
 **Daiwa House REIT Investment Corporation**
<https://www.daiwahouse-reit.co.jp/en/>



Semi-Annual Report for the **30th** Fiscal Period

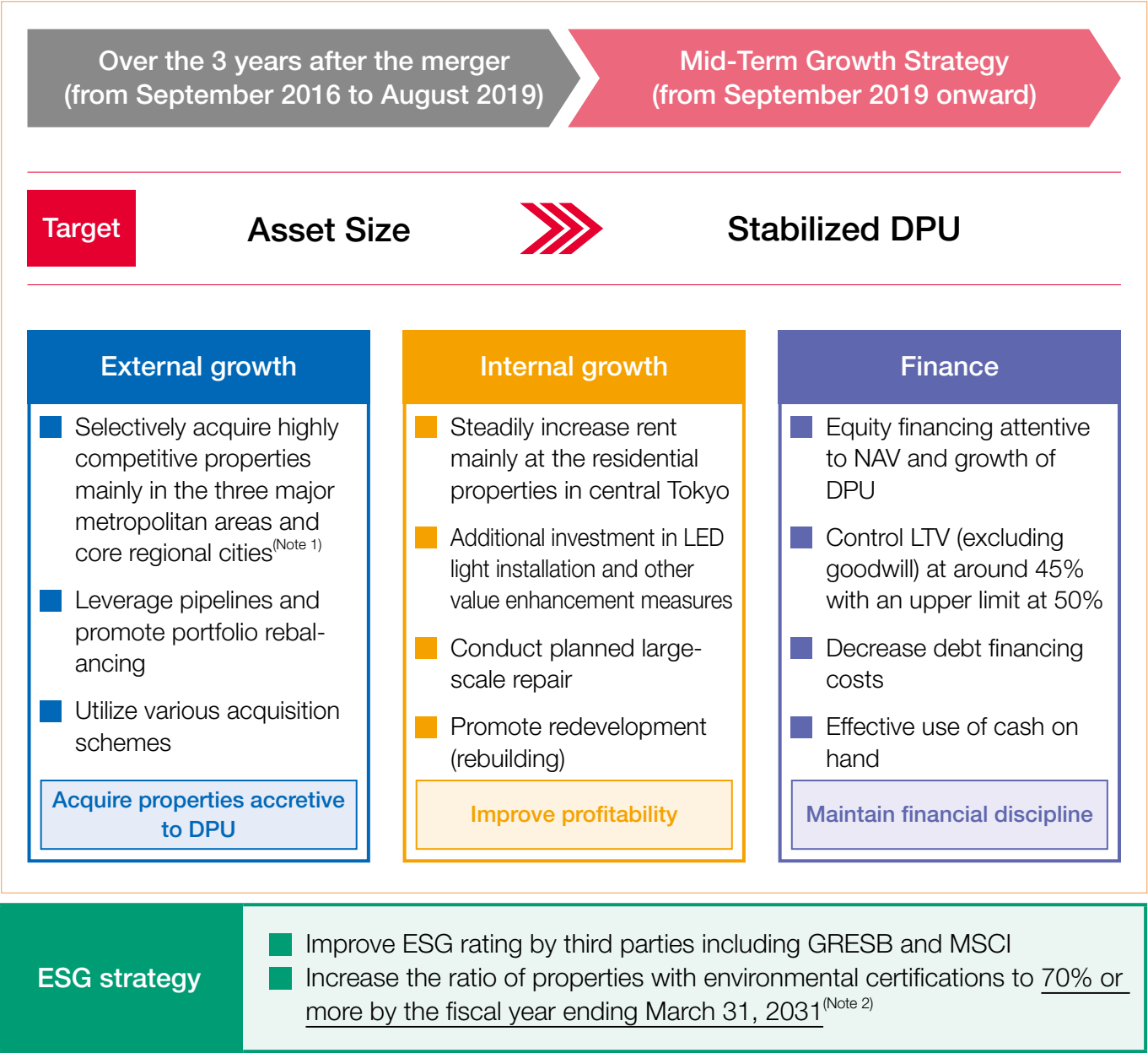
From September 1, 2020 to February 28, 2021

 **Daiwa House REIT Investment Corporation**
2-4-8, Nagatacho, Chiyoda-ku, Tokyo, Japan
<https://www.daiwahouse-reit.co.jp/en/>

Securities Code: 8984

Mid-Term Growth Strategy

Mid-Term Growth Strategy Aiming for Sustainable Growth of DPU



(Note 1) "Core regional cities" are cities outside of the three major metropolitan areas designated by government ordinance of Japan (Sapporo City, Sendai City, Niigata City, Hamamatsu City, Shizuoka City, Hiroshima City, Okayama City, Fukuoka City, Kitakyushu City, and Kumamoto City).

(Note 2) In April 2021, DHR raised the target ratio of properties with environmental certifications from 50% or more to 70% or more and announced a new target fiscal year.

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Overview of the 30th Fiscal Period Ended February 28, 2021

We would like to send our heartfelt sympathy to everyone who has fallen ill with COVID-19.

We would like to report on the financial results and give an overview of operations of Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") in the 30th fiscal period ended February 28, 2021.

DHR acquired one hotel property being subleased by Daiwa House Group (acquisition price of ¥3.1 billion) in September 2020. Furthermore, in December 2020 and January 2021, DHR sold two residential properties with concerns over reduced medium- to long-term competitiveness and rising repairs and maintenance expenses (sale price of ¥2.7 billion), recording a gain on sales of ¥0.8 billion. As a result, DHR's portfolio as of the end of the current fiscal period consisted of 227 properties with an asset size of ¥820.1 billion (total acquisition price). Our occupancy rate at the end of the current fiscal period was 99.4%. In the following fiscal period, in March 2021, DHR sold one residential property (sale price of ¥3.5 billion), and in April 2021, DHR acquired one logistics property (acquisition price of ¥5.9 billion).

In the Japanese economy today, an overall sense of uncertainty remains due to the serious effects of COVID-19. Even amid these conditions, only a portion of DHR's tenants received rent reductions, and the effects of COVID-19 were minimal. The full-period contributions of properties acquired in the previous fiscal period and the recording of gains on sales mentioned above resulted in operating revenues of ¥28,097 million, operating income of ¥12,571 million, and net income of ¥11,098 million. The total amount of distributions was ¥12,859 million (¥5,856 per unit) after the addition of an amount equivalent to amortization of goodwill of ¥1,982 million to net income and the deduction of an amount equivalent to part of the gain on sale of real estate properties.

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

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



Toshiharu Asada
Executive Director
Daiwa House REIT Investment Corporation



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

Distributions Per Unit^(Note 1)

30th Fiscal Period

(From September 1, 2020 to February 28, 2021)

*Distribution payments start date is May 10, 2021.

¥5,856

Forecast distributions per unit^(Note 2)

31st Fiscal Period

(From March 1, 2021 to August 31, 2021)

¥6,050

32nd Fiscal Period

(From September 1, 2021 to February 28, 2022)

¥5,500

(Note 1) Distributions per unit for the 30th fiscal period include distributions in excess of earnings of ¥755 (which do not apply to return of capital).

(Note 2) Forecast distributions per unit refer to the forecast as of April 20, 2021, and actual distributions per unit may vary from this figure. These forecasts also do not guarantee the amount of distributions. Furthermore, forecast distributions per unit include distributions in excess of earnings, and we forecast distributions in excess of earnings per unit of ¥807 (which do not apply to return of capital) for the fiscal period ending August 31, 2021 and ¥902 (including return of capital of ¥73) for the fiscal period ending February 28, 2022.

Financial Highlights for the Fiscal Period Ended February 28, 2021

Statements of Income (Summary)

(Yen in millions)

	Fiscal period ended August 31, 2020 (29th period)	Fiscal period ended February 28, 2021 (30th period)	Change
Operating revenues	26,613	28,097	1,483
Rental revenues	26,613	27,260	646
Gain on sale of real estate properties	—	836	836
Operating expenses	15,039	15,525	486
Rental expenses	10,737	11,179	442
Rental expenses (excluding depreciation)	5,562	5,908	345
Depreciation	5,174	5,271	97
Other operating expenses	4,302	4,346	43
Amortization of goodwill	1,982	1,982	—
Operating income	11,574	12,571	997
Non-operating income	15	18	3
Non-operating expenses	1,652	1,490	(162)
Interest expenses and borrowing related expenses	1,491	1,488	(2)
Ordinary income	9,936	11,099	1,162
Net income	9,936	11,098	1,162
Retained earnings brought forward	—	779	779
Reversal of voluntary reserve	2,710	—	(2,710)
Distributions in excess of earnings (allowance for temporary difference adjustments)	50	1,657	1,607
Total distributions	11,917	12,859	942
Retained earnings carried forward	779	676	(103)
Distributions per unit	¥5,427	¥5,856	¥429

Rental revenues

- Revenue contributions for the full period of the properties acquired in the fiscal period ended August 31, 2020 +¥594 million
- Revenue contributions of the properties acquired in the fiscal period ended February 28, 2021 +¥87 million
- Revenue decreases of the properties sold in the fiscal period ended February 28, 2021 -¥19 million

Gain on sale of real estate properties

Recording of gain on sale of real estate properties in the sales of two residential properties

Rental expenses

Increase in repairs and maintenance expenses due to early implementation of planned repairs +¥158 million

Non-operating expenses

Investment unit issuance expenses recorded in the fiscal period ended August 31, 2020

Distributions in excess of earnings

With the completion of the reversal of voluntary reserve, we implemented distribution accounted as an allowance for temporary difference adjustments to ensure that the total amount of distributions is not affected by the amortization of goodwill.

Balance Sheets (Summary)

(Yen in millions)

	As of August 31, 2020 (29th period)	As of February 28, 2021 (30th period)	Change
Total assets	899,579	901,386	1,806
Current assets	43,538	49,565	6,026
Non-current assets	855,902	851,674	(4,228)
Investment properties	780,843	778,754	(2,088)
Intangible assets	69,278	67,375	(1,903)
Goodwill	63,431	61,449	(1,982)
Total liabilities	408,277	410,800	2,522
Current liabilities	26,722	38,810	12,087
Interest-bearing debt	19,000	30,358	11,358
Non-current liabilities	381,554	371,989	(9,564)
Interest-bearing debt	357,558	348,200	(9,358)
Net assets	491,302	490,586	(715)
Unitholders' capital	231,766	231,766	—
Capital surplus, net	247,667	247,617	(50)
Voluntary reserve	2,710	—	(2,710)
LTV (excluding goodwill)	45.0%	45.1%	0.1 points
LTV (including goodwill)	41.9%	42.0%	0.1 points
Number of investment units issued	2,196,000 units	2,196,000 units	— units
Net assets per unit	¥223,725	¥223,400	¥(325)

Investment properties

- Increase due to properties acquired ¥3,162 million
- Decrease due to properties sold -¥1,840 million
- Capital expenditures ¥1,734 million
- Depreciation -¥5,271 million

Interest-bearing debt

- New loans ¥2,000 million
- Refinance ¥3,500 million
- Refinance of investment corporation bonds ¥3,000 million
- Reclassification of long-term loans and investment corporation bonds to current liabilities ¥17,858 million

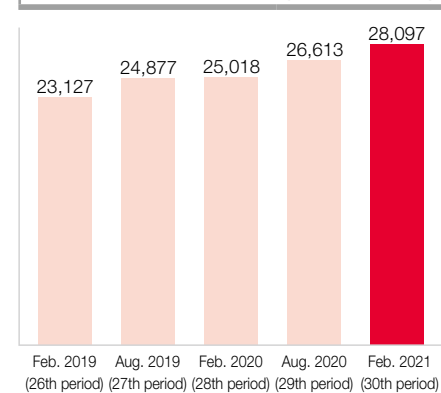
Capital surplus

Recording of an allowance for temporary difference adjustments

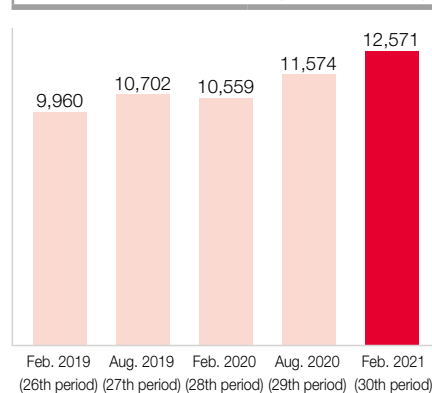
Voluntary reserve

Completion of the reversal of voluntary reserve

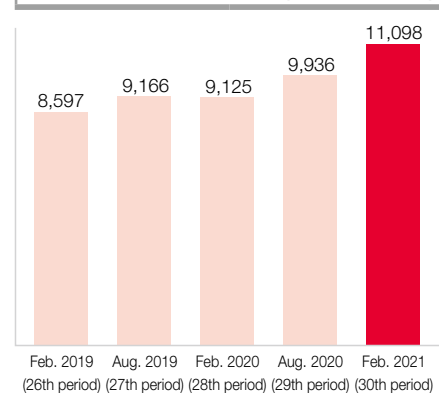
Operating revenues (Yen in millions)



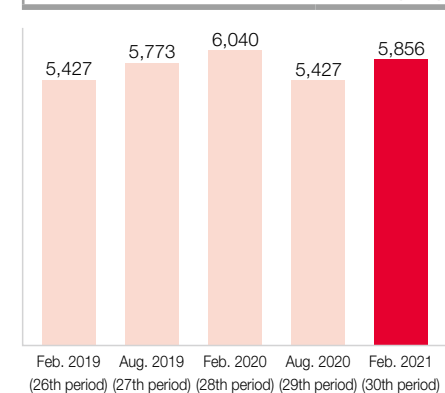
Operating income (Yen in millions)



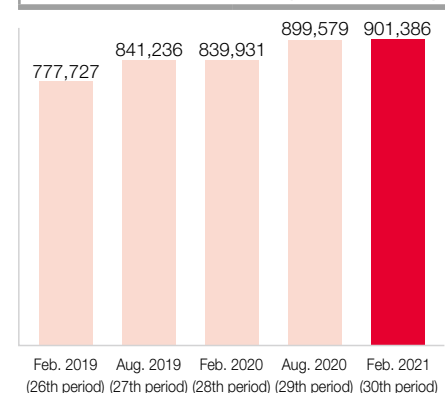
Net income (Yen in millions)



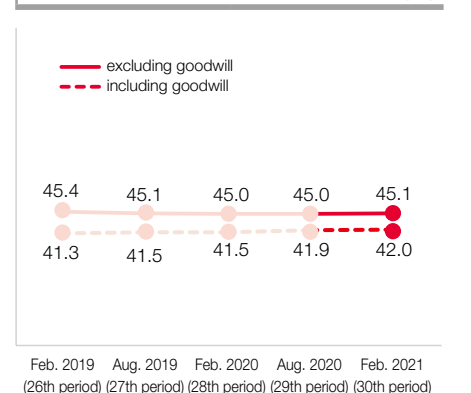
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)



External Growth

DHR acquired one property of ¥3.1 billion in September 2020 using loans and funds in hand, and one property of ¥5.9 billion in April 2021 using funds in hand. Furthermore, we sold a total of three properties, one each in December 2020, January 2021 and March 2021.

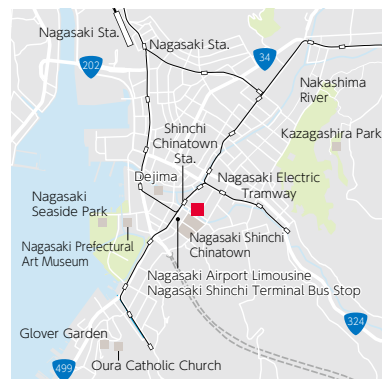
Acquisition of New Properties

HO-005 Candeo Hotels Nagasaki Shinchi Chinatown (acquired in September 2020) Hotel Daiwa House Group Sublease



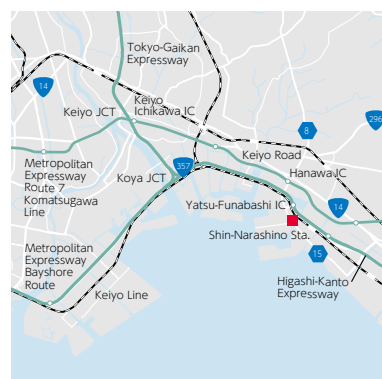
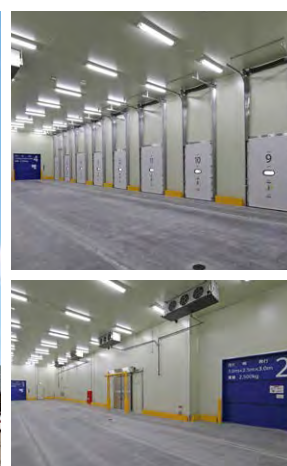
Stay-only hotel attractive both for leisure and business customers

- Property located a three-minute walk from Shinchi Chinatown Station on the Nagasaki Electric Tramway
- Bus stop of the Nagasaki Airport limousine in the vicinity also offers an excellent accessibility
- Occupied by Candeo Hotels Nagasaki Shinchi Chinatown on the 1st to 12th floors with 207 guest rooms and a drugstore on the 1st floor



Acquisition date	September 30, 2020
Location	Nagasaki City, Nagasaki
Date of construction	January 24, 2020
Acquisition price	¥3,140 million
Leasable area	6,770.65 m ²
Lessee	Daiwa House

LM-005 DPL Shin-Narashino (acquired in April 2021) Logistics (multi-tenant type)



Acquisition date	April 1, 2021
Location	Narashino City, Chiba
Date of construction	November 15, 2018
Acquisition price	¥5,930 million
Leasable area	12,686.32 m ²
Lessee	Not disclosed

Frozen and refrigerated logistics property with excellent access to the greater Tokyo metropolitan region

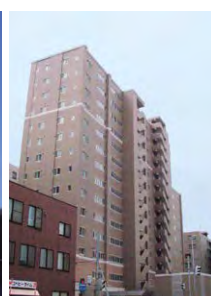
- Located approx. 0.6 km from the Yatsu-Funabashi IC on the Higashi-Kanto Expressway, approx. 1.6 km from the Hanawa IC on the Keiyo Road, and close to the Tokyo Bay Road (National Route 357), a major arterial road to metropolitan Tokyo, the property offers excellent access to arterial roads and expressways.
- With four floors of frozen and refrigerated storage, the property is used by a food company and a food supermarket.

Sale of Properties

- We sold three residential properties for which declining profitability is forecasted at well above their appraisal prices.
- In addition to returning gain on sale to unitholders through distributions over two fiscal periods, we applied part of the proceeds from sales to fund the acquisition of a logistics property.

Residential properties

- Castalia Maruyama Urasando (sold in December 2020)
- Castalia Maruyama Omotesando (sold in January 2021)
- Big Tower Minami Sanjo (sold in March 2021)



ESG Initiatives

DHR Participated in the CDP Climate Change Program for the First Time and Achieved an “A-” Score of the Highest Leadership Level

- CDP is an international non-profit organization mainly engaged in requesting information disclosure from companies and governments on their environmental policies, such as climate-change policies, safeguarding water resources, and protecting forests, based on demand from global institutional investors and major corporate buyers with strong interests in environmental issues, and encouraging those policies through information disclosure. CDP is one of the information disclosure platforms to provide information on environmental issues. In 2020, over 9,600 global companies disclosed environmental data through CDP. The CDP Climate Change Program assessment assesses companies across four consecutive levels which are broken down into eight-tier score bands. The levels are: Leadership level (A and A-), Management level (B and B-), Awareness level (C and C-) and Disclosure level (D and D-).
- DHR participated in CDP Climate Change Program for the first time in 2020 and achieved an “A-” score of the highest Leadership level, as DHR was recognized by CDP for its leadership role in climate change initiatives and information disclosure.

DHR was the First Listed J-REIT to Be Named on the Supplier Engagement Leaderboard in the CDP Supplier Engagement Rating

- The CDP Supplier Engagement Rating is determined through responses from companies engaged in corporate initiatives against climate change throughout their value chain in the four areas of “supplier engagement,” “governance,” “scope 3 emissions” and “targets,” as well as their overall CDP Climate Change Program score. In 2020, CDP listed approximately 400 companies, including approximately 80 Japanese companies, on the Supplier Engagement Leaderboard out of approximately 5,800 companies subject to evaluation, as recognition of the particularly excellent initiatives of those companies.
- DHR made it onto the Supplier Engagement Leaderboard as the first listed J-REIT to be named.



DHR Received “4 Stars” in the GRESB Real Estate Assessment and an “A” Rating, the Highest Rating Level Given in the GRESB Public Disclosure Level Evaluation Scheme for Two Consecutive Years

- GRESB is an annual benchmarking assessment to measure Environmental, Social and Governance (ESG) integration of real estate companies and funds, as well as the name of the organization which runs the assessment. It was founded in 2009 by a group of major European pension funds who played leading roles in launching Principles for Responsible Investment (PRI).
- DHR began participating in the GRESB real estate assessment in 2017. DHR received GRESB “4 Stars” on a 5-star scale evaluation of the overall score relative to global participants in the 2020 assessment. Furthermore, DHR has received a “Green Star” assessment for three consecutive years as a top-level participant in both the “Management Component,” which evaluates policies and organizational structures to promote ESG, and in the “Performance Component,” which evaluates the environmental performance of properties and initiatives with tenants.
- DHR also received an “A” rating, the highest rating given on a 5-grade scale in the GRESB Public Disclosure Level evaluation scheme for two consecutive years based on its proactive information disclosure practices related to ESG initiatives.



The Asset Manager Signing on to UN-Supported Principles for Responsible Investment (PRI)

- The “Principles for Responsible Investment (PRI)” is an international network of institutional investors working to realize six principles. The PRI are promoted by the United Nations Environment Programme Finance Initiatives (UNEP FI) and the United Nations Global Compact (UN Global Compact). The PRI encourages the incorporation of environmental, social and governance issues into investment decisions, and by including these perspectives in the investment decision-making process, aims to help the beneficiaries enhance long-term investment performance and the signatories better fulfill their fiduciary duty.
- The Asset Manager agreed with the basic approach of the PRI and confirmed as a signatory in February 2021.



ESG Initiatives

Materiality Identification Process

In 2021, DHR identified ESG-related materiality through the following process.

Step 1 Extracting sustainability issues

Sustainability issues related to investment corporations were extracted using various global ESG assessments, sustainability disclosure standards, and the SDGs.

Step 2 Setting priority rankings

We set priority rankings from the extracted issues by verifying the state of DHR's disclosure and response and through interviews with management.

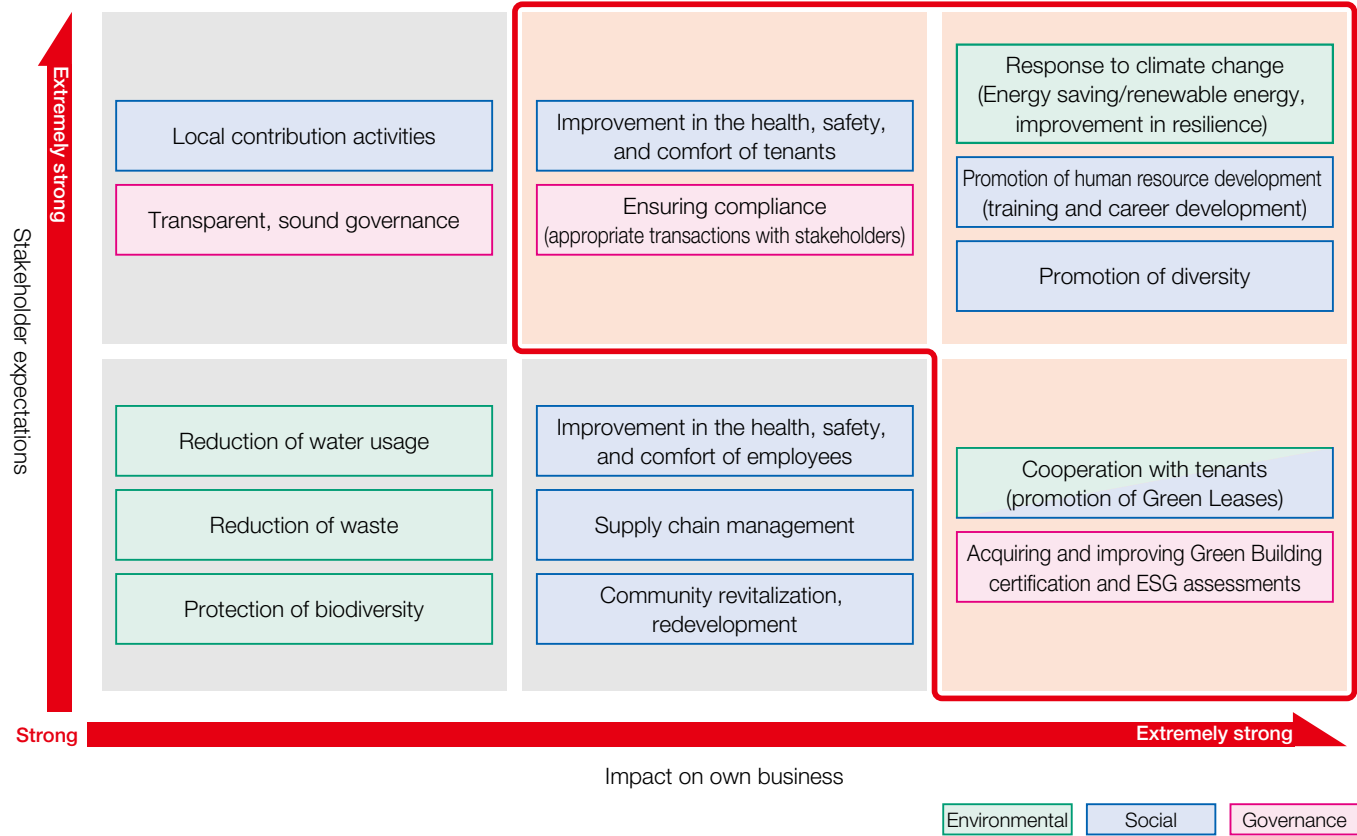
Step 3 Confirming validity

To ensure objectivity, CSR Design Green Investment Advisory Co., Ltd. reviewed our "selection process" and "identified materiality."

Step 4 Discussions and approval by management

Discussions were held and approval was made by the Sustainability Committee.

The items below are deemed important by DHR in terms of DHR's asset characteristics and management policy, and do not signify importance as social issues.

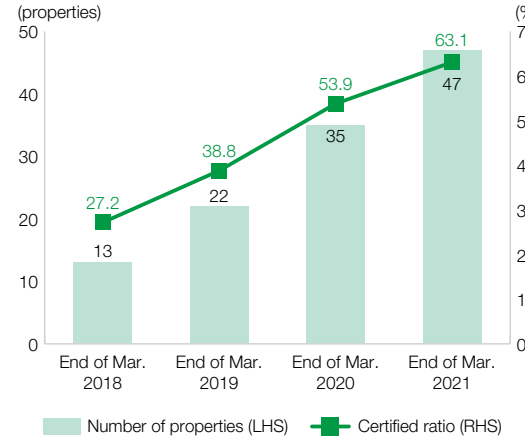


Identified Materiality

	Materiality	Goals related to the main SDGs	Goals indirectly related to the SDGs
Environmental	Climate change <ul style="list-style-type: none">Energy efficiency (energy saving)Reduction of greenhouse gas emissions (renewable energy)Improvement of building resilienceCooperation with tenants (promotion of Green Leases)		
Social	Employees and tenants <ul style="list-style-type: none">Promotion of human resource development (training and career development)Promotion of diversityImprovement in the health, safety, and comfort of tenantsCooperation with tenants (promotion of Green Leases)		
Governance	Employees and tenants <ul style="list-style-type: none">Ensuring compliance (appropriate transactions with stakeholders)Acquiring and improving Green Building certification and ESG assessments		

Environmental Certifications

- To increase the objectivity and reliability of DHR's initiatives in reducing the environmental burden of properties it owns, DHR intends to increase medium- to long-term asset value and pursue the acquisition of third-party external certifications and evaluations. DHR's acquisition ratio of environmental certifications is as follows.
- DHR plans to increase the environmental certification acquisition ratio (gross floor area basis) for its properties to 70% or more by the fiscal year ending March 31, 2031.



(Note 1) The ratio is listed on a gross floor area basis (area listed on the inspection certificate of each property).
(Note 2) Excludes land properties.

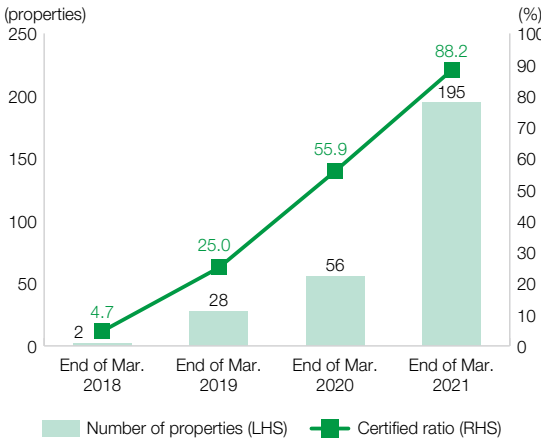
Status of environmental certifications (as of March 31, 2021)

	DBJ Green Building	BELS	CASBEE
★★★★★	5 properties	11 properties	7 properties
★★★★	10 properties	4 properties	5 properties
★★★	10 properties	3 properties	
★★	5 properties	14 properties	
★		4 properties	
Number of certified properties	30 properties	36 properties	12 properties
Certified rate (gross floor area basis)	49.7%	50.0%	27.6%
Certified rate compared with the end of March 2020	+5.0 points	+15.4 points	+13.6 points

Concluding Green Lease Agreement

- Aiming to increase the environmental performance of our properties through cooperation with tenants, DHR is introducing Green Leases^(Note 3). The ratio of properties with green lease agreements concluded is shown to the right.

(Note 3) Green Leases refer to voluntary agreements formed in cooperation with building owners and tenants in which contracts and MOUs are concluded to reduce the environmental burden through energy saving, etc., and to improve the working environments of real estate, and the implementation of the contents of those agreements.



(Note 4) The ratio refers to the gross floor area of properties with Green Leases concluded divided by the gross floor area of our entire portfolio (excluding land properties).
(Note 5) Gross floor area is based on the area listed on the inspection certificate of each property.

Initiatives to Increase Tenant Satisfaction



- DHR believes that improved tenant satisfaction leads to stable and improved property management performance, and we conduct questionnaires to gauge our tenants' needs and satisfaction levels. The questionnaire results are shared with property management companies and used to improve building and facility specifications and services.
- In a questionnaire given to the residents of 109 residential properties (6,946 units) in February 2021, around 80% of tenants said that they were "highly satisfied" or "satisfied" with the property overall, and in response to whether they would recommend the property to others, around 81% of tenants said that they would "definitely recommend" or "recommend" it.

Initiatives Aimed at Social Contributions



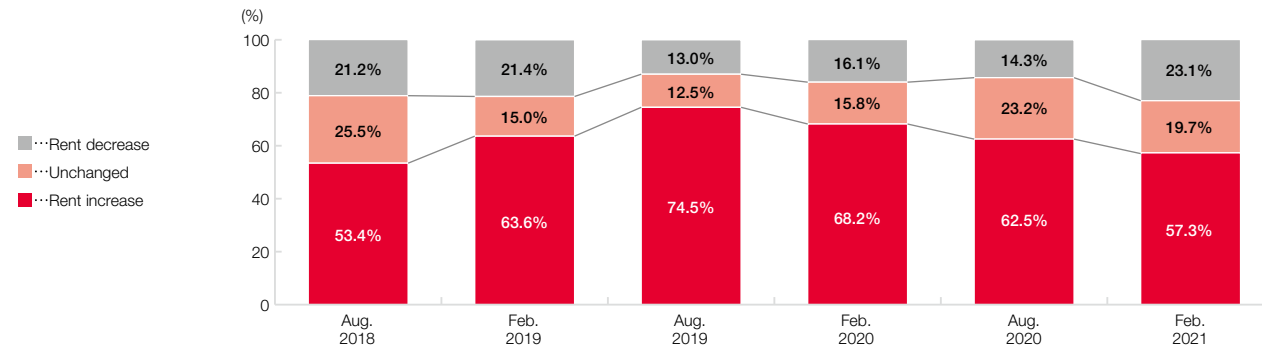
- DHR supports refugee relief activities. FOLEO Otsu Ichiriyama, a mall-type commercial facility owned by DHR, supports refugee relief activities by continuously providing at no cost a space for UN refugee supporter applications and fundraising activities. In December 2020, FOLEO Otsu Ichiriyama received a letter of thanks from Japan for UNHCR.



Internal Growth Initiatives

- Improving profitability by increasing rent when tenants or rents are changed and through strategic tenant replacement
- Implemented value enhancement projects to increase property attractiveness

Monthly Rent at the Time of Residential Tenant Replacement (ratio of the number of tenant replacements)



Rent change (Yen in thousands)	+2,598	+2,529	+4,112	+3,642	+3,953	+2,380
Rent change ratio	+1.9%	+2.4%	+3.4%	+3.3%	+3.6%	+2.2%
Number of replacements (units)	990	748	879	785	826	756

Realizing Internal Growth Through the Installment of LED Lights and Value Enhancement Projects

Logistics facility construction leading to increased rent income
(fiscal period ended February 28, 2021)

	Number of properties	Construction cost	Effect Increase in total rental revenue (annual) (Note)
Logistics	4	¥92 million	¥19 million

D Project Kazo (Construction to build hazardous materials storage)



D Project Tsuchiura (Installment of LED lights)

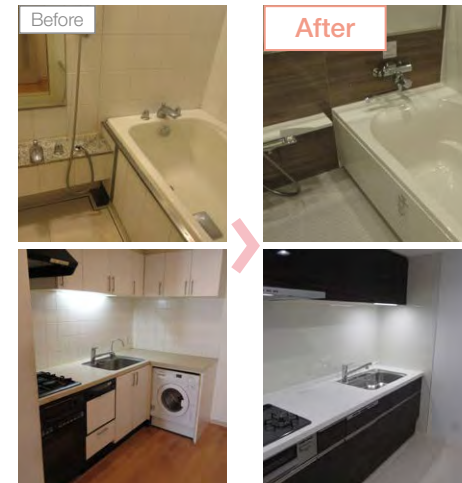


(Note) "Increase in total rental revenue (annual)" is calculated by multiplying by twelve each asset's portion of monthly increase in revenue from construction.

Value enhancement projects

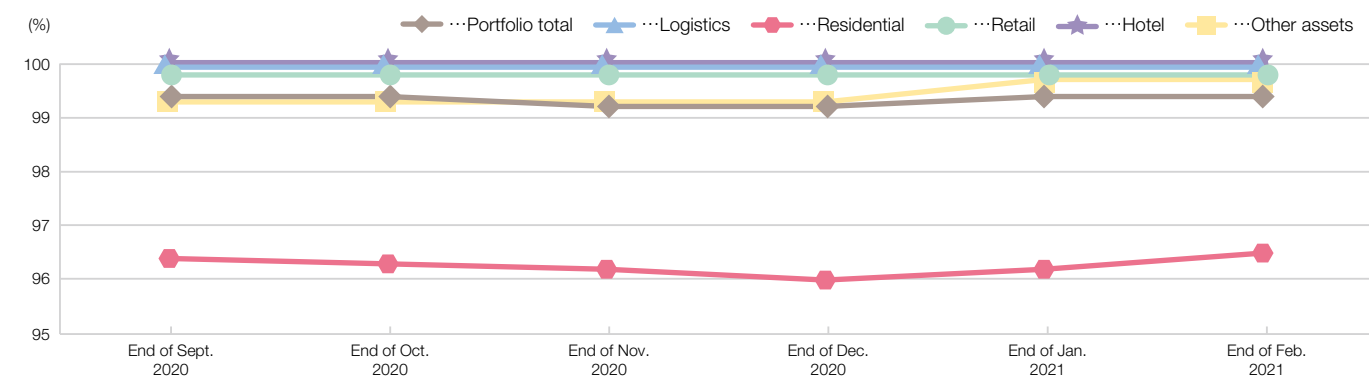
Castalia Nishi Azabu Kasumicho

Renovation



Trend of Occupancy Rate

As of February 28, 2021, the occupancy rate was 99.4%, as we continued to maintain stable operations.



Portfolio Highlights

Asset Size (acquisition price basis / as of April 1, 2021)

227 properties **¥824.2** billion

Logistics **63** properties **¥412.1** billion

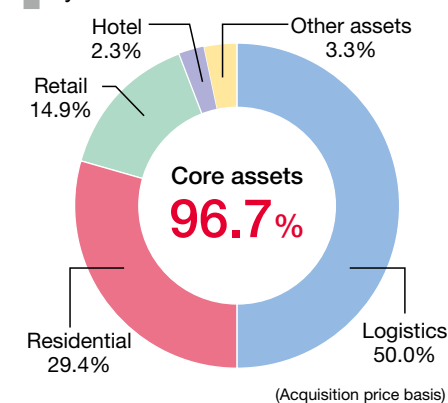
Residential **130** properties **¥242.5** billion

Retail **23** properties **¥123.2** billion

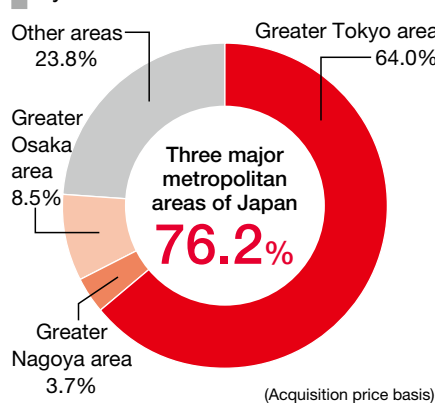
Hotel **5** properties **¥19.1** billion

Other assets **6** properties **¥27.2** billion

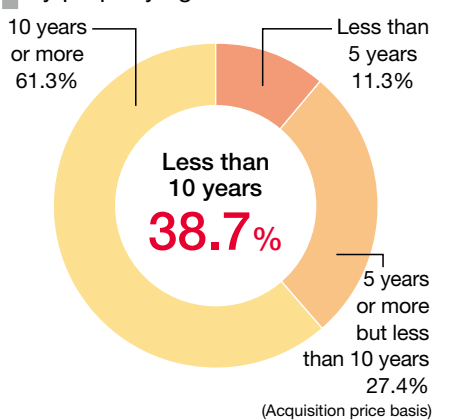
By asset class



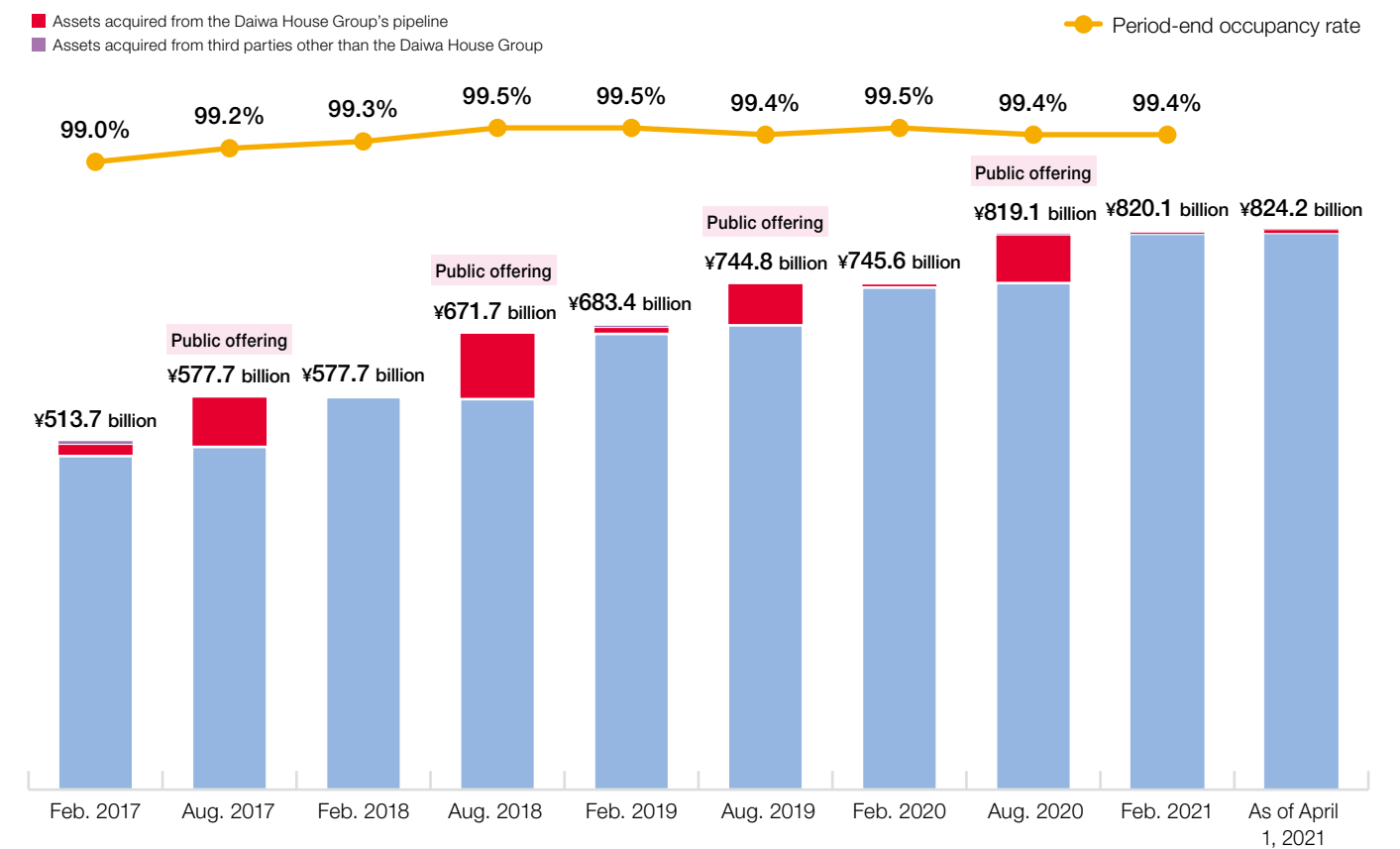
By area



By property age



Trends of Asset Size (Acquisition Price) and Occupancy Rate at the End of the Fiscal Period



Major Portfolio Properties

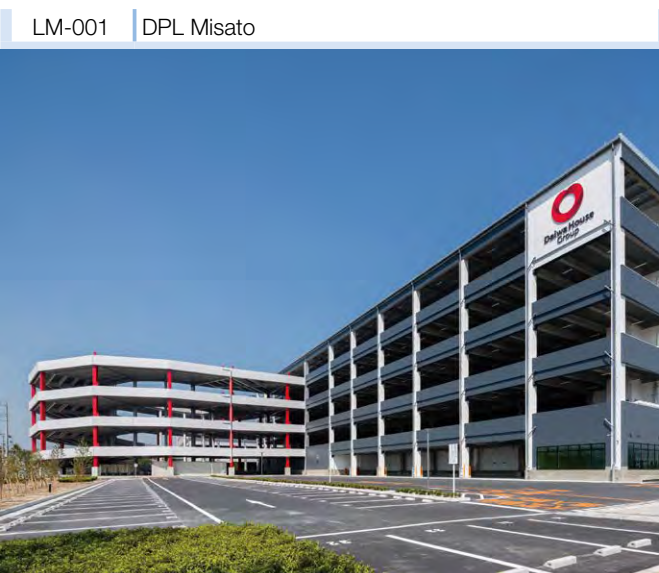
Logistics properties



Logistics properties



Logistics properties



Retail properties



Residential properties



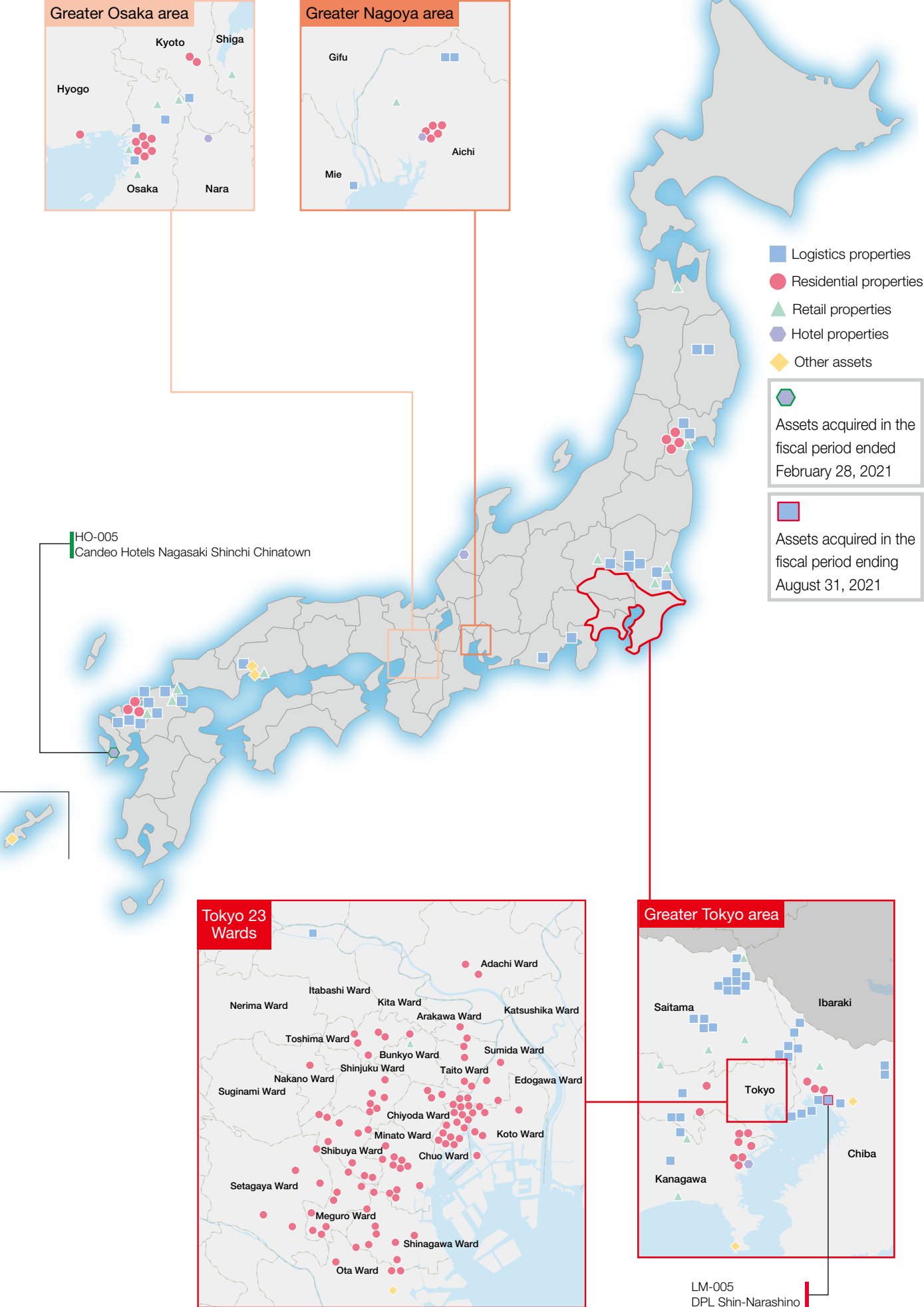
Hotel properties



Other assets



Portfolio Map (as of April 1, 2021)



Financial Status

Financial Policy

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

Interest-bearing Debt (as of April 1, 2021)

In the fiscal period ended February 28, 2021, DHR implemented new borrowings of ¥2,000 million in September 2020, issued ¥3,000 million in investment corporation bonds to provide for redemptions of existing investment corporation bonds in December 2020, and arranged refinancing of ¥3,500 million in January 2021.

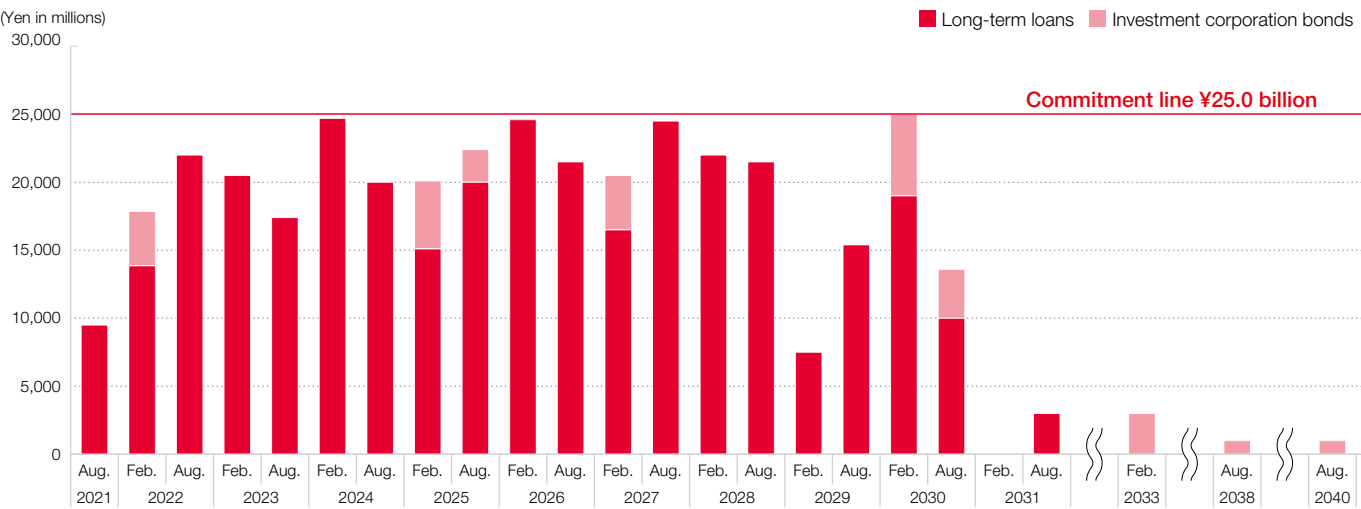
Total interest-bearing debt	¥378,558 million
Total loans	¥348,558 million
Total investment corporation bonds	¥30,000 million
LTV (excluding goodwill)	45.1%
LTV (including goodwill)	42.0%
Long-term interest-bearing debt ratio	91.8%
Fixed interest ratio	97.2%
Average interest rate	0.68%
Average remaining maturity	4.7 years
Commitment line	¥25,000 million

Breakdown by Lender (as of April 1, 2021)

Lender	Loan balance (Yen in millions)
Sumitomo Mitsui Trust Bank, Limited	61,529
Sumitomo Mitsui Banking Corporation	61,490
MUFG Bank, Ltd.	58,344
Mizuho Bank, Ltd.	53,520
Development Bank of Japan Inc.	18,900
The Norinchukin Bank	14,810
Aozora Bank, Ltd.	12,761
Resona Bank, Limited	12,500
Mizuho Trust & Banking Co., Ltd.	8,878
Shinsei Bank, Limited	6,500
Nippon Life Insurance Company	5,600
Shinkin Central Bank	5,000
Mitsui Sumitomo Insurance Company, Limited	4,500
The Bank of Fukuoka, Ltd.	3,500
The Chiba Bank, Ltd.	2,965
The 77 Bank, Ltd.	2,700
The Nishi-Nippon City Bank, Ltd.	2,500
The Dai-ichi Life Insurance Company, Limited	2,500
The Chugoku Bank, Limited	2,200
The Iyo Bank, Ltd.	2,000
The Bank of Kyoto, Ltd.	1,500
The Shizuoka Bank, Ltd.	1,260
JAPAN POST INSURANCE Co., Ltd.	1,100
Taiyo Life Insurance Company	1,000
The Yamaguchi Bank, Ltd.	500
The Yamanashi Chuo Bank, Ltd.	500
Total loans	348,558

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

Diversifying Debt Maturities (as of April 1, 2021)



Rating / Outlook (as of February 28, 2021)

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

1. Summary of Asset Management

(1) Historical Operating Results

		26th period February 2019	27th period August 2019	28th period February 2020	29th period August 2020	30th period February 2021
Operating revenues (Note 1)	Yen in millions	23,127	24,877	25,018	26,613	28,097
Of which, real estate rental revenues	Yen in millions	23,013	24,722	24,712	26,613	27,260
Operating expenses	Yen in millions	13,166	14,175	14,459	15,039	15,525
Of which, real estate rental expenses	Yen in millions	9,184	10,062	10,278	10,737	11,179
Operating income	Yen in millions	9,960	10,702	10,559	11,574	12,571
Ordinary income	Yen in millions	8,597	9,166	9,126	9,936	11,099
Net income	Yen in millions	8,597	9,166	9,125	9,936	11,098
Total assets	Yen in millions	777,727	841,236	839,931	899,579	901,386
Period-on-period changes	%	0.8	8.2	(0.2)	7.1	0.2
Net assets	Yen in millions	429,223	463,170	460,341	491,302	490,586
Period-on-period changes	%	(0.3)	7.9	(0.6)	6.7	(0.1)
Unitholders' capital	Yen in millions	163,230	198,492	198,492	231,766	231,766
Total number of investment units issued	Units	1,927,000	2,075,000	2,075,000	2,196,000	2,196,000
Net assets per unit	Yen	222,741	223,214	221,851	223,725	223,400
Total distributions	Yen in millions	10,457	11,978	12,533	11,917	12,859
Distributions per unit	Yen	5,427	5,773	6,040	5,427	5,856
Of which, earnings distributions per unit	Yen	5,427	5,773	6,040	5,404	5,101
Of which, distributions in excess of earnings per unit	Yen	—	—	—	23	755
Ordinary income to total assets ratio (Note 2)	%	1.1	1.1	1.1	1.1	1.2
Annualized	%	2.2	2.2	2.2	2.3	2.5
Return on equity (Note 3)	%	2.0	2.1	2.0	2.1	2.3
Annualized	%	4.0	4.1	4.0	4.1	4.6
Equity ratio	%	55.2	55.1	54.8	54.6	54.4
Period-on-period changes	%	(0.6)	(0.1)	(0.3)	(0.2)	(0.2)
Payout ratio	%	121.7	130.6	137.3	119.4	100.9
<Other Reference Information>						
Rental NOI (Note 4)	Yen in millions	18,283	19,424	19,239	21,050	21,352
FFO per unit (Note 5)	Yen	7,747	7,598	7,526	7,789	7,982
FFO multiple (Note 6)	Times	15.9	18.6	17.8	17.9	17.4
Debt service coverage ratio (Note 7)	Times	14.8	14.6	14.8	15.5	16.6
Interest-bearing debt	Yen in millions	321,268	348,768	348,758	376,558	378,558
Interest-bearing debt to total assets ratio (Note 8)	%	41.3	41.5	41.5	41.9	42.0

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

(2) Asset Management during the Period

i) Transition of DHR

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

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

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

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

ii) Performance for the Current Fiscal Period

DHR acquired one hotel property for an acquisition price (Note 1) of ¥3.1 billion through the Daiwa House Group (Note 2)’s pipeline in September 2020 by a combination of loans and funds in hand. Furthermore, in December 2020 and January 2021, DHR sold two residential properties at a total disposition price of ¥2.7 billion. As a result, DHR’s portfolio as of the end of the current fiscal period consists of 227 properties with an asset value of ¥820.1 billion (Note 3).

(Notes) 1. “Acquisition price” is the purchase price stipulated in the respective purchase agreements of assets owned by DHR (not including expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, or leasehold guarantee deposits, etc.), except as otherwise noted. However, the acquisition prices of properties previously owned by NCR have been presented as the appraisal values as of February 28, 2010, which were the prices received at the time of the merger with NCR, and the acquisition prices of properties previously owned by the former DHR have been presented as the appraisal values as of August 31, 2016, which were the prices received at the time of the merger with the former DHR. The “total acquisition price” has been rounded down to the nearest unit. The same shall apply hereinafter.
2. The Daiwa House Group comprises Daiwa House, which is the parent company, 361 consolidated subsidiaries, 61 equity-method affiliates and one non-equity-method affiliate as of December 31, 2020. The Asset Manager is a member of the group. The same shall apply hereinafter.
3. “Asset value” is the aggregate total of the acquisition prices of respective assets owned by DHR at respective points in time, except as otherwise noted. The same shall apply hereinafter.

iii) Overview of Financing

DHR conducted debt financing of total amount of ¥2,000 million on September 30, 2020, to provide for part of the acquisition costs and the related expenses for the acquisition of properties. Moreover, DHR issued its 13th Unsecured Investment Corporation Bonds at a total amount of ¥3,000 million on December 24, 2020 to provide for the redemptions of ¥3,000 million in existing investment corporation bonds due on January 22, 2021. Furthermore, DHR arranged refinancing of ¥3,500 million to provide for the repayment of ¥3,500 million in existing loans due on January 29, 2021.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥378,558 million (loan balance: ¥348,558 million, investment corporation bond balance: ¥30,000 million), which is an increase of ¥2,000 million in comparison with the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 42.0%, and its LTV (excluding goodwill) (Note 2) was 45.1%.

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

The credit ratings of DHR as of the date of this report are as follows:

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

iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥919,854 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value, was ¥135,564 million.

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

v) Overview of Financial Results

As a result of the investment management activities mentioned above, in the current fiscal period, DHR posted operating revenues of ¥28,097 million, operating income of ¥12,571 million, ordinary income of ¥11,099 million, and net income of ¥11,098 million. Based on its distribution policy, ¥1,982 million in amortization of goodwill was added to net income and ¥219 million corresponding to a portion of gain on sale of real estate properties, etc., was deducted from net income, resulting in ¥12,861 million. From this amount, the total amount of distributions was ¥12,859 million (¥5,856 per investment unit) after the fractional parts of amounts less than ¥1 per investment unit for each type of distribution listed in the breakdown of distributions below were adjusted.

Furthermore, the breakdown of distributions includes income of ¥11,201 million (¥5,101 per investment unit) as provided for in Article 136, paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended. Hereinafter referred to as the

“Investment Trusts Act”) as earnings distributions and an allowance for temporary difference adjustments of ¥1,657 million (¥755 per investment unit) as distributions in excess of earnings.

(3) Summary of Capital Increase

Changes in DHR's total number of investment units issued and unitholders' capital for the most recent five years until February 28, 2021 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remark
		Change	Balance	Change	Balance	
September 1, 2016	Delivery by allotment due to merger	771,540	1,519,280	—	61,703	(Note 1)
March 21, 2017	Capital increase through public offering	156,720	1,676,000	42,625	104,328	(Note 2)
April 14, 2017	Capital increase through third-party allotment	14,000	1,690,000	3,807	108,136	(Note 3)
March 19, 2018	Capital increase through public offering	222,000	1,912,000	51,607	159,743	(Note 4)
April 13, 2018	Capital increase through third-party allotment	15,000	1,927,000	3,486	163,230	(Note 5)
March 1, 2019	Capital increase through public offering	138,000	2,065,000	32,879	196,110	(Note 6)
March 26, 2019	Capital increase through third-party allotment	10,000	2,075,000	2,382	198,492	(Note 7)
March 2, 2020	Capital increase through public offering	121,000	2,196,000	33,273	231,766	(Note 8)

(Notes) 1. At the time of the merger, which became effective as of September 1, 2016, DHR allotted 2.2 units of DHR per unit of the former DHR, and as a result, 771,540 new investment units were issued.
2. Investment units were issued by public offering with an issue price of ¥280,868 per unit (paid-in amount: ¥271,983) in order to raise funds for the acquisition of new properties, etc.
3. Additional investment units were issued with a paid-in amount of ¥271,983 per unit in order to raise funds for the acquisition of new properties, etc.
4. Investment units were issued by public offering with an issue price of ¥239,806 per unit (paid-in amount: ¥232,465) in order to raise funds for the acquisition of new properties, etc.
5. Additional investment units were issued with a paid-in amount of ¥232,465 per unit in order to raise funds for the acquisition of new properties, etc.
6. Investment units were issued by public offering with an issue price of ¥245,784 per unit (paid-in amount: ¥238,260) in order to raise funds for the acquisition of new properties, etc.
7. Additional investment units were issued with a paid-in amount of ¥238,260 per unit in order to raise funds for the acquisition of new properties, etc.
8. Investment units were issued by public offering with an issue price of ¥283,670 per unit (paid-in amount: ¥274,986) in order to raise funds for the acquisition of new properties, etc.

[Changes in market price of investment securities]

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

	26th period	27th period	28th period	29th period	30th period
Fiscal period ended	February 2019	August 2019	February 2020	August 2020	February 2021
Highest	¥261,100	¥280,800	¥318,000	¥286,500	¥298,300
Lowest	¥238,800	¥241,700	¥269,200	¥181,100	¥240,600
Beginning of period	¥256,900	¥247,200	¥282,000	¥278,500	¥271,900
End of period	¥248,400	¥280,400	¥269,200	¥277,000	¥279,600

(4) Distributions

For the current fiscal period, of the total amount of ¥12,861,279,967 when combining net income of ¥11,098,720,597 and amortization of goodwill of ¥1,982,226,586 and excluding ¥219,667,216 corresponding to a portion of gain on sale of real estate properties, etc., DHR decided to pay a total of ¥12,859,776,000 in distributions, for distributions per unit of ¥5,856, after adjusting the fractional parts of amounts less than ¥1 per investment unit for each type of distribution listed in the breakdown of distributions below. The breakdown of distributions was ¥11,201,796,000 as earnings distributions (¥5,101 per unit) and ¥1,657,980,000 in allowance for temporary difference adjustments as distributions in excess of earnings (¥755 per unit).

	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019	28th period From September 1, 2019 to February 29, 2020	29th period From March 1, 2020 to August 31, 2020	30th period From September 1, 2020 to February 28, 2021
Unappropriated retained earnings (Yen in thousands)	8,597,087	9,166,085	9,125,933	9,936,041	11,877,987
Amount retained as voluntary reserve / retained earnings carried forward (Note) (Yen in thousands)	8,930,366	6,117,477	2,710,410	779,267	676,191
Total distributions (Yen in thousands)	10,457,829	11,978,975	12,533,000	11,917,692	12,859,776
Distributions per unit (Yen)	5,427	5,773	6,040	5,427	5,856
Of the above, total earnings distributions (Yen in thousands)	10,457,829	11,978,975	12,533,000	11,867,184	11,201,796
Earnings distributions per unit (Yen)	5,427	5,773	6,040	5,404	5,101
Of the above, total capital refunds (Yen in thousands)	—	—	—	50,508	1,657,980
Capital refunds per unit (Yen)	—	—	—	23	755
Of total capital refunds, total distributions deemed as distributions from the allowance for temporary difference adjustments (Yen in thousands)	—	—	—	50,508	1,657,980
Of capital refunds per unit, distributions deemed as distributions from the allowance for temporary difference adjustments per unit (Yen)	—	—	—	23	755
Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes	—	—	—	—	—
Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit	—	—	—	—	—

(Note) Amount retained as voluntary reserve from 26th period to 28th period indicates the sum of the amount retained as reserve for temporary difference adjustments and reserve for distribution after accumulation and reversal of reserves.
Amount retained as voluntary reserve from 29th period and subsequent period indicates the retained earnings carried forward to the following period.

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, the Japanese economy experienced a temporary lull in the spread of COVID-19 through fall of 2020. Economic stimulus policies such as the Go To Campaign were implemented, and the real GDP increased by 2.8% compared with the previous quarter from October to December 2020. However, thereafter, COVID-19 again began to spread, and a state of emergency was again declared by the Japanese government in January 2021. As a result, the real GDP declined by 1.0% compared with the previous quarter from January to March 2021, as overall uncertain conditions continued.

Even in this environment, large-scale monetary easing policy and other factors led the Nikkei Stock Average to rise above ¥30,000 for the first time in around 30 years in March 2021. Furthermore, in the J-REIT market, the Tokyo Stock Exchange REIT Index plunged to 1,145 points on a closing-price base on March 19, 2020, but then recovered to 1,929 points by the end of February 2021.

In the real estate market, the land value appraisals for public purposes released by the Ministry of Land, Infrastructure, Transport and Tourism in March 2021 showed the first nationwide average decline in six years, centered on a decline in commercial land values in major metropolitan areas. However, against the backdrop of a continued low-interest-rate environment, we continue to see active trading in the real estate market.

ii) Future Operating Policies and Issues to Be Addressed

(a) Growth Strategy

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

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

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

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

(b) ESG initiatives

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

The Asset Manager shares the Daiwa House Group's basic approach as DHR's asset manager, and considers that including the environmental, social, and governance considerations in its real estate investment management operations contributes to DHR's basic policy of ensuring stable revenue and steady asset growth over the long term. Therefore, we have established the "Sustainability Policy" to guide our real estate investment management.

The Asset Manager considers efforts such as energy conservation and reducing greenhouse gas emissions in relation to asset management to be of paramount importance. It establishes individual policies for the matter and strives to reduce the burden it puts on the environment. The Asset Manager's reduction targets of energy consumption (long-term targets) are to reduce energy consumption and CO2 emission intensity by 10% over the ten-year period from 2018 to 2027.

(c) Distribution Policy

DHR changed part of its distribution policy in the fiscal period ended February 28, 2017 and made it a policy to distribute the amount equivalent to amortization of goodwill to top up net income, and distributions in excess of earnings in the amount equivalent to amortization of goodwill are paid (distribution accounted as an allowance for temporary difference adjustments and other distributions in excess of earnings).

Furthermore, in the case of the occurrence of excess taxable income over accounting income associated with sale of properties that causes a need for DHR to take action to maintain its conduit status, DHR plans to conduct additional distributions in excess of earnings (distribution accounted as an allowance for temporary difference adjustments) to reduce the occurrence of corporate taxes.

However, where there is an occurrence of special gains such as gain on sale of real estate properties, other distributions in excess of earnings, which is a part of the above-mentioned distributions in excess of earnings in the amount equivalent to amortization of goodwill, can be reduced by an amount equivalent to part of the gain on sale of real estate properties.

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

(Note) Under the above distribution policy, DHR has the policy to stabilize distributions. However, it is not intended as a guarantee or promise of the payment of distribution and amounts thereof.

iii) Financial Strategy

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

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

(6) Significant Events after Balance Sheet Date

A. Disposition of Assets

DHR disposed of the following property:

Asset name	Big Tower Minami Sanjo
Asset type	Trust beneficiary interest in real estate
Asset class	Residential properties
Disposition price (Note 1)	¥3,515,000 thousand
Buyer (Note 2)	Mantomi Building
Date of disposition	March 1, 2021

(Notes) 1. This figure does not include expenses pertaining to dispositions, settlement money such as taxes and public dues, consumption taxes, etc.
2. The buyer falls neither under the category of a party having a special interest relationship with DHR or the Asset Manager, nor under the category of a related party of DHR or the Asset Manager.

B. Acquisition of Assets

DHR acquired the following property:

Asset name	DPL Shin-Narashino
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥5,930,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Date of acquisition	April 1, 2021

(Notes) 1. This figure does not include expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, etc.
2. Daiwa House, the seller, is defined as an interested party, etc. in the Investment Trusts Act. Therefore, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.

C. Debt Financing

DHR conducted debt financing for the funds for the repayment of ¥3,000 million in long-term loans due on April 1, 2021, as follows:

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Collateral
Sumitomo Mitsui Banking Corporation Sumitomo Mitsui Trust Bank, Limited MUFG Bank, Ltd. Mizuho Bank, Ltd.	3,000	0.70311% (Fixed interest rate)	April 1, 2021	April 1, 2031	Bullet repayment	Unsecured and non-guaranteed

D. Issuance of Investment Corporation Bonds

DHR issued investment corporation bonds to provide for part of the funds for the refinance of ¥9,500 million in long-term loans due on April 30, 2021, as follows:

Name of investment corporation bonds	Issue amount (Yen in millions)	Interest rate	Maturity	Collateral
Daiwa House REIT Investment Corporation 14th Unsecured Investment Corporation Bonds (Pari passu conditions among specified investment corporation bonds) (Green Bonds)	4,000	0.500%	April 15, 2031	Unsecured and non-guaranteed

2. Overview of the Investment Corporation

(1) Status of Investment Units

	26th period As of February 28, 2019	27th period As of August 31, 2019	28th period As of February 29, 2020	29th period As of August 31, 2020	30th period As of February 28, 2021
Total number of authorized investment units	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued	1,927,000	2,075,000	2,075,000	2,196,000	2,196,000
Unitholders' capital (Yen in thousands)	163,230,367	198,492,847	198,492,847	231,766,153	231,766,153
Number of unitholders	16,903	17,717	16,349	18,024	19,059

(2) Matters concerning Investment Units

The major unitholders as of February 28, 2021 are as follows:

Name	Number of investment units held (Units)	Percentage of investment units held against the total number of investment units issued (%) (Note)
Custody Bank of Japan, Ltd. (Trust account)	417,722	19.0
The Master Trust Bank of Japan, Ltd. (Trust account)	328,637	15.0
Daiwa House Industry Co., Ltd.	189,200	8.6
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	93,834	4.3
Custody Bank of Japan, Ltd. (Securities investment trust account)	72,030	3.3
State Street Bank - West Client - Treaty 505234	54,332	2.5
SMBC Nikko Securities Inc.	48,148	2.2
JAPAN SECURITIES FINANCE CO., LTD.	28,586	1.3
State Street Bank and Trust Company 505103	25,109	1.1
STICHTING PGGM DEPOSITARY PGGM LISTED REAL ESTATE PF FUND	22,535	1.0
Total	1,280,133	58.3

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

(3) Officers

The following table provides information about the officers.

Title and post	Name	Major concurrent position	Total remuneration per title during the 30th period (Yen in thousands)
Executive Director	Toshiharu Asada	—	2,400
Supervisory Directors	Tetsuya Iwasaki	Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	2,100
	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	2,100
Accounting Auditor	Ernst & Young ShinNihon LLC	—	19,000

(Notes) 1. The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name. Any Supervisory Director may serve as an executive of a corporation other than those listed above, but such corporations including those listed above do not have any interest in DHR.
2. Dismissal or non-reappointment of the Accounting Auditor shall be discussed at DHR's board of directors pursuant to the provisions of the Investment Trusts Act for dismissal, taking into full account all relevant factors for non-reappointment such as the quality of audits and remuneration for audits.
3. ¥2,000 thousand of the remuneration for the Accounting Auditor is related to the preparation of a comfort letter.

(4) Asset Manager, Custodian and General Administrators

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

3. Portfolio of DHR

(1) Composition of Assets

The following table provides information about the composition of assets.

Type of assets	Asset class	Area (Note 1)	29th period August 31, 2020		30th period February 28, 2021		
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	
Real estate	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	23,648	2.6	23,576	2.6
			Greater Nagoya area	897	0.1	897	0.1
			Greater Osaka area	13,134	1.5	13,157	1.5
		Other	5,194	0.6	3,315	0.4	
	Retail properties	Other	1,471	0.2	1,471	0.2	
	Subtotal		44,346	4.9	42,418	4.7	
Trust beneficiary interests in real estate	Logistics properties	Three major metropolitan areas of Japan	Greater Tokyo area	270,449	30.1	269,469	29.9
			Greater Nagoya area	15,573	1.7	15,565	1.7
			Greater Osaka area	22,621	2.5	22,469	2.5
		Other	88,114	9.8	87,503	9.7	
	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	165,579	18.4	164,743	18.3
			Greater Nagoya area	5,868	0.7	5,810	0.6
			Greater Osaka area	5,979	0.7	5,931	0.7
		Other	4,822	0.5	4,743	0.5	
	Retail properties	Three major metropolitan areas of Japan	Greater Tokyo area	32,305	3.6	32,177	3.6
			Greater Nagoya area	2,390	0.3	2,390	0.3
			Greater Osaka area	22,981	2.6	23,067	2.6
		Other	63,042	7.0	62,880	7.0	
	Hotel properties	Three major metropolitan areas of Japan	Greater Tokyo area	4,735	0.5	4,712	0.5
			Greater Nagoya area	4,516	0.5	4,512	0.5
			Greater Osaka area	1,450	0.2	1,441	0.2
		Other	5,167	0.6	8,273	0.9	
	Other assets	Three major metropolitan areas of Japan	Greater Tokyo area	3,241	0.4	3,237	0.4
		Other	23,499	2.6	23,329	2.6	
	Subtotal		742,342	82.5	742,260	82.3	
	Deposits and other assets		112,890	12.5	116,707	12.9	
	Total assets		899,579	100.0	901,386	100.0	

(Notes) 1. Three major metropolitan areas of Japan in "Area" are the greater Tokyo area (Tokyo, Kanagawa, Saitama and Chiba, the same shall apply hereinafter), the greater Nagoya area (Aichi, Gifu and Mie, the same shall apply hereinafter) and the greater Osaka area (Osaka, Kyoto, Hyogo, Nara and Shiga, the same shall apply hereinafter).
2. "Total amount held" represents the amounts recorded on the balance sheets as of the last day of each fiscal period (August 31, 2020 and February 28, 2021), which are rounded down to the nearest million yen. For real estate properties and trust beneficiary interests in real estate (may be referred to as "real estate in trust" or "trust beneficiary interests in real estate"), the amounts are their acquisition prices (including expenses associated with the acquisition) less accumulated depreciation.
3. "Percentage to total assets" is rounded to the first decimal place.

(2) Principal Assets Held

The overview of principal assets held by DHR as of February 28, 2021 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total real estate rental revenues (%) (Note 5)	Primary use
iiias Tsukuba	34,143	138,900.39	138,900.39	100.0	3.9	Retail
DPL Nagareyama I	32,566	124,489.93	124,489.93	100.0	(Note 6)	Logistics
D Project Urayasu II	25,296	72,320.01	72,320.01	100.0	(Note 6)	Logistics
DPL Misato	16,434	55,864.47	55,864.47	100.0	(Note 6)	Logistics
D Project Hachioji	14,956	62,394.17	62,394.17	100.0	(Note 6)	Logistics
GRANODE Hiroshima	14,345	14,962.23	14,890.93	99.5	1.8	Other assets
DPL Fukuoka Kasuya	13,030	73,754.20	73,754.20	100.0	(Note 6)	Logistics
D Project Itabashi Shingashi	12,207	33,763.46	33,763.46	100.0	(Note 6)	Logistics
D Project Inuyama	10,348	54,197.80	54,197.80	100.0	(Note 6)	Logistics
D Project Nishiyodogawa	9,752	39,584.80	39,584.80	100.0	(Note 6)	Logistics
Total	183,081	670,231.46	670,160.16	100.0	20.2	–

(Notes) 1. "Book value" is the amount recorded on the balance sheets as of February 28, 2021 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust and the figures stated refer to the area DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building, etc. in relation to each real estate or each real estate in trust as of February 28, 2021. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
3. "Leased area" represents the leased area in the leasable area as indicated in the lease agreement in relation to each real estate or each real estate in trust as of February 28, 2021. However, in the case of a pass-through type master lease agreement entered into with the master lease company, the leased area to end-tenants indicated in each sublease agreement entered into between the master lease company and end-tenants for each real estate or each real estate in trust as of February 28, 2021, is provided. As some lease agreements for each real estate or each real estate in trust may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular, at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leased area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
4. "Occupancy rate" represents occupancy rate (the percentage of leased area to the leasable area) of each property as of February 28, 2021, which is rounded to the first decimal place.
5. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of the total rental revenues from the entire portfolio, rounded to the first decimal place.
6. Undisclosed as consent for disclosure has not been obtained from the lessee.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of February 28, 2021 (real estate and real estate in trust, etc.) is as follows:

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Machida	2-1-6, Oyamagaoka, Machida City, Tokyo	Real estate in trust	50,490.39	10,000	9,214
	D Project Hachioji	3-21-1, Minami-Osawa, Hachioji City, Tokyo	Real estate in trust	62,394.17	17,000	14,956
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa	Real estate in trust	14,240.84	4,570	3,701
	D Project Urayasu I	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	36,515.81	10,100	9,227
	D Project Urayasu II	11-5, Chidori, Urayasu City, Chiba	Real estate in trust	72,320.01	28,200	25,296
	D Project Akanehama	3-2-8, Akanehama, Narashino City, Chiba	Real estate in trust	11,663.39	3,050	2,835
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda City, Chiba	Real estate in trust	29,232.53	6,490	5,937
	D Project Inuyama	5-5, Aza Takanebora, Inuyama City, Aichi	Real estate in trust	54,197.80	12,020	10,348
	D Project Neyagawa	2-24-12, Shimeno, Neyagawa City, Osaka	Real estate in trust	11,151.51	6,460	5,761
	D Project Morioka	3-18, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	9,558.32	1,210	1,148
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura City, Ibaraki	Real estate in trust	17,448.86	3,630	3,182
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka	Real estate in trust	24,729.56	4,980	4,089
	D Project Tosu	1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	17,858.01	6,130	5,332
	D Project Kuki I	6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	22,708.72	4,350	3,723
	D Project Kuki II	6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	50,490.00	9,140	7,613
	D Project Kawagoe I	3-2-3, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	16,150.88	3,960	3,384
	D Project Kawagoe II	3-2-4, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	19,872.00	5,480	4,663
	DPL Inuyama	1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi	Real estate in trust	21,628.50	4,320	3,742

I. Asset Management Report

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Fukuoka Hakozaki	5-2-1, Hakozakifuto, Higashi Ward, Fukuoka City, Fukuoka	Real estate in trust	34,710.80	4,700	4,167
	D Project Kuki III	6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	26,937.41	8,640	7,226
	D Project Kuki IV	6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	26,460.00	6,200	5,233
	D Project Kuki V	6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	47,320.89	9,180	7,887
	D Project Kuki VI	48-3, Kiyoku-cho, Kuki City, Saitama	Real estate in trust	29,244.66	5,690	4,858
	D Project Yashio	50-1, Oaza Shin-machi, Yashio City, Saitama	Real estate in trust	21,965.04	6,900	6,119
	D Project Nishiyodogawa	2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka	Real estate in trust	39,584.80	11,100	9,752
	D Project Matsudo	700-3, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	26,776.67	7,910	7,096
	D Project Hibiki Nada	3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka	Real estate in trust	23,933.75	2,110	1,943
	D Project Morioka II	3-15, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	4,481.00	1,320	1,215
	D Project Kawagoe III	2-8-55, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	39,572.32	8,010	6,905
	D Project Kazo	2-16-1, Okuwa, Kazo City, Saitama	Real estate in trust	18,437.60	3,690	3,218
	D Project Urayasu III	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	39,441.32	9,980	8,526
	D Project Tomisato	7-2, Misawa, Tomisato City, Chiba	Real estate in trust	36,113.25	5,390	4,747
	D Project Kyotanabe	3-50-1, Kannabidai, Kyotanabe City, Kyoto	Real estate in trust	10,965.68	3,860	3,406
	D Project Sendai Izumi	2-9-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	10,764.05	1,620	1,438
	D Project Oyama	2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi	Real estate in trust	14,106.91	2,090	1,909
	D Project Sano	570-9, Nishiura-cho, Sano City, Tochigi	Real estate in trust	15,668.44	1,850	1,683
	D Project Tatebayashi	110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma	Real estate in trust	13,521.56	3,280	2,948
	D Project Kakegawa	653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka	Real estate in trust	39,341.44	6,140	5,767
	D Project Hiroshima Seifu	2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	19,004.72	4,110	3,665
	D Project Tosu II	1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	13,012.50	1,940	1,610
	D Project Kawagoe IV	3-2-1, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	24,684.47	6,120	5,482
	D Project Kuki VII	6004-3, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	3,225.46	1,170	1,026
	D Project Chibakita	461-1, Naganumacho, Inage Ward, Chiba City, Chiba	Real estate in trust	24,368.86	8,470	7,515
	D Project Matsudo II	700-1, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	25,305.82	8,680	8,011
	D Project Tomisato II	1-6, Misawa, Tomisato City, Chiba	Real estate in trust	40,870.56	7,220	6,673
	D Project Osaka Hirabayashi	2-6-15, Hirabayashikita, Suminoe Ward, Osaka City, Osaka	Real estate in trust	22,485.08	4,240	3,549
	D Project Sendai Izumi II	3-1-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	39,580.46	7,670	7,012
	D Project Kaminokawa	2568-1, Aza Minamihara, Oaza Tako, Kaminokawamachi, Kawachi District, Tochigi	Real estate in trust	52,239.75	8,210	7,646
	D Project Fuji	2261-6, Aza Shiroyama, Obuchi, Fuji City, Shizuoka	Real estate in trust	23,795.40	3,640	3,471
	D Project Tosu III	3-1-3, Yayoigaoka, Tosu City, Saga	Real estate in trust	65,215.07	9,630	8,872
	D Project Kitahachioji I	2969-2, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	16,523.82	4,530	4,254
	D Project Kitahachioji II	2969-18, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	21,402.20	6,000	5,660
	D Project Kitahachioji III	2969-19, Ishikawamachi, Hachioji City, Tokyo	Real estate in trust	26,275.05	7,730	7,243
	D Project Itabashi Shingashi	1-2-2, Shingashi, Itabashi Ward, Tokyo	Real estate in trust	33,763.46	12,700	12,207
	D Project Sagamihara	1-2-31, Miyashimo, Chuo Ward, Sagamihara City, Kanagawa	Real estate in trust	16,599.30	4,080	3,849
	D Project Kuki VIII	49-3, Kiyokucho, Kuki City, Saitama	Real estate in trust	29,410.54	6,350	6,007
	D Project Yokkaichi	1947-14, Nakamuracho, Yokkaichi City, Mie	Real estate in trust	6,185.46	1,500	1,474
	D Project Ibaraki Ishioka	6-4, Kashiwabara, Ishioka City, Ibaraki	Real estate in trust	24,493.54	4,200	3,985
	DPL Misato	1-3-5, Inter-Minami, Misato City, Saitama	Real estate in trust	55,864.47	19,000	16,434
	DPL Fukuoka Kasuya	642-1, Aza Sanjyuroku, Oaza Uchihashi, Kasuyamachi, Kasuya District, Fukuoka	Real estate in trust	73,754.20	13,900	13,030
	DPL Kitakyushu	5-14, Sonekitamachi, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	26,672.98	3,630	3,383
	DPL Nagareyama I	1374-1, Aza Taneishita, Nishifukai, Nagareyama City, Chiba	Real estate in trust	124,489.93	33,800	32,566
	Logistics properties – Subtotal			1,871,221.99	439,270	394,846
Residential properties	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	9,450	7,397
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,610	4,103
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,500	2,372
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,410	2,285

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	2,070	2,038
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,250	1,064
	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,410	2,025
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,860	2,720
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,740	2,504
	Castalia Shinjuku Natsumezaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,700	1,765
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,830	1,616
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,260	1,345
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,640	2,303
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,410	1,664
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,690	1,459
	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,630	1,186
	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,450	1,068
	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	1,180	889
	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	1,040	797
	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	1,050	866
	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	776	640
	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	684	544
	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	583	430
	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,480	870
	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,570	962
	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo	Real estate in trust	1,308.38	1,180	835
	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,870	1,253
	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,610	1,060
	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	847	594
	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	3,490	2,550
	Castalia Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	1,150	803
	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	870	590
	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	579	459
	Castalia Shintomicho IV	3-10-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	681.00	538	385
	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,500	1,134
	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	818	606
	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	3,220	2,692
	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	3,470	2,470
	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	9,190	7,300
	Castalia Higashi Nihonbashi	9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo	Real estate	6,442.28	4,320	3,235
	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,620	2,787
	Castalia Ichigaya	14-4, Ichigaya Yakuoji-machi, Shinjuku Ward, Tokyo	Real estate in trust	1,546.34	1,410	860
	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	9,440	6,312
	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,500	1,972
	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,330	1,829
	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,770	1,379
	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,830	3,944
	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	543	567
	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,200	983
	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,380	1,297
	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,710	1,279
	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	882	724
	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	1,230	859
	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,420	955
	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,510	1,145
	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,150	907
	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	3,090	2,381
	Castalia Kaname-cho	5-26-10 Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,340	1,075
	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	9,550	6,699
	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	869	814
	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	2,270	1,429
	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,280	958
	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	916	740
	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	630	462
	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	237	176
	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	1,140	774
	Castalia Wakabayashikoen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	907	734

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	1,010	715
	Castalia Iriya	3-1-28, Shitaya, Taito Ward, Tokyo	Real estate in trust	1,415.15	703	505
	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	3,080	2,407
	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	895	594
	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,650	1,258
	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	615	509
	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,330	979
	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,180	854
	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	1,090	846
	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,940	1,930
	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,240	952
	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,570	1,103
	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,490	1,642
	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	10,600	5,727
	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,510	1,540
	Castalia Ooimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,700	1,115
	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,870	1,364
	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,420	1,780
	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,320	1,520
	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	3,090	2,205
	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,880	3,739
	Castalia Meguro Chojyamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,610	1,972
	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,990	1,726
	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,850	1,439
	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,420	1,181
	Royal Parks SEASIR	1-16-2, Nishiarai Sakae-cho, Adachi Ward, Tokyo	Real estate in trust	17,269.74	5,220	3,787
	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,930	1,480
	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	2,170	1,650
	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	789	573
	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	830	670
	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	998	723
	Castalia Nogeeyama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	744.90	329	290
	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	572	410
	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	6,620	4,645
	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	2,020	1,607
	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo	Real estate in trust	21,367.93	4,830	3,621
	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	11,700	7,787
	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa	Real estate in trust	3,009.74	2,190	1,630
	Royal Parks Musashikosugi	13-8, Aza Shinjuku-kochi, Nakamaruko, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	3,808.97	1,380	939
	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,900	1,268
	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,690	1,224
	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	5,660	4,037
	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,270	897
	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	1,080	815
	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,790	2,846
	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,560	1,028
	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	580	397
	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	967	672
	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	847	583
	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,860	1,971
	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,650	2,299
	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido	Real estate in trust	8,661.19	2,760	1,183
	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	3,250	1,874
	Castalia Meieki Minami	1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	1,000	633
	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,240	845

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Mibu	79, Mibu Aiai-cho, Nakagyo Ward, Kyoto City, Kyoto	Real estate in trust	2,828.39	1,550	1,054
	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,850	1,125
	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,740	2,434
	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	2,950	2,384
	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,200	1,513
	Castalia Kyoto Nishioji	100-1, Shichijyo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto	Real estate	2,035.37	1,100	974
	Castalia Ningyocho III	1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo	Real estate in trust	2,897.06	2,730	1,952
	Royal Parks Umejima	5-25-33, Umeda, Adachi Ward, Tokyo	Real estate in trust	6,828.78	2,170	1,878
	Castalia Shinsakae II	1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	4,425.46	1,980	1,788
	Residential properties – Subtotal			464,498.67	301,084	222,074
	ACROSSMALL Shinkamagaya	2-12-1, Shin-Kamagaya, Kamagaya City, Chiba	Real estate in trust	41,742.84	8,650	7,380
	FOLEO Hirakata	1-20-10, Koyamichi, Hirakata City, Osaka	Real estate in trust	16,390.96	4,670	4,395
	QIZ GATE URAWA	3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama	Real estate in trust	9,720.49	4,450	4,129
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma	Real estate in trust	9,277.08	3,220	2,905
Retail properties	ACROSSPLAZA Miyoshi (Land)	855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama	Real estate in trust	24,018.00	3,960	3,740
	DREAM TOWN ALi	3-1-1, Hamada, Aomori City, Aomori	Real estate in trust	22,196.81	8,250	7,853
	ASOBOX (Land)	2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka	Real estate in trust	11,207.90	1,960	1,617
	FOLEO Ome Imai	3-10-9, Imai, Ome City, Tokyo	Real estate in trust	8,637.91	3,940	3,702
	FOLEO Otsu Ichiriyama	7-1-1, Ichiriyama, Otsu City, Shiga	Real estate in trust	62,917.73	8,750	7,936
	FOLEO Hakata	1-14-46, Higashinaka, Hakata Ward, Fukuoka City, Fukuoka	Real estate in trust	23,230.77 (Note 5)	3,700	3,105
	ACROSSMALL Semboku (Land)	5-456-67, Harayamadai, Minami Ward, Sakai City, Osaka	Real estate in trust	30,824.72	3,870	3,383
	iiias Tsukuba	5-19, Kenkyugakuen, Tsukuba City, Ibaraki	Real estate in trust	138,900.39	34,300	34,143
	LIFE Sagamihara Wakamatsu	5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa	Real estate in trust	2,973.44	1,850	1,643
	FOLEO Sendai Miyanomori	4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi	Real estate in trust	19,845.72	7,480	6,797
	ACROSSPLAZA Inazawa (Land)	5-1-1, Otsuka Minami, Inazawa City, Aichi	Real estate in trust	31,981.70	2,600	2,390
	Sports Depo and GOLF5 Kokurahigashi IC Store	2-18-17, Kamikuzuhara, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	8,899.89	2,400	2,130
	Hiratsuka Retail Property (Land)	1-2, Kuryozutsumi, Hiratsuka City, Kanagawa	Real estate in trust	28,002.92	6,680	5,857
	Royal Home Center Morinomiya (Land)	1-540-1, Tamatsukuri, Chuo Ward, Osaka City, Osaka	Real estate in trust	6,669.74	5,280	4,541
	Aoyama Tailor Bunkyo Sengoku Ekimae Store	2-29-21, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	1,066.95	770	767
	FOLEO Shobu	6006-1, Aza Terada, Shobu, Shobucho, Kuki City, Saitama	Real estate in trust	19,104.17	5,150	4,957
	Hapias Kaita (Land)	2-1262-11, Une, Kaita-cho, Aki District, Hiroshima	Real estate	13,415.52	1,520	1,471
	COMBOX310	1-107-1, Miyamachi, Mito City, Ibaraki	Real estate in trust	30,517.69	4,660	4,327
	Sports Plaza Ibaraki	6-2, Eidai-cho, Ibaraki City, Osaka (Retail Building) 9-22, Eidai-cho, Ibaraki City, Osaka (Land of Parking Garage)	Real estate in trust	9,470.27	2,710	2,704
	Retail properties – Subtotal			571,013.61	130,820	121,880
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	2-7-4, Hagoromocho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	7,932.37	5,020	4,712
	Super Hotel JR Nara Station Sanjo Street	500-1, Sanjo-cho, Nara City, Nara	Real estate in trust	2,637.18	1,480	1,441
	Daiwa Roynet Hotel Nagoya Shinkansenguchi	1-23, Tsubakicho, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	7,605.41	4,400	4,512
	AGORA Kanazawa	2-25-17, Katamachi, Kanazawa City, Ishikawa	Real estate in trust	7,011.58	5,290	5,134
	Candeo Hotels Nagasaki Shinchi Chinatown	3-12 Doza-machi, Nagasaki City, Nagasaki	Real estate in trust	6,770.65	3,190	3,138
Hotel properties – Subtotal				31,957.19	19,380	18,940

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Other assets	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba	Real estate in trust	4,177.52	1,280	810
	Aburatsubo Marina HILLS	1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa	Real estate in trust	3,901.14	1,230	1,021
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	1-1-12, Omoromachi, Naha City, Okinawa	Real estate in trust	13,480.00	8,110	7,176
	Sharp Hiroshima Building	2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	3,064.89	1,950	1,806
	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	5-25-21, Omorinishi, Ota Ward, Tokyo	Real estate in trust	1,345.60	1,380	1,385
	GRANODE Hiroshima	3-5-7, Futabanosato, Higashi Ward, Hiroshima City, Hiroshima	Real estate in trust	14,962.23	15,350	14,345
	Other – Subtotal			40,931.38	29,300	26,547
	Total			2,979,622.84	919,854	784,289

- (Notes)
- "Location" means displayed address of each real estate or each real estate in trust. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.
 - "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust and the figures stated refer to the area DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building, etc. in relation to each real estate or each real estate in trust as of February 28, 2021. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
 - "Assessed value at the end of period" is the appraisal value as of February 28, 2021 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Real Estate Institute and JLL Mori Valuation & Advisory K.K.) in accordance with the Articles of Incorporation of DHR as well as "Regulations on Accounting of Investment Corporations." The amounts are rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.
 - "Book value" is the amount recorded on the balance sheets as of February 28, 2021 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
 - Separately from the building of this property, a part of the land of this property is leased to the lessee for the purpose of subleasing to Fukuoka Prefecture and other third parties as land for a police station, etc. Therefore, the area of such leased land is not included in the leasable area.

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

Asset class	Property name	29th period (From March 1, 2020 to August 31, 2020)			30th period (From September 1, 2020 to February 28, 2021)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Logistics properties	D Project Machida	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hachioji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Aikawa-Machi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Akanehama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Noda	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Neyagawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tsuchiura	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Umi	100.0	129,293	0.5	100.0	129,912	0.5
	D Project Tosu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe I	100.0	102,933	0.4	100.0	102,933	0.4
	D Project Kawagoe II	100.0	142,536	0.5	100.0	142,536	0.5
	DPL Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Hakozaiki	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki IV	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki V	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki VI	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yashio	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishiyodogawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hibiki Nada	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kazo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kyotanabe	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Oyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sano	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tatebayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kakegawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hiroshima Seifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe IV	100.0	161,023	0.6	100.0	161,023	0.6
	D Project Kuki VII	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Chibakita	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Osaka Hirabayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kaminokawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)

Asset class	Property name	29th period (From March 1, 2020 to August 31, 2020)			30th period (From September 1, 2020 to February 28, 2021)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Logistics properties	D Project Fuji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kitahachioji III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Itabashi Shingashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sagamihara	100.0	102,828	0.4	100.0	102,828	0.4
	D Project Kuki VIII	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yokkaichi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Ibaraki Ishioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Misato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Fukuoka Kasuya	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Kitakyushu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Nagareyama I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Logistics properties – Subtotal	100.0	11,684,989	43.9	100.0	12,005,812	44.0
Residential properties	Qiz Ebisu	92.8	231,780	0.9	92.0	241,026	0.9
	Castalia Azabujuban Shichimenzaka	94.5	119,884	0.5	91.5	113,845	0.4
	Castalia Shibakoen	93.7	71,353	0.3	93.3	70,675	0.3
	Castalia Ginza	95.1	68,812	0.3	92.5	68,205	0.3
	Castalia Hiroo	97.6	52,578	0.2	97.5	52,692	0.2
	Castalia Nihonbashi	96.7	39,325	0.1	84.3	36,104	0.1
	Castalia Hacchobori	94.7	65,351	0.2	90.8	66,854	0.2
	Castalia Azabujuban	100.0	74,846	0.3	98.5	76,484	0.3
	Castalia Azabujuban II	88.9	67,599	0.3	100.0	64,924	0.2
	Castalia Shinjuku Natsumezaka	100.0	48,993	0.2	96.9	47,423	0.2
	Castalia Ginza II	95.9	51,878	0.2	95.9	52,304	0.2
	Castalia Shibuya Sakuragaoka	88.0	35,262	0.1	100.0	34,642	0.1
	Castalia Nishi Azabu Kasumicho	100.0	76,179	0.3	95.4	75,295	0.3
	Castalia Ochanomizu	97.9	61,768	0.2	100.0	60,310	0.2
	Castalia Sangubashi	100.0	48,349	0.2	96.9	48,306	0.2
	Castalia Suitengu	98.4	47,207	0.2	98.4	45,198	0.2
	Castalia Suitengu II	96.0	41,623	0.2	96.0	40,294	0.1
	Castalia Shintomicho	98.4	33,361	0.1	91.7	32,766	0.1
	Castalia Shintomicho II	97.1	30,339	0.1	97.3	28,545	0.1
	Castalia Harajuku	95.1	27,066	0.1	100.0	28,533	0.1
	Castalia Yoyogi Uehara	92.3	22,093	0.1	87.0	22,734	0.1
	Castalia Sendagaya	100.0	20,165	0.1	100.0	20,558	0.1
	Castalia Shinjuku 7 chome	100.0	19,447	0.1	97.3	18,747	0.1
	Castalia Ningyocho	95.0	37,526	0.1	100.0	38,053	0.1
	Castalia Ningyocho II	97.4	42,231	0.2	100.0	41,988	0.2
	Castalia Shin-Ochanomizu	100.0	33,964	0.1	100.0	33,617	0.1
	Castalia Higashi Nihonbashi II	98.4	51,246	0.2	96.8	51,732	0.2
	Castalia Jinbocho	100.0	44,102	0.2	94.7	42,224	0.2
	Castalia Shintomicho III	97.7	25,114	0.1	97.7	25,719	0.1
	Castalia Shinjuku Gyoen	100.0	83,787	0.3	100.0	83,805	0.3
	Castalia Takanawadai	100.0	30,632	0.1	93.3	30,789	0.1
	Castalia Higashi Nihonbashi III	100.0	24,352	0.1	100.0	24,336	0.1
	Castalia Shinjuku Gyoen II	96.3	16,384	0.1	100.0	16,608	0.1
	Castalia Shintomicho IV	80.0	15,764	0.1	90.0	15,796	0.1
	Castalia Takanawadai II	100.0	39,654	0.1	97.2	38,603	0.1
	Castalia Minami Azabu	91.0	21,595	0.1	90.0	19,460	0.1
	Castalia Ginza III	98.2	89,484	0.3	91.8	87,543	0.3
	Castalia Kayabacho	97.1	98,945	0.4	97.8	96,520	0.4
	Castalia Takanawa	97.9	255,719	1.0	100.0	251,602	0.9
	Castalia Higashi Nihonbashi	97.8	145,250	0.5	97.4	144,860	0.5

Asset class	Property name	29th period (From March 1, 2020 to August 31, 2020)			30th period (From September 1, 2020 to February 28, 2021)		
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		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Shinjuku	100.0	92,554	0.3	100.0	92,554	0.3
	Castalia Ichigaya	96.5	42,329	0.2	95.3	40,989	0.2
	Shibaura Island Bloom Tower	96.2	397,863	1.5	97.6	396,964	1.5
	Castalia Hatsudai	98.7	71,256	0.3	91.7	70,144	0.3
	Castalia Hatsudai II	95.5	59,862	0.2	97.9	61,138	0.2
	Castalia Ebisu	100.0	43,706	0.2	95.7	43,885	0.2
	Castalia Meguro Kamurozaka	98.4	135,117	0.5	95.1	131,922	0.5
	Castalia Toritsudaigaku	100.0	20,400	0.1	86.6	19,379	0.1
	Castalia Yukigaya	98.6	36,016	0.1	96.5	35,192	0.1
	Castalia Yutenji	97.8	41,818	0.2	97.4	38,076	0.1
	Castalia Otsuka	94.2	46,990	0.2	93.6	46,319	0.2
	Castalia Kikukawa	98.0	28,365	0.1	97.8	27,163	0.1
	Castalia Meguro	100.0	32,315	0.1	95.8	33,185	0.1
	Castalia Otsuka II	98.3	39,117	0.1	92.2	38,487	0.1
	Castalia Jiyugaoka	90.5	38,408	0.1	94.9	37,833	0.1
	Castalia Mejiro	100.0	35,511	0.1	100.0	35,491	0.1
	Castalia Ikebukuro	98.8	87,138	0.3	97.9	88,782	0.3
	Castalia Kaname-cho	95.9	40,380	0.2	97.3	42,271	0.2
	Castalia Tower Shinagawa Seaside	98.5	291,300	1.1	98.4	287,346	1.1
	Castalia Yakumo	94.5	26,161	0.1	88.5	26,635	0.1
	Castalia Togoshiekimae	100.0	53,811	0.2	100.0	54,241	0.2
	Castalia Honjo Azumabashi	100.0	38,459	0.1	100.0	39,097	0.1
	Castalia Kitazawa	93.8	24,534	0.1	93.3	26,209	0.1
	Castalia Monzennakacho	100.0	17,610	0.1	100.0	17,628	0.1
	Castalia Kamiikedai	100.0	7,847	0.0	92.9	7,740	0.0
	Castalia Morishita	94.9	33,150	0.1	97.1	33,518	0.1
	Castalia Wakabayashikoen	95.4	27,793	0.1	100.0	29,041	0.1
	Castalia Asakusabashi	100.0	32,792	0.1	98.0	33,783	0.1
	Castalia Iriya	100.0	23,566	0.1	100.0	25,164	0.1
	Castalia Kita Ueno	93.8	90,973	0.3	96.3	90,930	0.3
	Castalia Morishita II	90.2	28,332	0.1	97.4	27,384	0.1
	Castalia Minowa	97.3	51,523	0.2	94.2	51,039	0.2
	Castalia Oyamadai	100.0	18,854	0.1	100.0	18,074	0.1
	Castalia Nakano	95.2	36,447	0.1	97.7	39,322	0.1
	Castalia Yoga	98.3	34,199	0.1	98.3	33,477	0.1
	Castalia Sumiyoshi	98.4	34,233	0.1	96.6	35,042	0.1
	Castalia Monzennakacho II	100.0	68,813	0.3	100.0	69,740	0.3
	Castalia Oshiage	96.3	36,420	0.1	97.7	36,335	0.1
	Castalia Kuramae	100.0	43,807	0.2	100.0	43,832	0.2
	Castalia Nakanobu	97.8	70,832	0.3	97.7	69,680	0.3
	Royal Parks Toyosu	100.0	346,366	1.3	100.0	346,373	1.3
	Castalia Togoshi	96.7	76,866	0.3	97.6	75,632	0.3
	Castalia Ooimachi	96.9	45,885	0.2	98.5	41,557	0.2
	Castalia Omori	98.0	54,466	0.2	94.9	52,290	0.2
	Castalia Mishuku	100.0	70,789	0.3	94.1	69,247	0.3
	Castalia Arakawa	100.0	68,335	0.3	98.4	68,240	0.3
	Castalia Omori II	98.0	81,528	0.3	97.1	80,241	0.3
	Castalia Nakameguro	94.9	120,262	0.5	97.5	118,872	0.4
	Castalia Meguro Chojyamaru	96.5	65,149	0.2	94.5	63,394	0.2
	Castalia Meguro Takaban	95.2	52,078	0.2	98.4	53,883	0.2
	Castalia Omori III	94.7	50,175	0.2	90.3	48,918	0.2
	Castalia Meguro Tairamachi	98.0	35,464	0.1	96.0	33,554	0.1
	Royal Parks SEASIR	100.0	248,189	0.9	100.0	247,101	0.9
	Castalia Honkomagome	95.2	53,301	0.2	94.7	51,904	0.2
	Cosmo Heim Musashikosugi	100.0	60,126	0.2	100.0	60,164	0.2
	Castalia Tsurumi	96.9	28,367	0.1	100.0	29,586	0.1

Asset class	Property name	29th period (From March 1, 2020 to August 31, 2020)			30th period (From September 1, 2020 to February 28, 2021)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Residential properties	Castalia Funabashi	95.5	31,425	0.1	96.6	30,170	0.1
	Castalia Nishi Funabashi	96.3	34,208	0.1	100.0	34,313	0.1
	Castalia Nozeyama	100.0	14,176	0.1	93.3	13,895	0.1
	Castalia Ichikawa	100.0	22,573	0.1	100.0	19,696	0.1
	Royal Parks Hanakoganei	100.0	246,312	0.9	100.0	246,634	0.9
	Castalia Musashikosugi	95.5	57,184	0.2	99.0	56,007	0.2
	Royal Parks Wakabadai	100.0	258,894	1.0	100.0	259,347	1.0
	Pacific Royal Court Minatomirai Urban Tower	100.0	522,693	2.0	100.0	529,485	1.9
	L-Place Shinkoyasu	100.0	57,609	0.2	100.0	57,047	0.2
	Royal Parks Musashikosugi	100.0	69,696	0.3	100.0	69,707	0.3
	Castalia Sakaisuji Honmachi	97.3	62,928	0.2	99.1	61,859	0.2
	Castalia Shin-Umeda	97.8	55,924	0.2	95.0	56,043	0.2
	Castalia Abeno	96.4	180,674	0.7	97.0	176,912	0.6
	Castalia Sakae	88.8	44,267	0.2	90.2	42,719	0.2
	Castalia Maruyama Urasando (Note 4)	89.0	19,557	0.1	–	12,125	0.0
	Castalia Maruyama Omotesando (Note 5)	93.8	74,526	0.3	–	62,275	0.2
	Castalia Higashi Hie	96.4	44,062	0.2	99.2	43,491	0.2
	Castalia Tower Nagahoribashi	90.7	162,911	0.6	99.4	160,953	0.6
	Castalia Sannomiya	98.2	54,711	0.2	99.1	54,974	0.2
	Castalia Kotodaikoen	97.6	24,221	0.1	95.2	23,139	0.1
	Castalia Ichibancho	98.4	39,456	0.1	100.0	38,710	0.1
	Castalia Omachi	97.2	33,770	0.1	88.9	32,377	0.1
	Castalia Uemachidai	95.7	92,947	0.3	100.0	90,383	0.3
	Castalia Tower Higobashi	95.2	128,653	0.5	98.2	130,455	0.5
	Big Tower Minami Sanjo	96.4	112,643	0.4	96.4	108,642	0.4
	Castalia Fushimi	95.7	104,503	0.4	94.5	104,446	0.4
	Castalia Meieki Minami	89.0	32,477	0.1	94.2	30,865	0.1
	Castalia Yakuin	99.2	42,884	0.2	99.2	43,127	0.2
	Castalia Mibu	97.5	51,095	0.2	98.8	50,863	0.2
	Castalia Tsutsujigaoka	98.1	58,235	0.2	97.4	58,910	0.2
	Castalia Ohori Bay Tower	44.6	146,928	0.6	42.2	146,511	0.5
	Royal Parks Namba	100.0	140,098	0.5	100.0	140,354	0.5
	Castalia Shigahondori	95.9	74,731	0.3	98.6	74,492	0.3
	Castalia Kyoto Nishioji	97.5	36,107	0.1	96.2	34,646	0.1
	Castalia Ningyocho III	100.0	69,893	0.3	99.0	74,171	0.3
	Royal Parks Umejima	100.0	103,357	0.4	100.0	102,987	0.4
	Castalia Shinsakae II	100.0	60,399	0.2	100.0	60,032	0.2
	Residential properties – Subtotal	96.4	9,615,747	36.1	96.5	9,538,535	35.0
Retail properties	ACROSSMALL Shinkamagaya	100.0	280,500	1.1	100.0	281,130	1.0
	FOLEO Hirakata	92.8	252,038	0.9	93.4	254,995	0.9
	QiZ GATE URAWA	100.0	215,879	0.8	100.0	212,631	0.8
	UNICUS Takasaki	100.0	129,956	0.5	100.0	130,833	0.5
	ACROSSPLAZA Miyoshi (Land)	100.0	94,284	0.4	100.0	94,284	0.3
	DREAM TOWN ALi	100.0	356,774	1.3	100.0	359,961	1.3
	ASOBOX (Land)	100.0	47,076	0.2	100.0	47,076	0.2
	FOLEO Ome Imai	100.0	128,963	0.5	100.0	129,086	0.5
	FOLEO Otsu Ichiriyama	100.0	325,748	1.2	100.0	324,572	1.2
	FOLEO Hakata	100.0	126,818	0.5	100.0	126,216	0.5
	ACROSSMALL Semboku (Land)	100.0	90,606	0.3	100.0	90,606	0.3
	iiias Tsukuba	100.0	950,305	3.6	100.0	1,075,786	3.9
	LIFE Sagami-hara Wakamatsu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Sendai Miyanomori	100.0	238,500	0.9	100.0	239,003	0.9
	ACROSSPLAZA Inazawa (Land)	100.0	69,780	0.3	100.0	69,840	0.3

Asset class	Property name	29th period (From March 1, 2020 to August 31, 2020)			30th period (From September 1, 2020 to February 28, 2021)		
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Retail properties	Sports Depo and GOLF5 Kokurahigashi IC Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Hiratsuka Retail Property (Land)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Royal Home Center Morinomiya (Land)	100.0	104,340	0.4	100.0	104,340	0.4
	Aoyama Tailor Bunkyo Sengoku Ekimae Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Shobu	100.0	157,200	0.6	100.0	157,327	0.6
	Hapias Kaita (Land)	100.0	38,400	0.1	100.0	38,424	0.1
	COMBOX310	100.0	148,800	0.6	100.0	148,800	0.5
	Sports Plaza Ibaraki	100.0	446	0.0	100.0	82,812	0.3
	Retail properties – Subtotal	99.8	4,043,883	15.2	99.8	4,256,022	15.6
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	100.0	147,284	0.6	100.0	146,794	0.5
	Super Hotel JR Nara Station Sanjo Street	100.0	46,112	0.2	100.0	43,855	0.2
	Daiwa Roynet Hotel Nagoya Shinkansenguchi	100.0	126,000	0.5	100.0	126,000	0.5
	AGORA Kanazawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Candeo Hotels Nagasaki Shinchi Chinatown	–	–	–	100.0	87,435	0.3
	Hotel properties – Subtotal	100.0	399,488	1.5	100.0	476,791	1.7
Other assets	Urban Living Inage	100.0	39,060	0.1	100.0	39,060	0.1
	Aburatsubo Marina HILLS	100.0	43,749	0.2	100.0	43,749	0.2
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	100.0	309,502	1.2	100.0	315,099	1.2
	Sharp Hiroshima Building	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Nursery Room Berry Bear Omori Nishi Welcia Ota Omori Nishi Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	GRANODE Hiroshima	98.5	383,511	1.4	99.5	491,537	1.8
	Other – Subtotal	99.4	869,424	3.3	99.8	983,048	3.6
Total		99.4	26,613,533	100.0	99.4	27,260,211	100.0

(Notes) 1. "Occupancy rate (as of the end of period)" is the leased area expressed as a percentage of the leasable area of each real estate or each real estate in trust as of August 31, 2020 and February 28, 2021, rounded to the first decimal place.
2. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of total rental revenues from the entire portfolio, rounded to the first decimal place.
3. Undisclosed as consent for disclosure has not been obtained from the lessee.
4. The sale of property was completed on December 21, 2020.
5. The sale of property was completed on January 29, 2021.

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

Not applicable.

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

Not applicable.

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

The following summarizes contracted amount and fair value of specified transactions of DHR as of February 28, 2021.

Category	Type	Contracted amount (Yen in thousands) (Note 1)		Fair value (Yen in thousands) (Note 2) (Note 3)
		Portion due after one year		
Transaction other than market transaction	Interest rate swap transaction Receipt: floating interest rate Payment: fixed interest rate	119,258,000	102,400,000	(828,747)
	Total	119,258,000	102,400,000	(828,747)

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

(7) Status of Other Assets

Real estate and trust beneficiary interests in real estate are all listed in “(3) Description of Portfolio” presented earlier in this report. The following are other specified assets as of February 28, 2021.

(Yen in thousands)

Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remark
Government bonds	30-year principal-stripped government bonds (Series 27)	10,000	9,428	—	—	9,221	(207)	Deposited as business security deposit
	Total	10,000	9,428	—	—	9,221	(207)	

(8) Holding of Assets by Country and Region

Not applicable.

4. Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc. for owned properties (real estate, real estate in trust, etc.) as of February 28, 2021. The estimated construction cost includes the portion charged to expenses.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Yen in thousands)		
			Total amount	Payment during the period	Total amount paid
D Project Urayasu II (Urayasu City, Chiba)	Large-scale renovations	From March 2021 to August 2021	269,500	—	—
D Project Akanehama (Narashino City, Chiba)	Large-scale renovations	From April 2021 to August 2021	137,500	—	—
D Project Noda (Noda City, Chiba)	Large-scale renovations	From March 2021 to September 2021	357,500	—	—
D Project Yashio (Yashio City, Saitama)	Large-scale renovations	From April 2021 to September 2021	303,600	—	—
D Project Itabashi Shingashi (Itabashi Ward, Tokyo)	Refrigerator renovations	From January 2021 to April 2021	293,425	146,712	146,712
Castalia Azabujuban (Minato Ward, Tokyo)	Large-scale renovations	From March 2021 to August 2021	76,230	—	—
Castalia Sendagaya (Shibuya Ward, Tokyo)	Large-scale renovations	From March 2021 to June 2021	28,743	—	—
Castalia Jinbocho (Chiyoda Ward, Tokyo)	Large-scale renovations	From March 2021 to July 2021	50,600	—	—
Castalia Ginza III (Chuo Ward, Tokyo)	Large-scale renovations	From April 2021 to July 2021	75,130	—	—
Castalia Meguro Kamurozaka (Shinagawa Ward, Tokyo)	Large-scale renovations	From March 2021 to August 2021	68,310	—	—
Castalia Otsuka (Toshima Ward, Tokyo)	Large-scale renovations	From March 2021 to August 2021	75,460	—	—
Castalia Jiyugaoka (Meguro Ward, Tokyo)	Large-scale renovations	From March 2021 to September 2021	51,095	—	—
Castalia Minowa (Taito Ward, Tokyo)	Large-scale renovations	From March 2021 to July 2021	72,930	—	—
Castalia Omori (Ota Ward, Tokyo)	Large-scale renovations	From March 2021 to July 2021	68,200	—	—
Castalia Omori II (Ota Ward, Tokyo)	Large-scale renovations	From April 2021 to September 2021	75,900	—	—
Royal Parks SEASIR (Adachi Ward, Tokyo)	Large-scale renovations	From November 2020 to August 2021	336,600	100,980	100,980
Castalia Nogeeyama (Yokohama City, Kanagawa)	Large-scale renovations	From April 2021 to July 2021	29,117	—	—
Castalia Higashi Hie (Fukuoka City, Fukuoka)	Large-scale renovations	From March 2021 to August 2021	81,950	—	—
Castalia Sannomiya (Kobe City, Hyogo)	Large-scale renovations	From April 2021 to August 2021	66,550	—	—
Castalia Yakuin (Fukuoka City, Fukuoka)	Large-scale renovations	From March 2021 to August 2021	62,040	—	—
FOLEO Otsu Ichiriyama (Otsu City, Shiga)	Renovation of exterior walls (second phase)	From March 2020 to March 2021	212,663	106,331	106,331
iiias Tsukuba (Tsukuba City, Ibaraki)	Renovation of parking lot fireproof coating	From January 2021 to June 2021	98,901	—	—

(2) Capital Expenditures during the Period

For owned properties (real estate, real estate in trust, etc.), an overview of major construction work conducted during the current fiscal period that falls into DHR's capital expenditures is as follows. Capital expenditures during the current fiscal period were ¥1,734,882 thousand together with ¥1,021,181 thousand in repairs and maintenance expenses and ¥279,613 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥3,035,677 thousand in construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
D Project Urayasu I (Urayasu City, Chiba)	Large-scale renovations	From September 2020 to January 2021	187,075
D Project Kazo (Kazo City, Saitama)	Construction to build hazardous materials storage	From June 2020 to September 2020	57,130
Castalia Shibuya Sakuragaoka (Shibuya Ward, Tokyo)	Large-scale renovations	From October 2020 to February 2021	27,502
Castalia Harajuku (Shibuya Ward, Tokyo)	Large-scale renovations	From October 2020 to February 2021	22,132
Castalia Higashi Nihonbashi II (Chuo Ward, Tokyo)	Large-scale renovations	From April 2020 to September 2020	38,781
Castalia Kikukawa (Sumida Ward, Tokyo)	Large-scale renovations	From October 2020 to February 2021	34,665
Castalia Kita Ueno (Taito Ward, Tokyo)	Large-scale renovations	From September 2020 to February 2021	69,160
Castalia Sumiyoshi (Koto Ward, Tokyo)	Large-scale renovations	From August 2020 to January 2021	29,841
Castalia Shin-Umeda (Osaka City, Osaka)	Intercom facilities renewal	From December 2020 to January 2021	19,149
Castalia Abeno (Osaka City, Osaka)	Large-scale renovations	From July 2020 to February 2021	95,142

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

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

(Yen in thousands)					
Operating period	26th period From September 1, 2018 to February 28, 2019	27th period From March 1, 2019 to August 31, 2019	28th period From September 1, 2019 to February 29, 2020	29th period From March 1, 2020 to August 31, 2020	30th period From September 1, 2020 to February 28, 2021
Balance of reserves at the beginning of period	1,509,615	1,548,695	1,587,775	1,464,355	1,478,435
Amount of reserves during period	39,080	39,080	39,080	14,080	14,080
Amount of reversal of reserves during period	–	–	162,500	–	–
Reserves carried forward	1,548,695	1,587,775	1,464,355	1,478,435	1,492,515

▶ 5. Expenses and Liabilities**(1) Expenses Incurred in Connection with Management of Assets**

Item	(Yen in thousands)	
	29th period From March 1, 2020 to August 31, 2020	30th period From September 1, 2020 to February 28, 2021
Asset management fees (Note)	1,764,808	1,792,206
Asset custody fees	38,860	39,665
Administrative service fees	95,528	98,381
Directors' remuneration	6,600	6,600
Other expenses	414,340	427,133
Total	2,320,138	2,363,987

(Note) As for the asset management fees, in addition to the amount shown above, there were a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥190,445 thousand for the 29th period, and a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥7,850 thousand and a management fee for sale of properties of ¥13,875 thousand for the 30th period.

(2) Debt Financing

The status of loans per financial institution as of February 28, 2021 is as follows:

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
The Norinchukin Bank	January 31, 2014	3,500,000	–	0.90% (Note 2)	January 31, 2021	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		500,000	500,000					
MUFG Bank, Ltd.	April 1, 2014	1,000,000	1,000,000	1.05% (Note 2)	April 1, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation		–	936,000					
Sumitomo Mitsui Trust Bank, Limited		–	1,599,000					
The Norinchukin Bank	January 30, 2015	–	1,510,000	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		–	1,169,000					
Mizuho Bank, Ltd.		–	603,000					
Mizuho Trust & Banking Co., Ltd.		–	454,000					
MUFG Bank, Ltd.		–	437,000					
The Chiba Bank, Ltd.		–	150,000					
Sumitomo Mitsui Banking Corporation		–	1,000,000					
Sumitomo Mitsui Trust Bank, Limited	November 30, 2015	–	1,000,000	0.51% (Note 2)	November 30, 2021	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		–	3,000,000					
Mizuho Bank, Ltd.		–	1,000,000					
Resona Bank, Limited		–	1,000,000					
Sumitomo Mitsui Banking Corporation		2,200,000	2,200,000					
MUFG Bank, Ltd.		1,600,000	1,600,000					
Sumitomo Mitsui Trust Bank, Limited	April 11, 2017	1,600,000	1,600,000	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,600,000	1,600,000					
The Norinchukin Bank		1,500,000	1,500,000					
Nippon Life Insurance Company		1,000,000	1,000,000					
Subtotal	–	16,000,000	26,358,000	–	–	–	–	–

Current portion of long-term loans

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000,000	2,000,000	1.50% (Note 2)	March 27, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000,000	1,000,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000,000	1,000,000	1.52% (Note 2)	April 1, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Development Bank of Japan Inc.		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	500,000	2.03% (Note 2)	April 1, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Development Bank of Japan Inc.		500,000	500,000					
	Nippon Life Insurance Company	September 30, 2014	1,000,000	1,000,000	1.00% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	January 30, 2015	936,000	—	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,599,000	—					
	The Norinchukin Bank		1,510,000	—					
	Aozora Bank, Ltd.		1,169,000	—					
	Mizuho Bank, Ltd.		603,000	—					
	Mizuho Trust & Banking Co., Ltd.		454,000	—					
	MUFG Bank, Ltd.		437,000	—					
	The Chiba Bank, Ltd.		150,000	—					
	Development Bank of Japan Inc.	January 30, 2015	2,000,000	2,000,000	0.88% (Note 3)	January 31, 2024	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.87% (Note 2)	October 3, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.99% (Note 2)	October 2, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Resona Bank, Limited		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	1.23% (Note 2)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Long-term loans	MUFG Bank, Ltd.	April 1, 2015	3,000,000	3,000,000	1.18% (Note 3)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Development Bank of Japan Inc.	April 1, 2015	1,500,000	1,500,000	1.46% (Note 3)	April 1, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	May 1, 2015	2,030,000	2,030,000	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
	The Norinchukin Bank		1,600,000	1,600,000					
	Aozora Bank, Ltd.		1,192,000	1,192,000					
	Mizuho Bank, Ltd.		1,017,000	1,017,000					
	MUFG Bank, Ltd.		907,500	907,500					
	Mizuho Trust & Banking Co., Ltd.		524,000	524,000					
	Nippon Life Insurance Company		500,000	500,000					
	Development Bank of Japan Inc.	September 28, 2015	400,000	400,000	0.65% (Note 2)	September 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	The Shizuoka Bank, Ltd.		260,000	260,000					
	The Chiba Bank, Ltd.		215,000	215,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	MUFG Bank, Ltd.	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Nippon Life Insurance Company	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	—	0.51% (Note 2)	November 30, 2021	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	—					
	MUFG Bank, Ltd.		3,000,000	—					
	Mizuho Bank, Ltd.		1,000,000	—					
	Resona Bank, Limited		1,000,000	—					
	Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.71% (Note 2)	May 31, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.	November 30, 2015	1,000,000	1,000,000	0.97% (Note 2)	May 30, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Banking Corporation	December 28, 2015	1,800,000	1,800,000	0.59% (Note 2)	December 28, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		3,200,000	3,200,000					
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Mizuho Bank, Ltd.		1,800,000	1,800,000					
	Resona Bank, Limited		1,400,000	1,400,000					
	Shinsei Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	September 28, 2016	1,500,000	1,500,000	0.63% (Note 3)	September 29, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,500,000	1,500,000					
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Mizuho Bank, Ltd.		1,500,000	1,500,000					
	Resona Bank, Limited		500,000	500,000					
	Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
	Shinsei Bank, Limited		500,000	500,000					
	Shinkin Central Bank		500,000	500,000					
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	September 28, 2016	1,000,000	1,000,000	0.69% (Note 3)	September 28, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	September 30, 2016	1,700,000	1,700,000	0.41% (Note 3)	March 31, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		2,700,000	2,700,000					
	Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
	Mizuho Bank, Ltd.		1,700,000	1,700,000					
	Aozora Bank, Ltd.		1,500,000	1,500,000					
	Resona Bank, Limited		800,000	800,000					
	Shinsei Bank, Limited		300,000	300,000					
	MUFG Bank, Ltd.	September 30, 2016	2,800,000	2,800,000	0.48% (Note 3)	March 29, 2024	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
	Mizuho Bank, Ltd.		1,800,000	1,800,000					
	Aozora Bank, Ltd.		1,500,000	1,500,000					
	Resona Bank, Limited		900,000	900,000					
	Shinsei Bank, Limited		400,000	400,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2016	3,000,000	3,000,000	0.87% (Note 3)	November 30, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		3,000,000	3,000,000					
	MUFG Bank, Ltd.		5,000,000	5,000,000					
	Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
	Resona Bank, Limited		1,000,000	1,000,000					
	Development Bank of Japan Inc.	March 9, 2017	2,000,000	2,000,000	0.85% (Note 3)	March 31, 2027	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Mitsui Sumitomo Insurance Company, Limited	March 9, 2017	1,000,000	1,000,000	0.55% (Note 3)	March 29, 2024	Bullet repayment	(Note 7)	Unsecured and non-guaranteed

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
	Lender								
Long-term loans	Mizuho Bank, Ltd.	March 31, 2017	4,000,000	4,000,000	0.57% (Note 3)	September 29, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		4,000,000	4,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2017	4,000,000	4,000,000	0.70% (Note 3)	March 31, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Aozora Bank, Ltd.		2,500,000	2,500,000					
	Shinkin Central Bank		2,000,000	2,000,000					
	MUFG Bank, Ltd.		1,500,000	1,500,000					
	Resona Bank, Limited	April 11, 2017	1,000,000	1,000,000	0.76% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
	MUFG Bank, Ltd.		2,200,000	2,200,000					
	Mizuho Bank, Ltd.		1,200,000	1,200,000					
	Resona Bank, Limited		1,100,000	1,100,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Shinsei Bank, Limited		1,000,000	1,000,000					
	The Bank of Fukuoka, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	April 11, 2017	700,000	700,000	1.02% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		2,100,000	2,100,000					
	MUFG Bank, Ltd.		3,700,000	3,700,000					
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Mizuho Bank, Ltd.	July 31, 2017	1,800,000	1,800,000	0.89% (Note 3)	July 30, 2027	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	Sumitomo Mitsui Trust Bank, Limited		3,400,000	3,400,000					
	Sumitomo Mitsui Banking Corporation		3,400,000	3,400,000					
	Mizuho Bank, Ltd.	November 29, 2017	3,400,000	3,400,000	0.90% (Note 3)	November 30, 2027	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		1,900,000	1,900,000					
	Sumitomo Mitsui Banking Corporation		2,500,000	2,500,000					
	MUFG Bank, Ltd.		2,000,000	2,000,000					
	Development Bank of Japan Inc.	March 27, 2018	3,000,000	3,000,000	0.44% (Note 3)	March 31, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,500,000	2,500,000					
	Mizuho Bank, Ltd.		2,500,000	2,500,000					
	The 77 Bank, Ltd.		1,000,000	1,000,000					
	The Nishi-Nippon City Bank, Ltd.		1,000,000	1,000,000					
	The Iyo Bank, Ltd.		500,000	500,000					
	The Bank of Kyoto, Ltd.		500,000	500,000					
	The Chugoku Bank, Limited		500,000	500,000					

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
MUFG Bank, Ltd.	March 27, 2018	1,500,000	1,500,000	0.75% (Note 3)	September 30, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Nippon Life Insurance Company	April 10, 2018	1,000,000	1,000,000	0.43% (Note 3)	September 9, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 10, 2018	2,000,000	2,000,000	0.65% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	1,000,000	1,000,000	0.42% (Note 3)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
The 77 Bank, Ltd.		500,000	500,000					
The Nishi-Nippon City Bank, Ltd.		500,000	500,000					
The Shizuoka Bank, Ltd.		500,000	500,000					
The Iyo Bank, Ltd.		500,000	500,000					
The Bank of Kyoto, Ltd.		500,000	500,000					
The Chugoku Bank, Limited		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation		1,500,000	1,500,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Aozora Bank, Ltd.		500,000	500,000					
The Norinchukin Bank	April 10, 2018	500,000	500,000	0.52% (Note 3)	April 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation	April 10, 2018	1,500,000	1,500,000	0.60% (Note 3)	April 30, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		500,000	500,000					
Aozora Bank, Ltd.		500,000	500,000					
The Norinchukin Bank		500,000	500,000					
Resona Bank, Limited		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
Sumitomo Mitsui Banking Corporation	April 10, 2018	3,000,000	3,000,000	0.89% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		2,500,000	2,500,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		500,000	500,000					
The Dai-ichi Life Insurance Company, Limited	September 27, 2018	1,000,000	1,000,000	0.43% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed

Long-term loans

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Taiyo Life Insurance Company	September 27, 2018	1,000,000	1,000,000	0.60% (Note 3)	September 30, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	December 7, 2018	1,100,000	1,100,000	0.88% (Note 3)	December 29, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,100,000	1,100,000					
Mizuho Bank, Ltd.		1,100,000	1,100,000					
Japan Post Insurance Co., Ltd.		1,100,000	1,100,000					
MUFG Bank, Ltd.	March 27, 2019	600,000	600,000	0.25%	August 31, 2022	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation		500,000	500,000					
MUFG Bank, Ltd.		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Trust Bank, Limited		2,200,000	2,200,000					
Aozora Bank, Ltd.	March 29, 2019	1,500,000	1,500,000	0.43% (Note 3)	September 30, 2025	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
The Norinchukin Bank		1,100,000	1,100,000					
Sumitomo Mitsui Banking Corporation		700,000	700,000					
The Chiba Bank, Ltd.		600,000	600,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Shizuoka Bank, Ltd.		500,000	500,000					
Mitsui Sumitomo Insurance Company, Limited	April 5, 2019	1,000,000	1,000,000	0.45% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Nippon Life Insurance Company	April 5, 2019	500,000	500,000	0.50% (Note 3)	April 30, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 5, 2019	1,500,000	1,500,000	0.59% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	April 10, 2019	500,000	500,000	0.29%	October 31, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
MUFG Bank, Ltd.		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Banking Corporation	April 10, 2019	1,000,000	1,000,000	0.39% (Note 3)	October 31, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Norinchukin Bank		1,100,000	1,100,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Shinsei Bank, Limited		1,000,000	1,000,000					
Shinkin Central Bank		1,000,000	1,000,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
The 77 Bank, Ltd.		500,000	500,000					
The Nishi-Nippon City Bank, Ltd.	April 10, 2019	500,000	500,000	0.39% (Note 3)	October 31, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Iyo Bank, Ltd.		500,000	500,000					
The Chugoku Bank, Limited		500,000	500,000					

Long-term loans

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	April 10, 2019	2,500,000	2,500,000	0.75% (Note 2)	April 27, 2029	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		2,700,000	2,700,000					
Sumitomo Mitsui Trust Bank, Limited		2,500,000	2,500,000					
Resona Bank, Limited		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
MUFG Bank, Ltd.		700,000	700,000					
Sumitomo Mitsui Banking Corporation		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	November 29, 2019	2,000,000	2,000,000	0.66% (Note 2)	November 30, 2029	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,000,000	2,000,000					
Mizuho Bank, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.		2,000,000	2,000,000					
Development Bank of Japan Inc.	January 31, 2020	1,500,000	1,500,000	0.59% (Note 3)	January 31, 2029	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	January 31, 2020	1,000,000	1,000,000	0.46% (Note 3)	July 30, 2027	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		2,400,000	2,400,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Norinchukin Bank		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
The Yamaguchi Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Banking Corporation	January 31, 2020	2,200,000	2,200,000	0.61% (Note 2)	January 31, 2030	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		3,400,000	3,400,000					
Mizuho Trust & Banking Co., Ltd.		1,300,000	1,300,000					
MUFG Bank, Ltd.		1,200,000	1,200,000					
Mizuho Bank, Ltd.	March 31, 2020	900,000	900,000	0.28%	September 29, 2023	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		900,000	900,000					
MUFG Bank, Ltd.		1,900,000	1,900,000					
Sumitomo Mitsui Banking Corporation		900,000	900,000					
Mizuho Bank, Ltd.		900,000	900,000					
Resona Bank, Limited		800,000	800,000					
The Norinchukin Bank		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
Shinsei Bank, Limited		300,000	300,000					
Mitsui Sumitomo Insurance Company, Limited	April 1, 2020	1,000,000	1,000,000	0.40% (Note 3)	April 30, 2026	Bullet repayment	(Note 5)	Unsecured and non-guaranteed

Long-term loans

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Trust Bank, Limited	April 3, 2020	500,000	500,000	0.35% (Note 3)	October 31, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Norinchukin Bank		1,000,000	1,000,000					
The 77 Bank, Ltd.		700,000	700,000					
The Chugoku Bank, Limited		700,000	700,000					
Nippon Life Insurance Company		600,000	600,000					
Sumitomo Mitsui Banking Corporation		500,000	500,000					
MUFG Bank, Ltd.		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
The Iyo Bank, Ltd.		500,000	500,000					
The Dai-ichi Life Insurance Company, Limited	April 3, 2020	500,000	500,000	0.40% (Note 3)	March 31, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	April 3, 2020	500,000	500,000	0.41% (Note 3)	September 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 3, 2020	1,000,000	1,000,000	0.51% (Note 3)	September 29, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited	April 3, 2020	500,000	500,000	0.51% (Note 2)	April 27, 2029	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		500,000	500,000					
MUFG Bank, Ltd.		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
The Nishi-Nippon City Bank, Ltd.		500,000	500,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	April 3, 2020	2,000,000	2,000,000	0.62% (Note 2)	April 30, 2030	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		2,000,000	2,000,000					
Mizuho Bank, Ltd.		2,000,000	2,000,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
The Bank of Kyoto, Ltd.		500,000	500,000					
The Yamanashi Chuo Bank, Ltd.	September 30, 2020	500,000	500,000	0.44% (Note 3)	March 31, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Dai-ichi Life Insurance Company, Limited		–	1,000,000					
Shinsei Bank, Limited		–	1,000,000					
The Norinchukin Bank		–	3,500,000					
		–	–					
Subtotal	–	330,558,000	322,200,000	–	–	–	–	–
Total	–	346,558,000	348,558,000	–	–	–	–	–

Long-term loans

(Notes) 1. Average interest rate is the loan interest rate (weighted average during the applicable term) of the corresponding lenders, and is rounded to the second decimal place.
2. DHR currently uses interest rate swaps to hedge interest rate fluctuation risk; accordingly, the indicated interest rates are the figures reflecting the effect of the interest rate swaps.
3. This loan carries a fixed interest rate.

4. To be used to purchase trust beneficiary interests in real estate and related expenses.
5. To be used for repayment of existing loans (refinancing fund).
6. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
7. To be used for redemption of investment corporation bonds.

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of February 28, 2021 is as follows:

Issue name	Issue date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Interest rate	Maturity	Method of redemption	Use	Note
Daiwa House REIT Investment Corporation 1st Unsecured Investment Corporation Bonds (Note 1)	December 24, 2014	2,000,000	2,000,000	0.826%	December 24, 2024	Bullet repayment	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation 2nd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	—	0.35%	January 22, 2021	Bullet repayment	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation 3rd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.67%	January 22, 2025	Bullet repayment	(Note 3)	Unsecured
Daiwa House REIT Investment Corporation 5th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.24%	December 20, 2021	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 6th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.57%	December 18, 2026	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 7th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	2,000,000	2,000,000	0.69%	July 30, 2030	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 8th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	1,000,000	1,000,000	1.03%	July 30, 2038	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 9th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	November 25, 2019	6,000,000	6,000,000	0.53%	November 22, 2029	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 10th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	May 27, 2020	2,400,000	2,400,000	0.34%	May 27, 2025	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 11th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	May 27, 2020	1,600,000	1,600,000	0.64%	May 27, 2030	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 12th Unsecured Investment Corporation Bonds (Green Bonds) (Note 1)	May 27, 2020	1,000,000	1,000,000	1.00%	May 25, 2040	Bullet repayment	(Note 4)	Unsecured
Daiwa House REIT Investment Corporation 13th Unsecured Investment Corporation Bonds (Note 1)	December 24, 2020	—	3,000,000	0.60%	December 24, 2032	Bullet repayment	(Note 5)	Unsecured
Total	—	30,000,000	30,000,000	—	—	—	—	—

- (Notes)
1. The bonds have pari passu conditions among specified investment corporation bonds.
2. To be used for repayment of existing loans.
3. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
4. To be used for a part of the funds for the repayment of existing loans associated with "eligible green assets."
5. To be used for redemption of investment corporation bonds.

(4) Short-Term Investment Corporation Bonds

Not applicable.

(5) Unit Acquisition Rights

Not applicable.

▶ 6. Status of Acquisition and Sale during the Period

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

Property name	Acquisition		Sale			
	Acquisition date	Acquisition price (Yen in millions) (Note 1)	Sale date	Sale price (Yen in millions) (Note 1)	Book value (Yen in millions)	Gain or loss on sale (Yen in millions) (Note 2)
Candeo Hotels Nagasaki Shinchi Chinatown	September 30, 2020	3,140	—	—	—	—
Castalia Maruyama Urasando	—	—	December 21, 2020	720	350	344
Castalia Maruyama Omotesando	—	—	January 29, 2021	2,055	1,490	492
Total		3,140		2,775	1,840	836

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

(2) Transaction of Other Assets

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

(3) Review on Value of Specified Assets

Properties, etc.

Acquisition or sale	Property name	Transaction date	Type of assets	Acquisition price or sale price (Yen in millions) (Note 1)	Appraisal value (Yen in millions) (Note 2)	Appraisal agency (Note 2)	Date of value appraised (Note 2)
Acquisition	Candeo Hotels Nagasaki Shinchi Chinatown	September 30, 2020	Trust beneficiary interests in real estate	3,140	3,180	Daiwa Real Estate Appraisal Co., Ltd.	August 31, 2020
Sale	Castalia Maruyama Urasando	December 21, 2020	Real estate	720	511	The Tanizawa Sōgō Appraisal Co., Ltd.	August 31, 2020
Sale	Castalia Maruyama Omotesando	January 29, 2021	Real estate	2,055	2,000	The Tanizawa Sōgō Appraisal Co., Ltd.	August 31, 2020

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

(4) Transactions with Interested Parties, etc.

Purchase and sale transactions, etc. with interested parties, etc. (Note 1) for the 30th period are as follows:

i) Status of Transactions

Classification	Transaction amount, etc. (Note 2)	
	Purchase	Sale
Total	¥3,140 million	¥2,775 million
Breakdown of transactions with interested parties		
Daiwa House Industry Co., Ltd.	¥3,140 million (100.0%)	¥– million (–%)
Total	¥3,140 million (100.0%)	¥– million (–%)

ii) Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties, etc. (Note 1)		Rate to total amount paid (B/A) (%)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Management fees	1,500,676	Daiwa Living Co., Ltd.	550,667	36.7
		Daiwa Information Service Co., Ltd.	285,465	19.0
		Daiwa House Property Management Co., Ltd.	285,353	19.0
		Daiwa LifeNext Co., Ltd.	33,564	2.2
		Daiwa Lease Co., Ltd.	3,405	0.2
Repairs and maintenance expenses	1,021,181	Daiwa Living Co., Ltd.	415,836	40.7
		Daiwa House Property Management Co., Ltd.	228,717	22.4
		Daiwa Information Service Co., Ltd.	226,617	22.2
		Daiwa Living Management Co., Ltd.	20,265	2.0
		Daiwa LifeNext Co., Ltd.	7,868	0.8
		Daiwa House Industry Co., Ltd.	3,669	0.4
Restoration costs	279,613	Daiwa Lease Co., Ltd.	1,551	0.2
		Daiwa Living Co., Ltd.	198,369	70.9
Other rental expenses	136,247	Daiwa Living Co., Ltd.	43,535	32.0
		Daiwa House Property Management Co., Ltd.	21,650	15.9
		Daiwa Information Service Co., Ltd.	14,136	10.4
		Daiwa LifeNext Co., Ltd.	1,846	1.4
		Daiwa Lease Co., Ltd.	15	0.0

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

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

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

7. Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notice

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

Date of the Board of Directors meeting	Item	Description
November 27, 2020	Conclusion of underwriting agreement for investment corporation bond issuance, etc.	In line with a comprehensive resolution on the issuance of investment corporation bonds approved on the same day, DHR resolved that the selection of an administrator of the investment corporation bonds to be issued in the future would be at the discretion of the Executive Director. Based on this resolution, DHR entrusted Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and SMBC Nikko Securities Inc. with the relevant work for soliciting subscribers for investment corporation bonds, and entrusted Sumitomo Mitsui Trust Bank, Limited with issuance agent work, payment agent work, etc.

(2) Treatment of Fractions in Amounts and Rates

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

II. Balance Sheets

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of August 31, 2020 and February 28, 2021

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥39,382,433	¥48,626,458
Operating accounts receivable	313,256	264,766
Prepaid expenses	682,002	672,881
Consumption taxes receivable	3,156,408	—
Other current assets	5,334	2,561
Allowance for doubtful accounts	(1,061)	(1,498)
Total current assets	43,538,373	49,565,169
Investment properties (Notes 8 and 9)	780,843,030	778,754,043
Other assets:		
Goodwill (Note 7)	63,431,250	61,449,024
Leasehold rights in trust (Note 9)	5,845,688	5,925,048
Lease and guarantee deposits in trust	3,488,978	3,498,978
Guarantee deposits	99	99
Long-term prepaid expenses	2,282,730	2,036,722
Investment corporation bond issuance costs	138,915	147,124
Investment securities (Notes 4 and 5)	9,411	9,428
Trademark rights	1,224	945
Total other assets	75,198,298	73,067,371
Total assets	¥899,579,703	¥901,386,584

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of August 31, 2020 and February 28, 2021

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Liabilities		
Current liabilities:		
Operating accounts and other payable	¥2,300,842	¥1,820,270
Current portion of investment corporation bonds (Notes 4 and 14)	3,000,000	4,000,000
Current portion of long-term loans (Notes 4, 6 and 15)	16,000,000	26,358,000
Accrued expenses	1,704,215	1,706,448
Accrued consumption taxes	—	1,191,971
Advances received	3,209,021	3,196,677
Unearned revenue	214,721	202,267
Deposits received	211,758	254,618
Derivative liabilities (Notes 4 and 6)	—	10,302
Other	82,101	69,603
Total current liabilities	26,722,660	38,810,159
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 14)	27,000,000	26,000,000
Long-term loans (Notes 4, 6 and 15)	330,558,000	322,200,000
Long-term unearned revenue	491,779	394,277
Tenant leasehold and security deposits (Note 4)	347,135	333,342
Tenant leasehold and security deposits in trust (Note 4)	21,727,786	21,739,562
Asset retirement obligations (Note 11)	652,172	658,347
Derivative liabilities (Notes 4 and 6)	777,986	664,385
Total non-current liabilities	381,554,861	371,989,915
Total liabilities	408,277,521	410,800,075
Net assets (Notes 12 and 13)		
Unitholders' equity:	231,766,153	231,766,153
Unitholders' capital		
Units authorized:		
8,000,000 units as of August 31, 2020 and February 28, 2021		
Units issued and outstanding:		
2,196,000 units as of August 31, 2020 and February 28, 2021		
Surplus		
Capital surplus	247,667,563	247,667,563
Allowance for temporary difference adjustments	—	(50,508)
Capital surplus, net	247,667,563	247,617,055
Voluntary reserve		
Reserve for temporary difference adjustments	496,382	—
Reserve for distribution	2,214,027	—
Total voluntary reserve	2,710,410	—
Unappropriated retained earnings	9,936,041	11,877,987
Total surplus	260,314,014	259,495,043
Total unitholders' equity	492,080,168	491,261,196
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 6)	(777,986)	(674,687)
Total valuation and translation adjustments	(777,986)	(674,687)
Total net assets	491,302,181	490,586,508
Total liabilities and net assets	¥899,579,703	¥901,386,584

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

III. Statements of Income and Retained Earnings

Daiwa House REIT Investment Corporation STATEMENTS OF INCOME AND RETAINED EARNINGS

For the fiscal periods ended August 31, 2020 and February 28, 2021

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Operating revenues:		
Rental revenues (Note 10)	¥26,613,533	¥27,260,211
Gain on sale of investment properties (Note 18)	—	836,795
Total operating revenues	26,613,533	28,097,006
Operating expenses:		
Rental expenses (Note 10)	10,737,121	11,179,703
Asset management fees	1,764,808	1,792,206
Asset custody fees	38,860	39,665
Administrative service fees	95,528	98,381
Directors' remuneration	6,600	6,600
Amortization of goodwill (Note 7)	1,982,226	1,982,226
Provision of allowance for doubtful accounts	213	626
Other operating expenses	414,127	426,506
Total operating expenses	15,039,486	15,525,917
Operating income	11,574,046	12,571,089
Non-operating revenues:		
Interest income	198	165
Gain on forfeiture of unclaimed distributions	4,428	4,552
Gain on adjustment of liabilities	10,740	9,624
Interest on tax refund	—	4,390
Other non-operating revenues	17	17
Total non-operating revenues	15,384	18,750
Non-operating expenses:		
Interest expense	1,100,321	1,093,457
Interest expense on investment corporation bonds	75,787	82,887
Amortization of investment corporation bond issuance costs	11,895	12,663
Investment unit issuance expenses	159,202	—
Borrowing related expenses	303,424	299,505
Other non-operating expenses	2,154	2,000
Total non-operating expenses	1,652,785	1,490,514
Ordinary income	9,936,646	11,099,325
Income before income taxes	9,936,646	11,099,325
Income taxes-current (Note 17)	605	605
Net income	¥9,936,041	¥11,098,720
Retained earnings brought forward	—	779,267
Unappropriated retained earnings	¥9,936,041	¥11,877,987

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

IV. Statements of Changes in Net Assets

Daiwa House REIT Investment Corporation STATEMENTS OF CHANGES IN NET ASSETS

For the fiscal periods ended August 31, 2020 and February 28, 2021

	Unitholders' equity							
	Surplus							
	Capital surplus					Voluntary reserve		
	Number of units issued and out-standing	Unitholders' capital	Capital surplus	Allowance for temporary difference adjustments	Capital surplus, net	Reserve for temporary difference adjustments	Reserve for distribution	Total voluntary reserve
	(Units)							
	(Yen in thousands)							
Balance as of February 29, 2020	2,075,000	¥198,492,847	¥247,667,563	¥—	¥247,667,563	¥3,903,449	¥2,214,027	¥6,117,477
Changes during the period:								
Issuance of new investment units on March 2, 2020	121,000	33,273,306	—	—	—	—	—	—
Reversal of reserve for temporary difference adjustments	—	—	—	—	—	(3,407,066)	—	(3,407,066)
Distributions from surplus	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	—
Total changes during the period	—	33,273,306	—	—	—	(3,407,066)	—	(3,407,066)
Balance as of August 31, 2020	2,196,000	¥231,766,153	¥247,667,563	¥—	¥247,667,563	¥496,382	¥2,214,027	¥2,710,410
Changes during the period:								
Distribution in excess of earnings from allowance for temporary difference adjustments	—	—	—	(50,508)	(50,508)	—	—	—
Reversal of reserve for temporary difference adjustments	—	—	—	—	—	(496,382)	—	(496,382)
Reversal of reserve for distribution	—	—	—	—	—	—	(2,214,027)	(2,214,027)
Distributions from surplus	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—	—
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	—
Total changes during the period	—	—	—	(50,508)	(50,508)	(496,382)	(2,214,027)	(2,710,410)
Balance as of February 28, 2021	2,196,000	¥231,766,153	¥247,667,563	¥(50,508)	¥247,617,055	¥—	¥—	¥—

IV. Statements of Changes in Net Assets

Daiwa House REIT Investment Corporation STATEMENTS OF CHANGES IN NET ASSETS For the fiscal periods ended August 31, 2020 and February 28, 2021

	Unitholders' equity			Valuation and translation adjustments	
	Surplus				
	Unappropriated retained earnings	Total surplus	Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
	(Yen in thousands)				
Balance as of February 29, 2020	¥9,125,933	¥262,910,973	¥461,403,821	¥(1,062,506)	¥460,341,315
Changes during the period:					
Issuance of new investment units on March 2, 2020	—	—	33,273,306	—	33,273,306
Reversal of reserve for temporary difference adjustments	3,407,066	—	—	—	—
Distributions from surplus	(12,533,000)	(12,533,000)	(12,533,000)	—	(12,533,000)
Net income	9,936,041	9,936,041	9,936,041	—	9,936,041
Net changes of items other than changes of unitholders' equity	—	—	—	284,519	284,519
Total changes during the period	810,107	(2,596,958)	30,676,347	284,519	30,960,866
Balance as of August 31, 2020	¥9,936,041	¥260,314,014	¥492,080,168	¥(777,986)	¥491,302,181
Changes during the period:					
Distribution in excess of earnings from allowance for temporary difference adjustments	—	(50,508)	(50,508)	—	(50,508)
Reversal of reserve for temporary difference adjustments	496,382	—	—	—	—
Reversal of reserve for distribution	2,214,027	—	—	—	—
Distributions from surplus	(11,867,184)	(11,867,184)	(11,867,184)	—	(11,867,184)
Net income	11,098,720	11,098,720	11,098,720	—	11,098,720
Net changes of items other than changes of unitholders' equity	—	—	—	103,298	103,298
Total changes during the period	1,941,946	(818,971)	(818,971)	103,298	(715,672)
Balance as of February 28, 2021	¥11,877,987	¥259,495,043	¥491,261,196	¥(674,687)	¥490,586,508

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

V. Statements of Cash Flows

Daiwa House REIT Investment Corporation STATEMENTS OF CASH FLOWS For the fiscal periods ended August 31, 2020 and February 28, 2021

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Cash flows from operating activities:		
Income before income taxes	¥9,936,646	¥11,099,325
Depreciation and amortization	5,174,575	5,271,595
Amortization of goodwill	1,982,226	1,982,226
Amortization of investment corporation bond issuance costs	11,895	12,663
Amortization of trademark rights	278	278
Loss on retirement of non-current assets	20,862	12,032
Investment unit issuance expenses	159,202	—
Interest income	(198)	(165)
Interest expense	1,176,108	1,176,345
Decrease (increase) in operating accounts receivable	(156,095)	48,489
Decrease in accounts receivable	1,119,232	—
Decrease (increase) in consumption taxes receivable	(4,106,012)	4,348,379
Decrease (increase) in prepaid expenses	(48,054)	9,121
Increase (decrease) in operating accounts and other payable	(471,644)	16,389
Increase (decrease) in accrued expenses	155,316	(11,514)
Increase (decrease) in deposits received	(162,600)	42,859
Increase (decrease) in advances received	144,761	(12,343)
Decrease in long-term prepaid expenses	24,826	246,008
Increase in allowance for doubtful accounts	65	436
Decrease in investment properties due to sales	—	1,855,211
Increase in lease and guarantee deposits in trust	—	(10,000)
Other	(13,495)	(37,741)
Subtotal	14,947,894	26,049,599
Interest received	198	165
Interest paid	(1,285,704)	(1,272,554)
Income taxes paid	(602)	(599)
Net cash provided by operating activities	13,661,786	24,776,610
Cash flows from investing activities:		
Acquisition of investment properties	(75,133,412)	(5,506,182)
Acquisition of leasehold rights in trust	—	(126,772)
Proceeds from tenant leasehold and security deposits	36,856	23,239
Repayment of tenant leasehold and security deposits	(11,348)	(33,108)
Proceeds from tenant leasehold and security deposits in trust	2,305,688	325,773
Repayment of tenant leasehold and security deposits in trust	(250,154)	(282,979)
Net cash used in investing activities	(73,052,370)	(5,600,030)
Cash flows from financing activities:		
Proceeds from short-term loans	5,000,000	—
Repayment of short-term loans	(5,000,000)	—
Proceeds from long-term loans	30,700,000	5,500,000
Repayment of long-term loans	(7,900,000)	(3,500,000)
Proceeds from issuance of investment corporation bonds	4,957,891	2,979,127
Redemption of investment corporation bonds	—	(3,000,000)
Proceeds from issuance of investment units	33,114,103	—
Distribution payment	(12,526,291)	(11,911,682)
Net cash provided by (used in) financing activities	48,345,703	(9,932,555)
Net increase (decrease) in cash and cash equivalents	(11,044,880)	9,244,025
Cash and cash equivalents at beginning of the period	50,427,313	39,382,433
Cash and cash equivalents at end of the period (Note 3)	¥39,382,433	¥48,626,458

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

VI. Notes to Financial Statements

Daiwa House REIT Investment Corporation
Notes to Financial Statements

As of and for the fiscal periods ended August 31, 2020 and February 28, 2021

Note 1 – Organization and Basis of Presentation

Organization

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

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

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

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

After the merger, DHR shifted to a diversified portfolio strategy, targeting investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investment in the past. As of February 28, 2021, DHR’s portfolio included 227 properties at a total acquisition price of ¥820.1 billion.

Basis of Presentation

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Investment Properties

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

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

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

(c) Intangible Assets

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

	Years
Goodwill	20

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

(d) Investment Corporation Bond Issuance Costs

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

(e) Investment Unit Issuance Expenses

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

(f) Investment Securities

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

(g) Revenue Recognition

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

(h) Taxes on Property and Equipment

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

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

(i) Income Taxes

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

(j) Allowance for Doubtful Accounts

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

(k) Consumption Taxes

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

(l) Trust Beneficiary Interests

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

(m) Derivatives and Hedge Accounting

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

The assessment of hedge effectiveness is omitted when the significant terms of the hedged item and hedging instrument, including the notional principal amount, are the same and changes in cash flows of the hedged item can be expected to be offset in full from the commencement of a hedge relationship and continuously thereafter. The

assessment of hedge effectiveness is also omitted for all interest-rate swaps which meet the specific criteria under the special accounting treatment.

Note 3 – Cash and Cash Equivalents

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

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Cash and bank deposits	¥39,382,433	¥48,626,458
Cash and cash equivalents	¥39,382,433	¥48,626,458

Note 4 – Financial Instruments

(a) Qualitative Information on Financial Instruments

Policy on financial instruments

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

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

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

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

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

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

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

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

Supplemental explanation concerning fair value of financial instruments

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

(b) Estimated Fair Value of Financial Instruments

Book value on the balance sheet, fair value and the difference as of August 31, 2020 and February 28, 2021 are as follows:

	As of					
	August 31, 2020			February 28, 2021		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥39,382,433	¥39,382,433	¥—	¥48,626,458	¥48,626,458	¥—
(2) Investment securities:						
Held-to-maturity bonds	9,411	9,317	(94)	9,428	9,221	(207)
Total	¥39,391,844	¥39,391,750	¥(94)	¥48,635,887	¥48,635,679	¥(207)
Liabilities						
(3) Current portion of investment corporation bonds	¥3,000,000	¥2,999,430	¥(569)	¥4,000,000	¥3,996,474	¥(3,525)
(4) Current portion of long-term loans	16,000,000	16,027,321	27,321	26,358,000	26,389,911	31,911
(5) Investment corporation bonds	27,000,000	26,715,071	(284,928)	26,000,000	25,694,642	(305,357)
(6) Long-term loans	330,558,000	334,513,388	3,955,388	322,200,000	325,573,734	3,373,734
(7) Tenant leasehold and security deposits in trust	513,958	504,710	(9,248)	480,948	470,352	(10,595)
Total	¥377,071,958	¥380,759,922	¥3,687,964	¥379,038,948	¥382,125,116	¥3,086,168
(8) Derivatives (*)	¥(777,986)	¥(777,986)	¥—	¥(674,687)	¥(674,687)	¥—

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

Notes:

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

Assets:

(1) Cash and bank deposits

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

(2) Investment securities

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

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

Liabilities:

(3) Current portion of investment corporation bonds and (5) Investment corporation bonds

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

(4) Current portion of long-term loans and (6) Long-term loans

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

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

(7) Tenant leasehold and security deposits in trust

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

(8) Derivatives

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

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

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Tenant leasehold and security deposits	¥347,135	¥333,342
Tenant leasehold and security deposits in trust	21,213,828	21,258,614

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

3. Redemption schedule for monetary claims after August 31, 2020 and February 28, 2021 is as follows:

As of August 31, 2020	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥39,382,433	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥39,382,433	¥—	¥—	¥—	¥—	¥10,000

As of February 28, 2021	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Cash and bank deposits	¥48,626,458	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥48,626,458	¥—	¥—	¥—	¥—	¥10,000

4. Repayment schedule for investment corporation bonds and long-term loans after August 31, 2020 and February 28, 2021 is as follows:

As of August 31, 2020	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Investment corporation bonds (*)	¥3,000,000	¥4,000,000	¥—	¥—	¥7,400,000	¥15,600,000
Long-term loans (*)	16,000,000	35,858,000	37,900,000	44,700,000	35,100,000	177,000,000
Total	¥19,000,000	¥39,858,000	¥37,900,000	¥44,700,000	¥42,500,000	¥192,600,000

As of February 28, 2021	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
	(Yen in thousands)					
Investment corporation bonds (*)	¥4,000,000	¥—	¥—	¥5,000,000	¥2,400,000	¥18,600,000
Long-term loans (*)	26,358,000	42,500,000	42,100,000	35,100,000	44,600,000	157,900,000
Total	¥30,358,000	¥42,500,000	¥42,100,000	¥40,100,000	¥47,000,000	¥176,500,000

(*) The figures above include the current portion.

Note 5 – Investment Securities

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

Book value on the balance sheet, fair value and the difference as of August 31, 2020 and February 28, 2021 are as follows:

	As of					
	August 31, 2020			February 28, 2021		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Fair value exceeding the book value						
Held-to-maturity bonds:						
Government bonds	¥—	¥—	¥—	¥—	¥—	¥—
Subtotal	—	—	—	—	—	—
Fair value not exceeding the book value						
Held-to-maturity bonds:						
Government bonds	9,411	9,317	(94)	9,428	9,221	(207)
Subtotal	9,411	9,317	(94)	9,428	9,221	(207)
Total	¥9,411	¥9,317	¥(94)	¥9,428	¥9,221	¥(207)

Note 6 – Derivative Transactions

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

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

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

		As of					
		August 31, 2020			February 28, 2021		
		(Yen in thousands)					
Type of derivative transaction	Hedged item	Contract amount		Fair value	Contract amount		Fair value
		Total	Due after one year		Total	Due after one year	
<u>Principle method</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	¥47,500,000	¥44,500,000	¥(777,986) (Note 1)	¥47,500,000	¥37,500,000	¥(674,687) (Note 1)
<u>Special treatment for interest-rate swaps</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	75,258,000	71,758,000	(Note 2)	71,758,000	64,900,000	(Note 2)
Total		¥122,758,000	¥116,258,000	¥(777,986)	¥119,258,000	¥102,400,000	¥(674,687)

Notes:

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

Note 7 – Goodwill

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

On the business combination date, consideration given for the acquisition was ¥219,425,976 thousand, which was the amount equivalent to the fair value of DHR investment units allotted, while the fair value of the net assets acquired from the former DHR was ¥140,136,912 thousand. The excess of the acquisition cost over the fair value of the net assets acquired, in the amount of ¥79,289,063 thousand, was recognized as goodwill upon the Merger. The amount of goodwill is amortized over 20 years using the straight-line method. As of August 31, 2020 and February 28, 2021, the unamortized balances of goodwill from the Merger were ¥63,431,250 thousand and ¥61,449,024 thousand, respectively.

Note 8 – Investment Properties

As of August 31, 2020 and February 28, 2021, investment properties consist of the following property and equipment and property and equipment in trust.

	As of					
	August 31, 2020			February 28, 2021		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥22,350,209	¥—	¥22,350,209	¥21,711,324	¥—	¥21,711,324
Buildings	26,599,067	5,413,936	21,185,130	25,375,403	5,404,035	19,971,367
Structures	249,240	53,848	195,392	231,826	51,462	180,364
Machinery and equipment	494,771	172,287	322,484	466,382	171,537	294,845
Tools, furniture and fixtures	748,522	455,107	293,414	714,203	453,849	260,353
Property and equipment in trust:						
Land	385,966,267	—	385,966,267	387,101,719	—	387,101,719
Buildings	383,510,185	43,610,290	339,899,895	386,663,526	48,145,286	338,518,240
Structures	9,339,802	1,171,751	8,168,051	9,409,913	1,356,606	8,053,306
Machinery and equipment	2,722,078	1,285,302	1,436,775	2,742,297	1,372,731	1,369,566
Tools, furniture and fixtures	1,470,419	615,802	854,617	1,611,570	708,105	903,465
Construction in progress	170,792	—	170,792	389,488	—	389,488
Total	¥833,621,357	¥52,778,326	¥780,843,030	¥836,417,656	¥57,663,613	¥778,754,043

Note 9 – Fair Value of Investment Properties

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

	As of / For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Book value:		
Balance at beginning of the period	¥716,263,934	¥786,688,719
Net change during the period	70,424,785	(2,009,627)
Balance at end of the period	¥786,688,719	¥784,679,091
Fair value at end of the period	¥906,406,000	¥919,854,000

Notes:

1. The book value above includes leasehold rights in trust of ¥5,845,688 thousand and ¥5,925,048 thousand as of August 31, 2020 and February 28, 2021, respectively.
2. For the period ended August 31, 2020, the increase is mainly due to acquisitions of four properties including DPL Nagareyama I (¥74,081,988 thousand), while the decrease is mainly attributable to depreciation. For the period ended February 28, 2021, the increase is mainly due to acquisition of Candeco Hotels Nagasaki Shinchi Chinatown (¥3,162,154 thousand), while the decrease is mainly attributable to the sale of two properties including Castalia Maruyama Omotesando (¥1,840,959 thousand) and depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

Note 10 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended August 31, 2020 and February 28, 2021 are as follows:

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Rental revenues:		
Rental revenues	¥24,961,747	¥25,543,608
Common area charges	537,592	559,314
Subtotal	25,499,339	26,102,923
Other revenues related to property leasing:		
Facility charges	424,316	437,506
Incidental revenues	266,029	362,007
Other revenues	423,847	357,773
Subtotal	1,114,193	1,157,287
Total rental revenues	¥26,613,533	¥27,260,211

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Rental expenses:		
Management fees	¥1,414,808	¥1,500,676
Utilities	299,940	404,932
Taxes and public dues	1,978,238	1,978,501
Repairs	862,949	1,021,181
Restoration costs	301,527	279,613
Insurance premiums	32,211	32,477
Custodian fees	57,050	62,247
Depreciation and amortization	5,174,575	5,271,595
Other operating expenses	615,819	628,476
Total rental expenses	¥10,737,121	¥11,179,703
Operating income from property leasing activities	¥15,876,411	¥16,080,507

Note 11 – Asset Retirement Obligations

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

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (46 – 60 years), and uses 1.0 – 2.4% discount rates for the calculation of asset retirement obligations. For buildings containing asbestos, DHR estimates the useful life to be 35 years, and uses a 0.6% discount rate. Changes in asset retirement obligations for the periods ended August 31, 2020 and February 28, 2021 are as follows:

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Balance at beginning of the period	¥646,062	¥652,172
Increase due to acquisitions of property and equipment	—	—
Accretion expense	6,110	6,174
Balance at end of the period	¥652,172	¥658,347

Note 12 – Net Assets

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

Note 13 – Distribution Information

In accordance with Article 37.1.1 of the bylaws set forth by DHR for cash distributions, the amount of distribution of earnings is limited to the amount of income and more than 90% of income available for distribution as set forth in Article 67.15 of the Special Taxation Measures Act of Japan (the “Measures”), which allows the REITs to deduct the amount of cash distributions from taxable income to avoid double taxation if certain requirements are met. In addition to distribution of earnings, DHR will make distribution in excess of earnings in accordance with Article 37.2 of the bylaws.

Adopting the transitional measure stipulated in the paragraph 3 of supplementary provision of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), subsequent to February 28, 2017, DHR transferred the reserve for distribution of ¥14,748,347,148, which was the balance retained from gain on negative goodwill recognized in the past, to the reserve for temporary difference adjustments account under the voluntary reserve. Then, starting from the distribution related to the fiscal period ended August 31, 2017, DHR distributed the amount equivalent to goodwill amortization expenses, which is greater than the minimum amounts required by the Ordinance, from the voluntary reserve (reserve for temporary difference adjustments and reserve for distribution).

DHR has a basic policy to distribute the amount equivalent to goodwill amortization expenses in addition to net income for the fiscal period. When taxable income exceeds accounting profit associated with sale of investment properties and it causes a need for DHR to take action to maintain its favorable tax status, DHR will increase the amount of distributions in excess of earnings (distribution from capital surplus as allowance for temporary difference adjustments) to avoid corporate taxes. On the other hand, where special gains such as gain on sale of investment properties are recognized, the amount of other distributions in excess of earnings, which is a part of the above-mentioned distributions in excess of earnings in the amount equivalent to goodwill amortization expenses, may be reduced by an amount equivalent to part of the gain on sale of investment properties.

For distribution of the amount equivalent to goodwill amortization expenses, DHR reverses the voluntary reserve as distribution of earnings. After using up the voluntary reserve, DHR distributes the amount equivalent to goodwill amortization expenses as distribution in excess of earnings (“allowance for temporary difference adjustments” and “other distribution in excess of earnings”).

For the distribution related to the fiscal period ended August 31, 2020, DHR determined the cash distribution amount of ¥11,917,692,000 (¥5,427 per unit) by totaling net income of ¥9,936,041,002 and the amount equivalent to goodwill amortization expenses of ¥1,982,226,586 and adjusting the fractional parts of amounts less than ¥1 per investment unit. Of this cash distribution amount, ¥11,867,184,000 is distributed as distribution of earnings and ¥50,508,000 is distributed as distribution in excess of earnings, which is appropriated from capital surplus as allowance for temporary difference adjustments.

For the distribution related to the fiscal period ended February 28, 2021, DHR determined the cash distribution amount of ¥12,859,776,000 (¥5,856 per unit) by totaling net income of ¥11,098,720,597 and the amount equivalent to goodwill amortization expenses of ¥1,982,226,586, subtracting ¥219,667,216 that is the amount equivalent to part of gain on sale of investment properties and adjusting the fractional parts of amounts less than ¥1 per investment unit. Of this cash distribution amount, ¥11,201,796,000 is distributed as distribution of earnings and ¥1,657,980,000 is distributed as distribution in excess of earnings, which is appropriated from capital surplus as allowance for temporary difference adjustments.

The changes in allowance for temporary difference adjustments are reflected on the balance sheet in the fiscal period that distributions are declared. Thus, as of August 31, 2020 and February 28, 2021, the balances of allowance for temporary differences are none and ¥50,508 thousand, respectively.

In principle, DHR will not reverse the allowance for temporary difference adjustments provided for amortization of goodwill.

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

	For the fiscal periods ended			
	August 31, 2020		February 28, 2021	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥9,936,041,002		¥11,877,987,944	
Reversal of voluntary reserve:				
Reserve for temporary difference adjustments	496,382,622		—	
Reserve for distribution	2,214,027,723		—	
Deduction from capital surplus:				
Allowance for temporary difference adjustments	50,508,000		1,657,980,000	
	¥12,696,959,347		¥13,535,967,944	
Cash distributions:				
Distribution of earnings	¥11,867,184,000	¥5,404	¥11,201,796,000	¥5,101
Distribution in excess of earnings	50,508,000	23	1,657,980,000	755
Total cash distributions	¥11,917,692,000	¥5,427	¥12,859,776,000	¥5,856
Retained earnings carried forward	¥779,267,347		¥676,191,944	

Note 14 – Investment Corporation Bonds

The following summarizes the status of the DHR's unsecured investment corporation bonds with special pari passu conditions among specified investment corporation bonds as of August 31, 2020 and February 28, 2021. The bonds are to be repaid on a lump-sum basis on the maturity date.

Bond series	Issue date	Maturity date	Interest rate	As of	
				August 31, 2020	February 28, 2021
				(Yen in thousands)	
Daiwa House REIT Investment Corporation 1st Unsecured Bonds	December 24, 2014	December 24, 2024	0.826%	¥2,000,000	¥2,000,000
Daiwa House Residential Investment Corporation 2nd Unsecured Bonds	January 22, 2015	January 22, 2021	0.35%	3,000,000	—
Daiwa House Residential Investment Corporation 3rd Unsecured Bonds	January 22, 2015	January 22, 2025	0.67%	3,000,000	3,000,000
Daiwa House REIT Investment Corporation 5th Unsecured Bonds	December 20, 2016	December 20, 2021	0.24%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 6th Unsecured Bonds	December 20, 2016	December 18, 2026	0.57%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 7th Unsecured Bonds	July 30, 2018	July 30, 2030	0.69%	2,000,000	2,000,000

Bond series	Issue date	Maturity date	Interest rate	As of	
				August 31, 2020	February 28, 2021
				(Yen in thousands)	
Daiwa House REIT Investment Corporation 8th Unsecured Bonds	July 30, 2018	July 30, 2038	1.03%	1,000,000	1,000,000
Daiwa House REIT Investment Corporation 9th Unsecured Bonds (Green Bonds)	November 25, 2019	November 22, 2029	0.53%	6,000,000	6,000,000
Daiwa House REIT Investment Corporation 10th Unsecured Bonds (Green Bonds)	May 27, 2020	May 27, 2025	0.34%	2,400,000	2,400,000
Daiwa House REIT Investment Corporation 11th Unsecured Bonds (Green Bonds)	May 27, 2020	May 27, 2030	0.64%	1,600,000	1,600,000
Daiwa House REIT Investment Corporation 12th Unsecured Bonds (Green Bonds)	May 27, 2020	May 25, 2040	1.00%	1,000,000	1,000,000
Daiwa House REIT Investment Corporation 13th Unsecured Bonds	December 24, 2020	December 24, 2032	0.60%	—	3,000,000
Total				¥30,000,000	¥30,000,000

Note 15 – Long-Term Loans

Long-term loans consist of borrowings from financial institutions under loan agreements. None of the loans are secured by collateral or guaranteed. The following table summarizes long-term loans as of August 31, 2020 and February 28, 2021.

	Due date	As of			
		August 31, 2020	Interest rate	February 28, 2021	Interest rate
		(Yen in thousands)		(Yen in thousands)	
Long-term loans:					
Floating-rate loan (*)	January 31, 2021	¥3,500,000	0.90%	¥—	—%
Floating-rate loan (*)	April 1, 2021	3,000,000	1.05	3,000,000	1.05
Floating-rate loan (*)	November 30, 2021	7,000,000	0.51	7,000,000	0.51
Fixed-rate loan	April 30, 2021	9,500,000	0.40	9,500,000	0.40
Floating-rate loan (*)	January 31, 2022	6,858,000	0.61	6,858,000	0.61
Floating-rate loan (*)	April 28, 2022	10,000,000	0.66	10,000,000	0.66
Floating-rate loan (*)	December 28, 2022	10,500,000	0.59	10,500,000	0.59
Floating-rate loan (*)	April 1, 2022	3,500,000	1.21	3,500,000	1.21
Floating-rate loan (*)	October 3, 2022	3,000,000	0.87	3,000,000	0.87

	Due date	As of			
		August 31, 2020		February 28, 2021	
		(Yen in thousands)	Interest rate	(Yen in thousands)	Interest rate
Floating-rate loan (*)	September 28, 2022	4,000,000	0.65	4,000,000	0.65
Fixed-rate loan	September 9, 2022	1,000,000	0.43	1,000,000	0.43
Fixed-rate loan	April 28, 2022	6,500,000	0.42	6,500,000	0.42
Floating-rate loan	August 31, 2022	2,000,000	0.24	2,000,000	0.25
Floating-rate loan	October 31, 2022	2,000,000	0.29	2,000,000	0.29
Floating-rate loan (*)	March 27, 2023	2,000,000	1.50	2,000,000	1.50
Fixed-rate loan	September 29, 2023	1,000,000	1.00	1,000,000	1.00
Floating-rate loan (*)	October 2, 2023	4,000,000	0.99	4,000,000	0.99
Floating-rate loan (*)	May 31, 2023	4,000,000	0.71	4,000,000	0.71
Fixed-rate loan	March 31, 2023	10,400,000	0.41	10,400,000	0.41
Fixed-rate loan	September 29, 2023	10,000,000	0.57	10,000,000	0.57
Fixed-rate loan	March 31, 2023	1,000,000	0.44	1,000,000	0.44
Fixed-rate loan	September 29, 2023	1,000,000	0.43	1,000,000	0.43
Floating-rate loan	September 29, 2023	6,700,000	0.27	6,700,000	0.28
Fixed-rate loan	January 31, 2024	2,000,000	0.88	2,000,000	0.88
Floating-rate loan (*)	April 1, 2024	3,000,000	1.52	3,000,000	1.52
Fixed-rate loan	September 30, 2024	1,000,000	0.73	1,000,000	0.73
Fixed-rate loan	March 29, 2024	11,000,000	0.48	11,000,000	0.48
Fixed-rate loan	March 29, 2024	1,000,000	0.55	1,000,000	0.55
Fixed-rate loan	April 30, 2024	5,000,000	0.52	5,000,000	0.52
Fixed-rate loan	October 31, 2024	8,100,000	0.39	8,100,000	0.39
Fixed-rate loan	October 31, 2024	6,000,000	0.35	6,000,000	0.35
Floating-rate loan (*)	October 1, 2025	4,000,000	1.23	4,000,000	1.23
Fixed-rate loan	October 1, 2025	3,000,000	1.18	3,000,000	1.18
Floating-rate loan (*)	May 30, 2025	4,000,000	0.97	4,000,000	0.97
Fixed-rate loan	September 29, 2025	9,000,000	0.63	9,000,000	0.63
Fixed-rate loan	March 31, 2025	11,000,000	0.70	11,000,000	0.70
Fixed-rate loan	April 30, 2025	5,000,000	0.60	5,000,000	0.60
Fixed-rate loan	September 30, 2025	1,000,000	0.60	1,000,000	0.60
Fixed-rate loan	September 30, 2025	7,600,000	0.43	7,600,000	0.43
Floating-rate loan (*)	April 1, 2026	2,000,000	2.03	2,000,000	2.03
Floating-rate loan (*)	May 29, 2026	4,000,000	1.09	4,000,000	1.09
Fixed-rate loan	September 28, 2026	1,000,000	0.69	1,000,000	0.69
Fixed-rate loan	November 30, 2026	15,000,000	0.87	15,000,000	0.87
Fixed-rate loan	April 30, 2026	10,000,000	0.76	10,000,000	0.76
Fixed-rate loan	April 30, 2026	2,000,000	0.65	2,000,000	0.65
Fixed-rate loan	April 30, 2026	1,000,000	0.45	1,000,000	0.45
Fixed-rate loan	April 30, 2026	1,000,000	0.40	1,000,000	0.40
Fixed-rate loan	March 31, 2026	500,000	0.40	500,000	0.40
Fixed-rate loan	September 30, 2026	500,000	0.41	500,000	0.41
Fixed-rate loan	March 31, 2026	—	—	1,000,000	0.44
Fixed-rate loan	April 1, 2027	1,500,000	1.46	1,500,000	1.46
Fixed-rate loan	March 31, 2027	2,000,000	0.85	2,000,000	0.85
Fixed-rate loan	July 30, 2027	12,100,000	0.89	12,100,000	0.89

	Due date	As of			
		August 31, 2020		February 28, 2021	
		(Yen in thousands)	Interest rate	(Yen in thousands)	Interest rate
Fixed-rate loan	November 30, 2027	16,000,000	0.90	16,000,000	0.90
Fixed-rate loan	September 30, 2027	1,500,000	0.75	1,500,000	0.75
Fixed-rate loan	April 30, 2027	500,000	0.50	500,000	0.50
Fixed-rate loan	July 30, 2027	8,400,000	0.46	8,400,000	0.46
Fixed-rate loan	September 30, 2027	—	—	1,000,000	0.46
Fixed-rate loan	April 28, 2028	10,000,000	1.02	10,000,000	1.02
Fixed-rate loan	April 28, 2028	10,000,000	0.89	10,000,000	0.89
Fixed-rate loan	December 29, 2028	5,000,000	0.88	5,000,000	0.88
Fixed-rate loan	April 28, 2028	1,500,000	0.59	1,500,000	0.59
Fixed-rate loan	September 29, 2028	1,000,000	0.51	1,000,000	0.51
Fixed-rate loan	January 31, 2028	—	—	3,500,000	0.37
Floating-rate loan (*)	April 27, 2029	10,400,000	0.75	10,400,000	0.75
Floating-rate loan (*)	November 30, 2029	10,000,000	0.66	10,000,000	0.66
Fixed-rate loan	January 31, 2029	1,500,000	0.59	1,500,000	0.59
Floating-rate loan (*)	April 27, 2029	5,000,000	0.51	5,000,000	0.51
Floating-rate loan (*)	January 31, 2030	9,000,000	0.61	9,000,000	0.61
Floating-rate loan (*)	April 30, 2030	10,000,000	0.62	10,000,000	0.62
Total long-term loans		346,558,000		348,558,000	
Less: current portion		(16,000,000)		(26,358,000)	
Long-term loans, less current portion		<u>¥330,558,000</u>		<u>¥322,200,000</u>	

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

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

The repayment schedule for long-term loans subsequent to August 31, 2020 and February 28, 2021 is disclosed in Note 4 – “Financial Instruments.”

DHR has entered into a commitment line agreement with four financial institutions in order to secure flexible and stable financing. The status of the commitment line agreement as of August 31, 2020 and February 28, 2021 is as follows:

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Total amount of commitment line	¥25,000,000	¥25,000,000
Balance executed as loans	—	—
Unused line of credit	¥25,000,000	¥25,000,000

Note 16 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of August 31, 2020 and February 28, 2021 are as follows:

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Due within one year	¥28,359,709	¥28,549,133
Due after one year	197,790,715	187,631,003
Total	¥226,150,425	¥216,180,136

Note 17 – Deferred Income Taxes

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

(a) Significant Components of Deferred Tax Assets and Liabilities

	As of	
	August 31, 2020	February 28, 2021
	(Yen in thousands)	
Deferred tax assets:		
Excess provision of allowance for doubtful accounts	¥333	¥471
Deferred interest income	222,265	187,672
Valuation difference at the time of merger (Land and Buildings)	2,405,915	2,329,948
Asset retirement obligations	205,173	207,115
Deferred gains or losses on hedges	244,754	212,256
Amortization of fixed-term land lease rights	166,616	181,532
Other	9,505	8,914
Subtotal	3,254,564	3,127,912
Valuation reserve	(3,254,564)	(3,127,912)
Total deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference at the time of merger (Investment securities)	¥(677)	¥(657)
Valuation difference at the time of merger (Land and Buildings)	(13,421,536)	(13,376,015)
Asset retirement costs	(176,025)	(176,009)
Subtotal	(13,598,239)	(13,552,682)
Valuation reserve	13,598,239	13,552,682
Total deferred tax liabilities	—	—
Net deferred tax assets	¥—	¥—

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

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

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

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
Statutory tax rate	31.46%	31.46%
Adjustments:		
Tax-deductible cash distributions paid	(37.19)	(36.45)
Use of loss carryforward assumed at the time of merger	—	(0.20)
Amortization of goodwill	6.28	5.62
Change in valuation allowance	(0.55)	(0.44)
Other	0.02	0.01
Effective tax rate	0.01%	0.01%

Note 18 – Gain on Sale of Investment Properties

For the period ended August 31, 2020, DHR did not sell any investment properties.

For the period ended February 28, 2021, DHR sold two investment properties and reported gains as follows:

	For the fiscal period ended
	February 28, 2021
	(Yen in thousands)
Castalia Maruyama Urasando	
Proceeds from sale of investment properties	¥720,000
Cost of investment properties sold	350,389
Other sales expenses	25,260
Gain on sale of investment properties	¥344,350
Castalia Maruyama Omotesando	
Proceeds from sale of investment properties	¥2,055,000
Cost of investment properties sold	1,490,569
Other sales expenses	71,985
Gain on sale of investment properties	¥492,445

Note 19 – Per Unit Information

Earnings per unit for the periods ended August 31, 2020 and February 28, 2021 and net assets per unit as of August 31, 2020 and February 28, 2021 are as follows:

	For the fiscal periods ended	
	August 31, 2020	February 28, 2021
	(Yen)	
Earnings per unit:		
Net income per unit	¥4,525	¥5,054
Weighted average number of units outstanding (units)	2,195,342	2,196,000

	As of	
	August 31, 2020	February 28, 2021
	(Yen)	
Net assets per unit	¥223,725	¥223,400

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

Note 20 – Related-Party Transactions

Related-party transactions for the periods ended August 31, 2020 and February 28, 2021 are as follows:

(a) Controlling Company and Major Corporate Investors — None

(b) Affiliates — None

(c) Transactions under Common Control — None

(d) Directors and Major Individual Investors — None

Note 21 – Segment Information*(a) Segment Information*

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

*(b) Related Information**Information about products and services*

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended August 31, 2020 and February 28, 2021, information about products and services has been omitted.

Information about geographic areas

(1) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended August 31, 2020 and February 28, 2021, information about geographic areas has been omitted.

(2) Investment properties

Since over 90% of total investment properties on the balance sheets as of August 31, 2020 and February 28, 2021, are located within Japan, information about geographic areas on such investment properties has been omitted.

Information about major customers

Since there is not any customer accounting for 10% or more of total operating revenues in DHR's statements of income and retained earnings for the periods ended August 31, 2020 and February 28, 2021, information about major customers has been omitted.

Note 22 – Accounting Standards Issued But Not Yet Applied

As of February 28, 2021, DHR has not yet applied the following accounting standards and their implementation guidance.

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

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020)

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Effect of application of the new accounting standard

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

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

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

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

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Overview

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

As a basic policy for the development of the new standard, ASBJ determined to generally adopt all the principles of IFRS 13 in order to enhance comparability of financial statements among domestic and overseas companies, by applying the consistent measurement methods. However, for any item to be considered arising from business practices in Japan, other treatment for the item shall be determined to the extent that comparability is not impaired.

(2) Scheduled date of application

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

(3) Effect of application of the new accounting standard

The effect of application of the aforementioned standard on DHR's financial statements has not yet been evaluated.

(c) Accounting Standard for Disclosure of Accounting Estimates

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The ASBJ issued this accounting standard in response to requests to develop an accounting standard which requires a footnote information similar to the disclosure requirement as to “key sources of estimation uncertainty” prescribed in Paragraph 125 of the International Accounting Standard (“IAS”) 1 “Presentation of Financial Statements” issued in 2003, since it is very useful information for users of financial statements.

The basic policy of the ASBJ in developing this accounting standard is not to expand the number of individual notes, but to set out the disclosure principles. Thus, the entity shall judge the specific content of disclosure details based on the purpose of disclosure. In developing this standard, the ASBJ referred to the provisions of Paragraph 125 of IAS 1.

(2) Scheduled date of application

DHR will apply the aforementioned standard from the end of the fiscal period ending August 31, 2021.

(d) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020)

(1) Overview

This accounting standard was developed to enhance the footnote information as to the accounting principles and procedures adopted in cases where related provisions of accounting standards are not clear. The accounting standard requires to take over the provisions of the explanatory paragraph of Corporate Accounting Principles (Note 1-2) in order not to affect the current practice when related provisions of accounting standards are clear.

(2) Scheduled date of application

DHR will apply the aforementioned standard from the end of the fiscal period ending August 31, 2021.

Note 23 – Subsequent Events

Not applicable.

VII. Independent Auditor's Report



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1-1-2 Yurakucho, Chiyoda-ku
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Independent Auditor's Report

The Board of Directors
Daiwa House REIT Investment Corporation

Opinion

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation (the Company), which comprise the balance sheets as at February 28, 2021 and August 31, 2020, and the statements of income, changes in net assets, and cash flows for the six-month periods then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021 and August 31, 2020, and its financial performance and its cash flows for the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Directors 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Supervisory Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Ernst & Young ShinNihon LLC
Tokyo, Japan

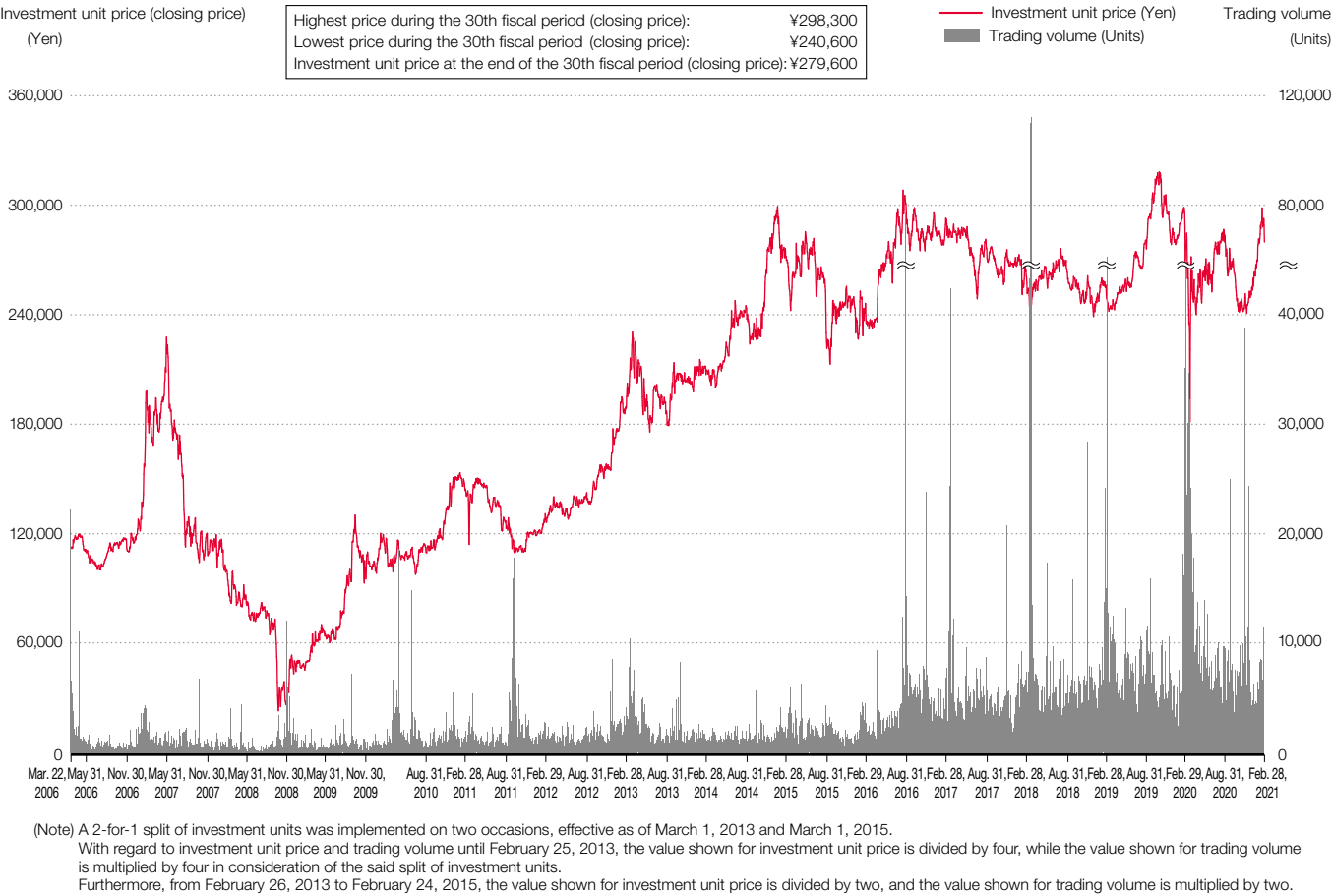
May 25, 2021

吉村 基 
Motoki Yoshimura
Designated Engagement Partner
Certified Public Accountant

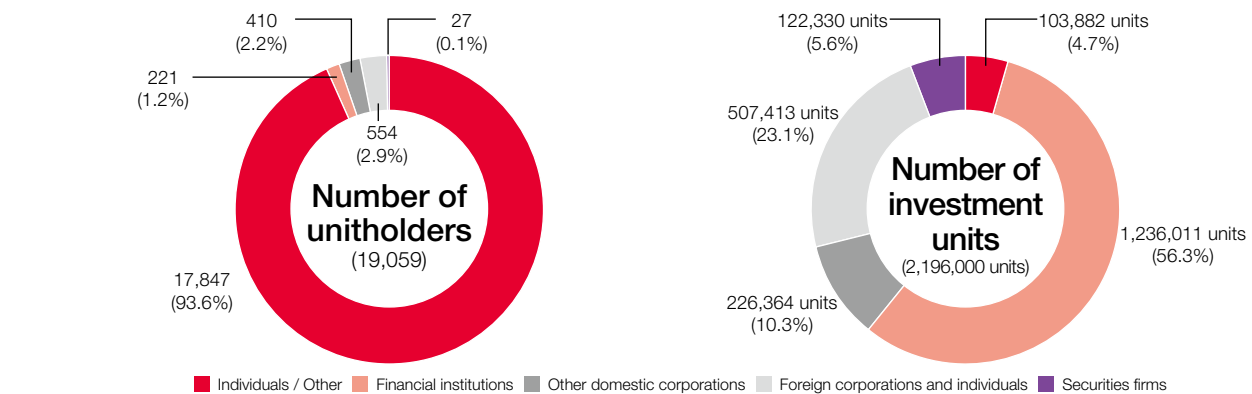
安部 里史 
Satoshi Abe
Designated Engagement Partner
Certified Public Accountant

Investor Information

Investment Unit Price



Unitholders Data (as of February 28, 2021)



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

Outline of the Asset Manager

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

Location : 7th Floor, Nissei Nagatacho Building, 2-4-8, Nagatacho, Chiyoda-ku, Tokyo 100-0014

Established : September 1, 2004

Paid-in Capital : ¥300 million

Shareholder : Daiwa House Industry Co., Ltd. (100%)

Procedures for Changes of Address, etc.

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

Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions has elapsed, please contact the transfer agent Sumitomo Mitsui Trust Bank, Limited. If you would like to specify an account to which future distributions will be transferred, please follow the procedures of your securities company, etc. We will not pay and have no obligation to pay cash distributions not claimed within three years of the distribution date, as stipulated in our Articles of Incorporation. Please receive your distributions as soon as possible.

Distribution Statement

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

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

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

Use of the My Number for Investment Unit Related Business

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

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

Note for Unitholders

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