (12,394)				
	Subtotal	10,500,000 (130,143)	31,800,000 (394,149)	–	42,300,000 (524,293)	–	–	–	–
	Total	¥38,852,000 (\$481,556)	¥35,000,000 (\$433,812)	¥15,833,000 (\$196,244)	¥58,019,000 (\$719,124)	–	–	–	–

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

(Note 2) The Chuo Mitsui Trust and Banking Co., Ltd., The Sumitomo Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Company, Limited merged on April 1, 2012, and the name changed to Sumitomo Mitsui Trust Bank, Limited.

(Note 3) Floating interest rate was applied from March 1, 2011 to March 30, 2011. On and after March 31, 2011, interest rate is substantially fixed at an annual rate of 1.40% based on interest-rate swap agreement dated on March 23, 2011.

(Note 4) Floating interest rate was applied from September 30, 2011 to December 29, 2011. On and after December 30, 2011, interest rate is substantially fixed at an annual rate of 1.096% based on interest-rate swap agreement dated on December 20, 2011.

(Note 5) To be used to acquire trust beneficiary rights and the actual real estate (including these co-ownership interests).

(Note 6) To be used as to acquire real estate properties in trust, or to refinance such funds.

(Note 7) To be used to purchase rehabilitation obligations (others), retire rehabilitation obligations (investment corporation bonds), and return part of rehabilitation obligations (loans).

(Note 8) To be used to refinance loans and rehabilitation obligations with right of separate satisfaction.

(Note 9) DHI refinanced, and made an unsecured loan agreement on September 30, 2011.

(Note 10) On October 4, 2011, DHI changed the conditions for receiving an unsecured, non-guaranteed loan. As of October 4, 2011, based on the refinancing described above (Note 8) and on 7) Detailed Schedule of Rehabilitation Obligations (Note 13) and the above change in conditions, DHI released all collateral and guarantees from interest-bearing liabilities.

(Note 11) Payment schedule for long-term loans over five years February 29, 2012:

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	–	–	¥10,500,000	¥31,800,000

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	–	–	\$130,143	\$394,149

7) Detailed Schedule of Rehabilitation Obligations

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 2)	Repayment deadline	Purpose of use	Comments
Current portion of rehabilitation obligations (with right of separate satisfaction)	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 3)	January 5, 2010 (Note 8)	¥4,301,536 (\$53,316)	—	¥4,301,536 (\$53,316)	—	1.44%	January 31, 2012	(Note 9)	Secured without warranty (Note 12)
	Aozora Bank, Ltd.		4,227,371 (52,396)	—	4,227,371 (52,396)	—				
	The Sumitomo Trust and Banking Co., Ltd. (Note 3)		2,299,096 (28,496)	—	2,299,096 (28,496)	—				
	Mitsubishi UFJ Trust and Banking Corporation		2,224,932 (27,577)	—	2,224,932 (27,577)	—				
	Resona Bank, Ltd.		2,224,932 (27,577)	—	2,224,932 (27,577)	—				
	The Hyakugo Bank		741,644 (9,192)	—	741,644 (9,192)	—				
	Subtotal	—	¥16,019,513 (\$198,556)	—	¥16,019,513 (\$198,556)	—	—	—	—	—
Current portion of rehabilitation obligations (Loans)	The Norinchukin Bank	January 5, 2010 (Note 8)	—	¥3,039,055 (\$37,668)	—	¥3,039,055 (\$37,668)	1.43%	January 31, 2013	(Note 9)	Unsecured without warranty
	Aozora Bank, Ltd.		—	2,353,146 (29,166)	—	2,353,146 (29,166)				
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 3)		—	2,124,156 (26,328)	—	2,124,156 (26,328)				
	Sumitomo Mitsui Banking Corporation		—	1,883,861 (23,349)	—	1,883,861 (23,349)				
	Mizuho Corporate Bank, Ltd.		—	1,215,486 (15,065)	—	1,215,486 (15,065)				
	The Sumitomo Trust and Banking Co., Ltd. (Note 3)		—	1,093,835 (13,557)	—	1,093,835 (13,557)				
	Mizuho Trust & Banking Co., Ltd.		—	914,707 (11,337)	—	914,707 (11,337)				
	Development Bank of Japan Inc.		—	516,666 (6,403)	—	516,666 (6,403)				
	Mitsubishi UFJ Trust and Banking Corporation		—	455,817 (5,649)	—	455,817 (5,649)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	425,537 (5,274)	—	425,537 (5,274)				
	Resona Bank, Ltd.		—	364,727 (4,520)	—	364,727 (4,520)				
	Mitsui Sumitomo Insurance Company, Limited		—	303,883 (3,766)	—	303,883 (3,766)				
	The Chiba Bank, Ltd.		—	303,879 (3,766)	—	303,879 (3,766)				
	North Pacific Bank, Ltd.		—	151,949 (1,883)	—	151,949 (1,883)				
	Subtotal	—	—	15,146,712 (187,738)	—	15,146,712 (187,738)	—	—	—	—
Current portion of rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 4)	January 5, 2010 (Note 8)	—	4,278,319 (53,028)	—	4,278,319 (53,028)	1.43%	January 31, 2013	(Note 10)	Unsecured without warranty
	Second Series Unsecured Investment Corporation Bonds (Note 5)		—	2,375,418 (29,442)	—	2,375,418 (29,442)	1.43%		(Note 11)	
	Third Series Unsecured Investment Corporation Bonds (Note 5)		—	634,584 (7,865)	—	634,584 (7,865)	1.43%			
	Subtotal	—	—	7,288,321 (90,336)	—	7,288,321 (90,336)	—	—	—	—
Total		—	16,019,513 (198,556)	22,435,033 (278,074)	16,019,513 (198,556)	22,435,033 (278,074)	—	—	—	—

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 2)	Repayment deadline	Purpose of use	Comments
Rehabilitation obligations (Loans)	The Norinchukin Bank	January 5, 2010 (Note 8)	3,039,055 (37,668)	—	3,039,055 (37,668)	—	1.43%	January 31, 2013	(Note 9)	Unsecured without warranty
			3,039,055 (37,668)	—	—	3,039,055 (37,668)		January 31, 2014		
			3,039,249 (37,670)	—	—	3,039,249 (37,670)		January 30, 2015		
	Aozora Bank, Ltd.		2,353,146 (29,166)	—	2,353,146 (29,166)	—	1.43%	January 31, 2013		
			2,353,146 (29,166)	—	—	2,353,146 (29,166)		January 31, 2014		
			2,353,296 (29,168)	—	—	2,353,296 (29,168)		January 30, 2015		
	The Chuo Mitsui Trust and Banking Co., Ltd. (Note 3)		2,124,156 (26,328)	—	2,124,156 (26,328)	—	1.43%	January 31, 2013		
			2,124,156 (26,328)	—	—	2,124,156 (26,328)		January 31, 2014		
			2,124,291 (26,329)	—	—	2,124,291 (26,329)		January 30, 2015		
	Sumitomo Mitsui Banking Corporation		1,883,861 (23,349)	—	1,883,861 (23,349)	—	1.43%	January 31, 2013		
			1,883,861 (23,349)	—	—	1,883,861 (23,349)		January 31, 2014		
			1,883,981 (23,351)	—	—	1,883,981 (23,351)		January 30, 2015		
	Mizuho Corporate Bank, Ltd.		1,215,486 (15,065)	—	1,215,486 (15,065)	—	1.43%	January 31, 2013		
			1,215,486 (15,065)	—	—	1,215,486 (15,065)		January 31, 2014		
			1,215,563 (15,066)	—	—	1,215,563 (15,066)		January 30, 2015		
	The Sumitomo Trust and Banking Co., Ltd. (Note 3)		1,093,835 (13,557)	—	1,093,835 (13,557)	—	1.43%	January 31, 2013		
			1,093,835 (13,557)	—	—	1,093,835 (13,557)		January 31, 2014		
			1,093,905 (13,558)	—	—	1,093,905 (13,558)		January 30, 2015		
	Mizuho Trust & Banking Co., Ltd.		914,707 (11,337)	—	914,707 (11,337)	—	1.43%	January 31, 2013		
			914,707 (11,337)	—	—	914,707 (11,337)		January 31, 2014		
			914,765 (11,338)	—	—	914,765 (11,338)		January 30, 2015		
	Development Bank of Japan Inc.		516,666 (6,403)	—	516,666 (6,403)	—	1.43%	January 31, 2013		
			516,666 (6,403)	—	—	516,666 (6,403)		January 31, 2014		
			516,699 (6,404)	—	—	516,699 (6,404)		January 30, 2015		
	Mitsubishi UFJ Trust and Banking Corporation		455,817 (5,649)	—	455,817 (5,649)	—	1.43%	January 31, 2013		
			455,817 (5,649)	—	—	455,817 (5,649)		January 31, 2014		
			455,846 (5,650)	—	—	455,846 (5,650)		January 30, 2015		
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		425,537 (5,274)	—	425,537 (5,274)	—	1.43%	January 31, 2013		
			425,537 (5,274)	—	—	425,537 (5,274)		January 31, 2014		
			425,564 (5,274)	—	—	425,564 (5,274)		January 30, 2015		
	Resona Bank, Ltd. (Note 6)		364,727 (4,520)	—	364,727 (4,520)	—	1.43%	January 31, 2013		

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 2)	Repayment deadline	Purpose of use	Comments	
			364,727 (4,520)	—	—	364,727 (4,520)		January 31, 2014			
			364,751 (4,520)	—	—	364,751 (4,520)		January 30, 2015			
	Mitsui Sumitomo Insurance Company, Limited (Note 7)		303,883 (3,766)	—	303,883 (3,766)	—	1.43%	January 31, 2013			
			303,883 (3,766)	—	—	303,883 (3,766)		January 31, 2014			
			303,902 (3,766)	—	—	303,902 (3,766)		January 30, 2015			
	The Chiba Bank, Ltd.		303,879 (3,766)	—	303,879 (3,766)	—	1.43%	January 31, 2013			
			303,879 (3,766)	—	—	303,879 (3,766)		January 31, 2014			
			303,898 (3,766)	—	—	303,898 (3,766)		January 30, 2015			
	North Pacific Bank, Ltd.		151,949 (1,883)	—	151,949 (1,883)	—	1.43%	January 31, 2013			
			151,949 (1,883)	—	—	151,949 (1,883)		January 31, 2014			
			151,959 (1,883)	—	—	151,959 (1,883)		January 30, 2015			
	Subtotal		—	45,441,101 (563,226)	—	15,146,712 (187,738)	30,294,389 (375,488)	—			—
	Rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 4)	January 5, 2010 (Note 8)	4,309,777 (53,418)	—	4,309,777 (53,418)	—	1.43%	January 31, 2013	(Note 10)	Unsecured without warranty
4,309,777 (53,418)				—	31,458 (389)	4,278,319 (53,028)	January 31, 2014				
4,310,051 (53,421)				—	31,460 (389)	4,278,591 (53,031)	January 30, 2015				
Second Series Unsecured Investment Corporation Bonds (Note 5)		2,375,418 (29,442)		—	2,375,418 (29,442)	—	1.43%	January 31, 2013			
		2,375,418 (29,442)		—	—	2,375,418 (29,442)		January 31, 2014			
		2,375,569 (29,444)		—	—	2,375,569 (29,444)		January 30, 2015			
Third Series Unsecured Investment Corporation Bonds (Note 5)		761,500 (9,438)		—	761,500 (9,438)	—	1.43%	January 31, 2013			
		761,500 (9,438)		—	126,916 (1,573)	634,584 (7,865)		January 31, 2014			
		761,549 (9,439)		—	126,924 (1,573)	634,624 (7,865)		January 30, 2015			
Subtotal		—	22,340,562 (276,903)	—	7,763,456 (96,225)	14,577,106 (180,678)	—	—	—	—	
Total		—	67,781,664 (840,129)	—	22,910,168 (283,963)	44,871,495 (556,166)	—	—	—	—	
Total rehabilitation obligations		—	83,801,178 (1,038,685)	22,435,033 (278,074)	38,929,682 (482,519)	67,306,529 (834,240)	—	—	—	—	

(Note 1) DHI repaid rehabilitation obligations with right of separate satisfaction in full on September 30, 2011. Rehabilitation obligations (investment corporation bonds) have been reduced through retirement by purchase.

(Note 2) Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders or investment corporation bonds, and are rounded off to the nearest second decimal place.

(Note 3) The Chuo Mitsui Trust and Banking Co., Ltd., The Sumitomo Trust and Banking Co., Ltd. and Chuo Mitsui Asset Trust and Banking Company, Limited merged on April 1, 2012, and name changed to Sumitomo Mitsui Trust Bank, Limited.

(Note 4) Limited only to qualified institutional investors, and with special pari passu conditions among specified Daiwa House Residential Investment Corporation bonds.

(Note 5) With special pari passu conditions among specified Daiwa House Residential Investment Corporation bonds.

(Note 6) DHI repaid in full on March 16, 2012.

(Note 7) DHI repaid in full on March 27, 2012.

(Note 8) NCR's rehabilitation plan (hereinafter referred to as "Rehabilitation Plan") filed at the Tokyo District Court as of November 9, 2009 was also approved at the creditors' meeting held on December 9, 2009. Approval by the Tokyo District Court was received as of the same day, and the order of confirmation of the Rehabilitation Plan became final and binding on January 5, 2010. Under the Rehabilitation Plan, terms and conditions for rehabilitation obligations with rights of separate satisfaction have been amended based on the agreement on rights of separate satisfaction made on October 13, 2009, and for other rehabilitation obligations, terms and conditions have been amended pursuant to the provisions stipulated in the Rehabilitation Plan.

(Note 9) The loan was made for use in funding repayment of loans, or to purchase real estates and real estate trust beneficiary rights.

(Note 10) These bonds were issued to finance funds for repayment of short-term loans, and for purchase of real estate trust beneficiary rights.

(Note 11) These bonds were used as funds for repayment of short-term loans.

(Note 12) DHI refinanced, and made an unsecured loan agreement on September 30, 2011.

(Note 13) With regard to each rehabilitation obligation, excluding those with rights of separate satisfaction, a fixed interest rate has been applied to the balance of the principal with a maturity of January 30, 2015 (¥22,436,462 thousand at end of the period) (\$278,091 thousand) from September 1, 2010. Also, though a floating interest rate is currently applied as of the end of this period for the unpaid principal balances with maturity dates of January 31, 2013, and January 31, 2014 (¥22,435,033 thousand for respective balance at the end of this period) (\$278,074 thousand), DHI has the option to convert to a fixed interest rate without changing the spread.

(Note 14) Payment schedule per year for rehabilitation obligations over five years from February 29, 2012 is as follows.

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Rehabilitation obligations (loans)	¥15,146,712	¥15,147,677	—	—
Rehabilitation obligations (investment corporation bonds)	7,288,321	7,288,785	—	—
Total	¥22,435,033	¥22,436,462	—	—

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Rehabilitation obligations (loans)	\$187,738	\$187,750	—	—
Rehabilitation obligations (investment corporation bonds)	90,336	90,341	—	—
Total	\$278,074	\$278,091	—	—