

# Semi-Annual Report for the **25<sup>th</sup>** Fiscal Period

From March 1, 2018 to August 31, 2018

 Daiwa House REIT Investment Corporation

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

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



Securities Code: 8984



Creating Dreams, Building Hearts

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

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



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Overview of the 25th Fiscal Period (From March 1, 2018 to August 31, 2018)

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 25th fiscal period (the fiscal period ended August 31, 2018).

DHR carried out initiatives including 1) executing its second public offering since the merger in March (¥55.0 billion of equity raised) and taking on ¥32.0 billion in new loans in March and April, 2) acquiring 16 properties through the Daiwa House Group’s pipeline in March and April (acquisition price of ¥96.9 billion), 3) selling one residential property in June (sales price of ¥2.8 billion), and 4) issuing ¥3.0 billion in investment corporation bonds in July.

DHR’s portfolio as of the end of the current fiscal period consisted of 213 properties with an asset value of ¥671.7 billion (total acquisition price), realizing the expansion of our asset size. Furthermore, our occupancy rate at the end of the current fiscal period was 99.5%.

Regarding financial results for the current fiscal period, while we incurred losses on properties sold, due to a high level of occupancy in our portfolio and revenue contributions of properties acquired during the period, we recorded operating revenues of ¥22,211 million, operating income of ¥9,269 million, and net income of ¥7,765 million, exceeding our forecasts. To calculate distribution, DHR reversed ¥1,980 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up net income, while at the same time, ¥22 million of refunded consumption taxes relating to properties that DHR had acquired in prior periods was accumulated in voluntary reserve as reserve for distribution. As a result, total distributions amounted to ¥9,723 million, for distributions per unit of ¥5,046, exceeding the forecast by ¥96.

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

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



Jiro Kawanishi  
Executive Director  
Daiwa House REIT Investment Corporation



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

Distributions Per Unit

25th Fiscal Period

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

Distribution payments start date is November 12, 2018.

¥5,046

Forecast distributions per unit (Note)

26th Fiscal Period

(From September 1, 2018 to February 28, 2019)

¥5,300

27th Fiscal Period

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

¥5,100

(Note) Forecast distributions refer to the forecast as of October 17, 2018, and actual distributions per unit may vary from this figure. These forecasts do not guarantee the amount of distributions.



Statements of Income (Summary)

		(Yen in millions)	
	Fiscal period ended February 28, 2018 (24th period)	Fiscal period ended August 31, 2018 (25th period)	Change
Operating revenues	19,700	22,211	2,511
Rental revenues	19,700	22,211	2,511
Operating expenses	11,687	12,942	1,254
Rental expenses	7,947	8,944	996
Rental expenses (excluding depreciation)	4,196	4,647	450
Depreciation	3,750	4,296	545
Other operating expenses	3,740	3,998	257
Amortization of goodwill	1,982	1,982	-
Loss on sale of real estate properties	-	99	99
Operating income	8,012	9,269	1,256
Non-operating income	357	39	(318)
Non-operating expenses	1,223	1,538	314
Interest expenses and borrowing related expenses	1,221	1,345	124
Ordinary income	7,146	7,770	623
Extraordinary losses	3	4	0
Net income	7,142	7,765	622
Reversal of reserve for temporary difference adjustments	1,982	1,980	(1)
Reversal (accumulation) of reserve for distribution	(346)	(22)	324
Total distributions	8,777	9,723	945
Distributions per unit	¥5,194	¥5,046	¥(148)

**Rental revenues**

Revenue contributions of the properties acquired in the fiscal period ended August 31, 2018 (16 properties) +¥2,439 million

**Rental expenses**

Costs incurred on properties acquired in the fiscal period ended August 31, 2018 (16 properties) +¥657 million

Incurrence of property taxes relating to properties acquired in 2017 (18 properties) +¥242 million

**Loss on sale of real estate properties**

Loss on sale of real estate property in the sale of Crest Kusatsu (residential property)

**Non-operating income**

Decrease in refunded consumption taxes -¥324 million

**Non-operating expenses**

Costs incurred from the issuance of new investment units +¥191 million

Increase in interest expenses related to new loans +¥124 million

**Accumulation of reserve for distribution**

Decrease in accumulation of refunded consumption taxes

Balance Sheets (Summary)

		(Yen in millions)	
	As of February 28, 2018 (24th period)	As of August 31, 2018 (25th period)	Change
Total assets	681,192	771,281	90,089
Current assets	41,739	41,805	65
Non-current assets	639,374	729,377	90,002
Investment properties	554,956	646,194	91,238
Intangible assets	78,765	77,398	(1,367)
Goodwill	73,342	71,360	(1,982)
Total liabilities	304,891	340,685	35,794
Current liabilities	5,516	17,948	12,432
Interest-bearing debt	-	11,600	11,600
Non-current liabilities	299,375	322,737	23,361
Interest-bearing debt	282,268	302,668	20,400
Net assets	376,300	430,596	54,295
Reserve for temporary difference adjustments	12,767	10,785	(1,982)
Reserve for distribution	1,617	1,964	346
LTV (excluding goodwill)	46.4%	44.9%	(1.5) points
LTV (including goodwill)	41.4%	40.7%	(0.7) points
Number of investment units issued	1,690,000 units	1,927,000 units	237,000 units
Net assets per unit	¥222,663	¥223,454	¥791

**Investment properties**

Increase due to acquisition of properties (16 properties) +¥97,412 million

Decrease due to sale of properties (1 property) -¥3,401 million

Capital expenditures +¥919 million

Depreciation -¥4,296 million

**Interest-bearing debt**

New loans +¥32,000 million

Repayment of loans -¥3,000 million

Issuance of investment corporation bonds +¥3,000 million

Reclassification of long-term loans from non-current liabilities to current liabilities ¥11,600 million

**Net assets**

Increase in unitholders' capital due to public offering +¥55,094 million

**Reserve for temporary difference adjustments**

Reversal of the amount equivalent to amortization of goodwill -¥1,982 million

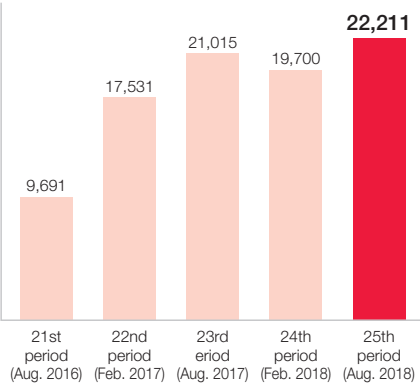
**LTV**

Decrease in LTV due to public offering

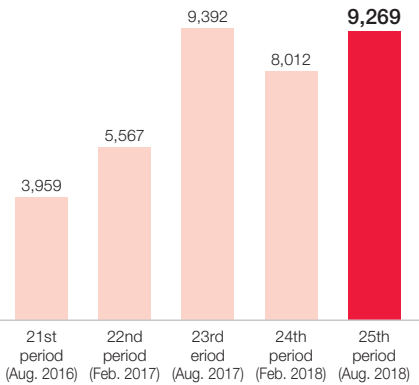
**Number of investment units issued**

Increase due to public offering +237,000 units

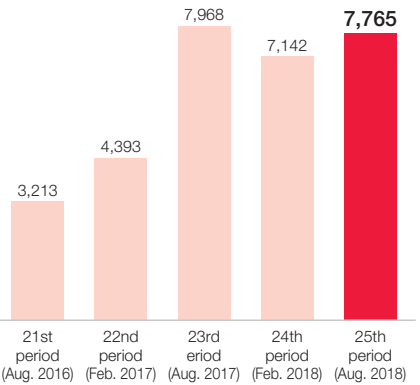
Operating revenues (Yen in millions)



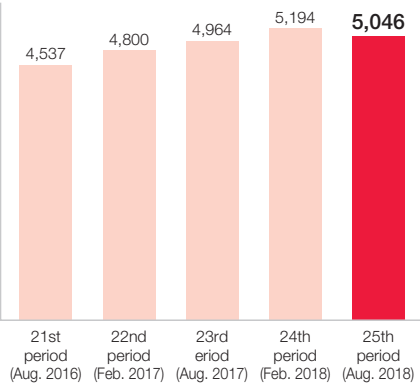
Operating income (Yen in millions)



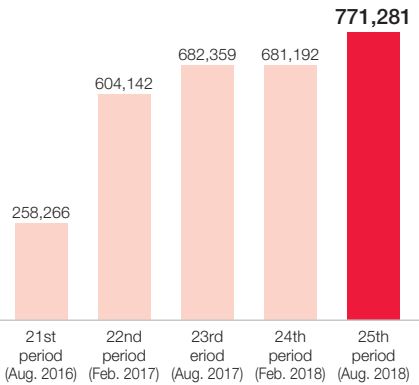
Net income (Yen in millions)



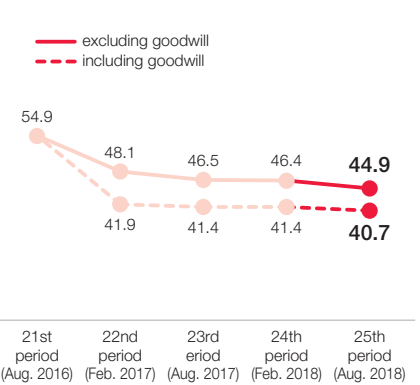
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)





Acquisition of New Assets

We acquired 16 properties in March and April 2018 for ¥96.9 billion and one property in September for ¥3.5 billion.

Assets acquired in the 25th fiscal period

LM-002 DPL Fukuoka Kasuya (Acquired on April 10, 2018)



Logistics (multi-tenant type)



Location	Kasuya District, Fukuoka
Date of construction	April 24, 2014
Acquisition price	¥13,300 million
Leasable area	73,739.04 m <sup>2</sup>
Major lessees	UNIQLO CO., LTD., Nest Logistics



- » In addition to being in proximity to the Fukuoka central consumer area, the property is conveniently located close to regional transportation, approx. 1.5 km from Tanotsu IC on the Fukuoka Expressway Route 4 Kasuya Line and approx. 2.8 km from Fukuoka IC on the Kyushu Expressway / Fukuoka Expressway Route 4 Kasuya Line. Located approx. 4 km from the port area and approx. 5 km from the Fukuoka Airport cargo terminal gate, the property also has good traffic access to logistics infrastructure facilities.
- » It is a six-story large-scale logistics property with a gross floor area of approx. 26,524 tsubo leased to multiple tenants.
- » The property has two doorways, and large-sized vehicles can access each floor directly through ramp ways.
- » Each floor has around 4,400 tsubo in scale, including berths, offices and common spaces.
- » Ceiling height of 6.0 m on the first floor and 5.5 m on the second to sixth floors, floor weight capacities of 1.5 t/m<sup>2</sup>, and pillar interval spacing of 10.0 m by 11.5 m, making it an extremely versatile property suitable for a wide range of business types.

Acquired on March 27, 2018

RR-006

Royal Home Center Moirinomiya (Land)

Retail (roadside type)

Acquired on April 10, 2018

LB-047

D Project Kawagoe IV

Logistics (BTS type)

LB-050

D Project Matsudo II

Logistics (BTS type)

LB-052

D Project Osaka Hirabayashi

Logistics (BTS type)

LB-055

D Project Fuji

Logistics (BTS type)

Acquired on April 3, 2018

RM-010

FOLEO Hakata

Retail (mall type)

HO-001

Daiva Roynet Hotel Yokohama Kamai Hotel

LB-048

D Project Kuki VII

Logistics (BTS type)

LB-051

D Project Tomisato II

Logistics (BTS type)

LB-053

D Project Sendai Izumi II

Logistics (BTS type)

LB-056

D Project Tosu III

Logistics (BTS type)

LB-049

D Project Chibakita

Logistics (BTS type)

LB-009

D Project Inuyama (Additional acquisition)

Logistics (BTS type)

LB-054

D Project Kaminokawa

Logistics (BTS type)

Assets acquired in the 25th fiscal period

RM-009 FOLEO Otsu Ichiriyama (Acquired on April 3, 2018)

Retail (mall type) Daiwa House Group Sublease



Location	Otsu City, Shiga
Date of construction	October 2, 2008
Acquisition price	¥8,100 million
Leasable area	62,917.73 m <sup>2</sup>
Lessee	Daiwa Information Service Co., Ltd.



- » Located in Otsu City, on the southwestern tip of Shiga Prefecture adjacent to Kyoto Prefecture. Located between National Route 1 (Keiji Bypass) and Shiga Prefectural Road 2 running parallel, the property faces Gakuen Dori, which runs southward from Seta Station on the JR Tokaido Main Line.
- » The property is a mall-type retail property that includes Plago (food product supermarket) and Books OGAKI on the first floor, EDION (consumer electronics store) on the second floor, and Sports Club NAS on the first basement floor.
- » The surrounding area has a population of 12,000 within a 1 km radius, 88,000 within a 3 km radius and 204,000 within a 5 km radius, making it an attractive location for retail stores with many young people.

Assets acquired in the 26th fiscal period

LM-003 DPL Kitakyushu (Acquired on September 27, 2018)

Logistics (multi-tenant type)



Location	Kitakyushu City, Fukuoka
Date of construction	Building A: October 21, 2015 Building B: December 9, 2016
Acquisition price	¥3,510 million
Leasable area	26,672.98 m <sup>2</sup>
Lessee	YAMAE HISANO Co., Ltd., KYUSO COMPANY, LTD., ASAHU SHOKUHIN Co., Ltd.



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

Sale of Assets

Assets sold in the 25th fiscal period

In June 2018, we sold the large-scale student apartment building Crest Kusatsu, which had incurred unrealized loss, at a price exceeding the appraisal value.

RE-115 Crest Kusatsu (Sold on June 22, 2018)

Residential

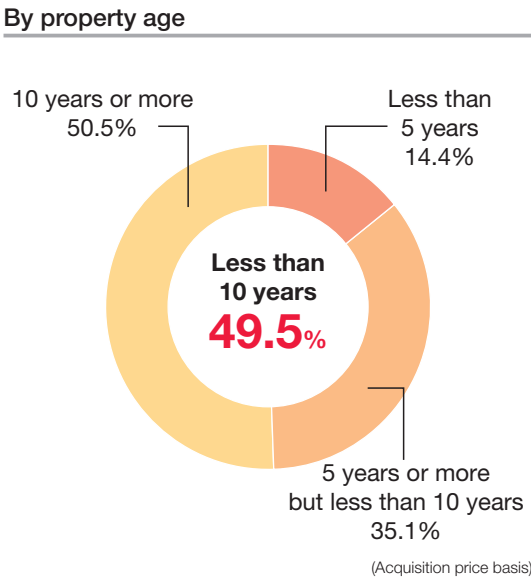
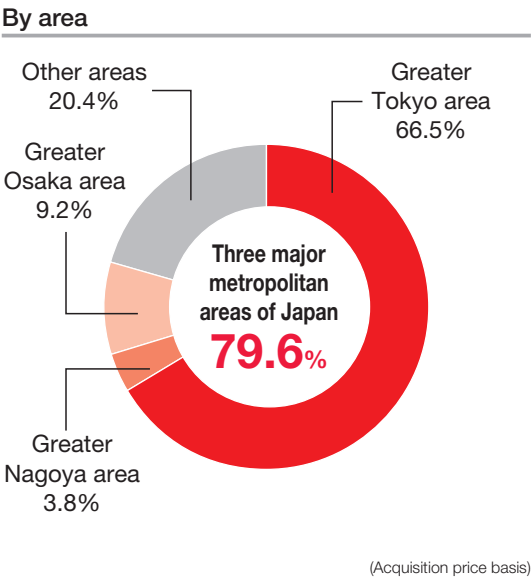
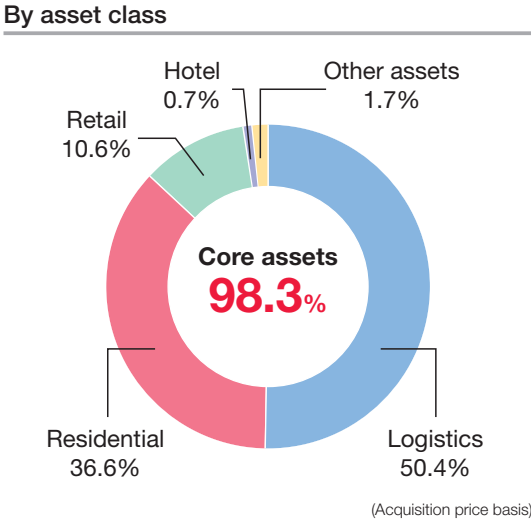
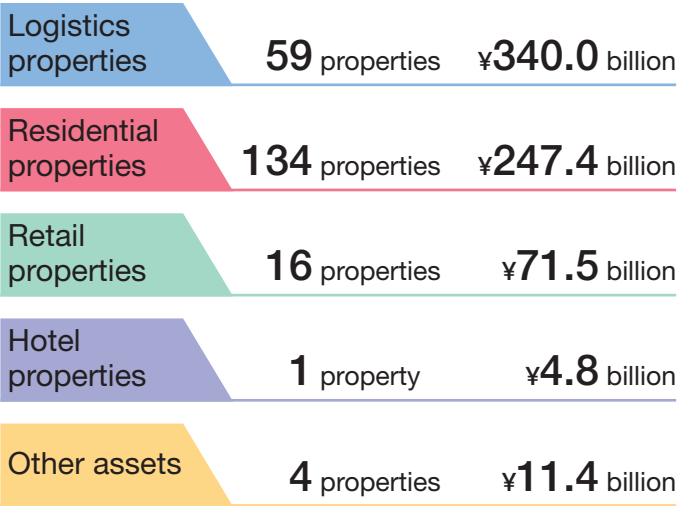


Location	Kusatsu City, Shiga	Sale price	¥2,800 million
Date of construction	February 4, 1999	Leasable area	13,452.80 m <sup>2</sup>



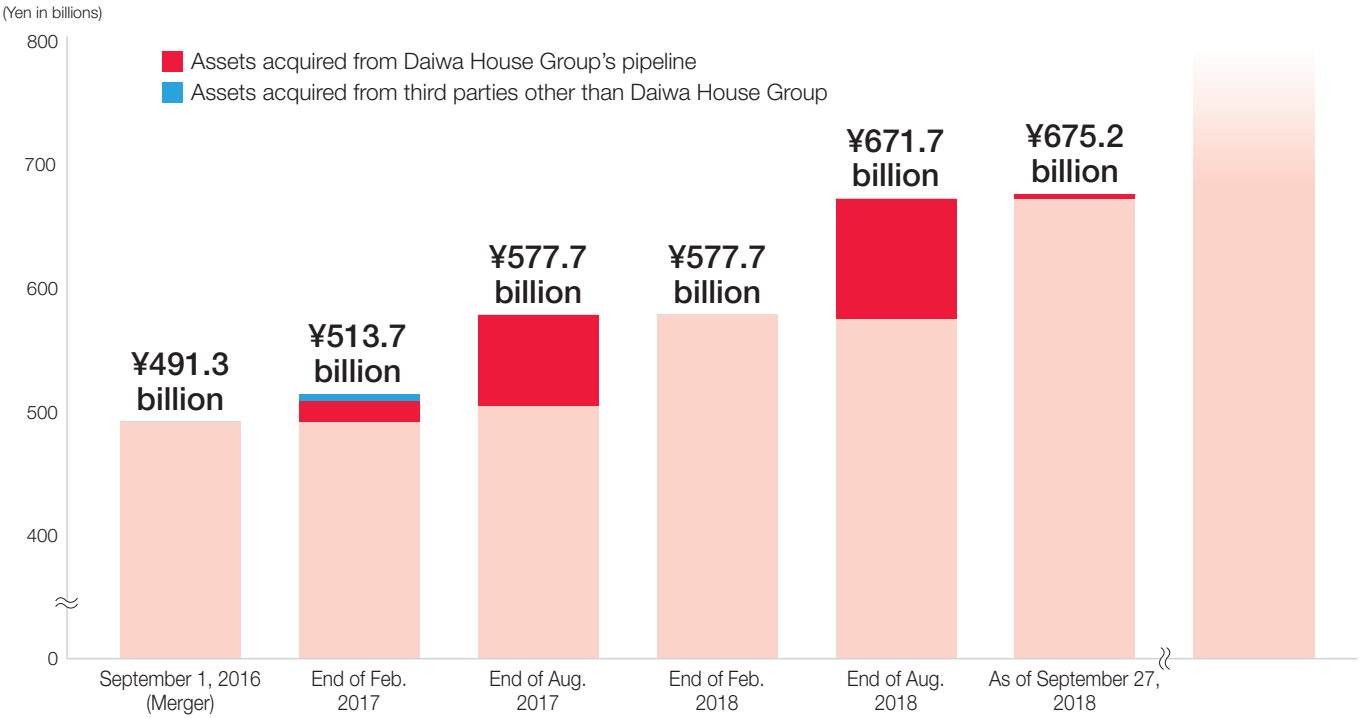
Asset Size (acquisition price basis / as of September 27, 2018)

214 properties      ¥675.2 billion



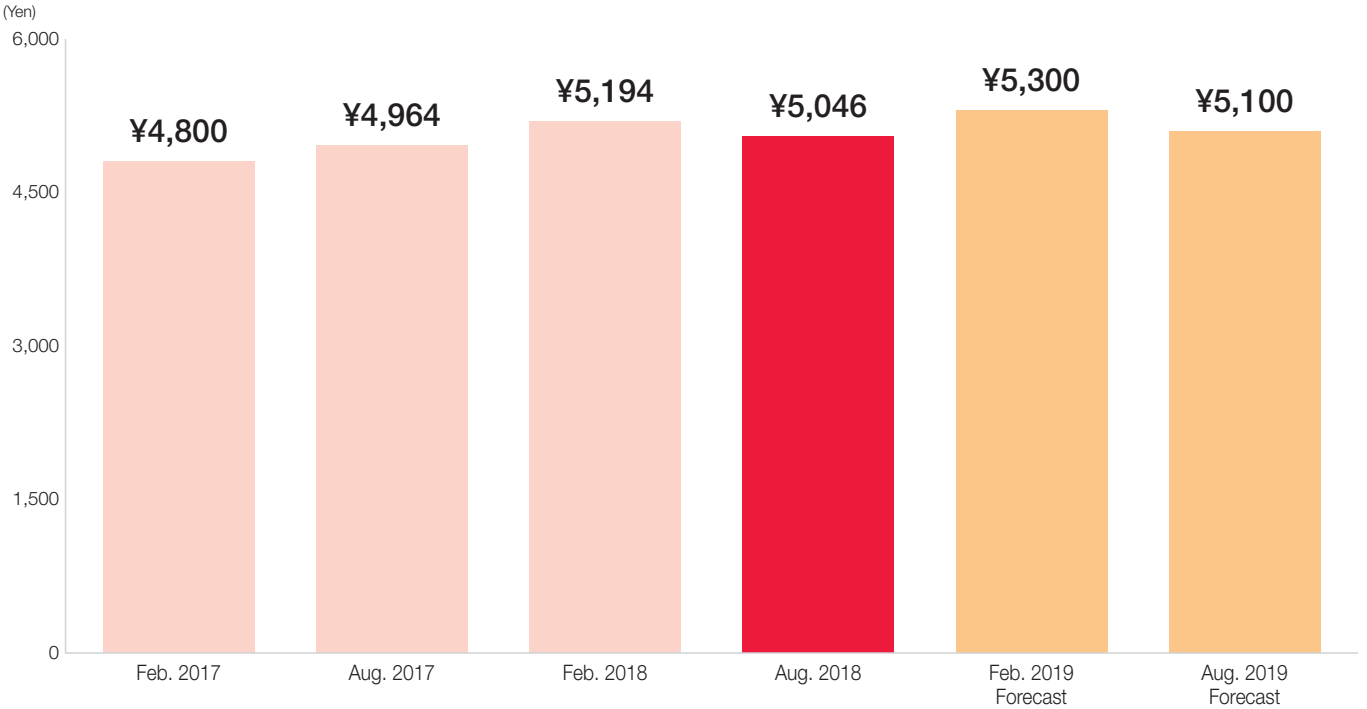
Track Record of Growth in Asset Size (acquisition price basis)

Since the merger in September 2016, DHR has acquired 41 properties with a total acquisition price of ¥196.6 billion, achieving rapid external growth.  
Looking ahead, DHR will continue making steady external growth towards its medium-term target of ¥800 billion in assets.



Trend of Distributions Per Unit

In the fiscal period ended August 31, 2018, due to a high level of occupancy in our portfolio and revenue contributions of properties acquired during the period, we recorded ¥5,046 of DPU.  
In the fiscal period ending February 28, 2019, we expect ¥5,300 of DPU due to revenue contribution of newly acquired properties, etc. In the fiscal period ending August 31, 2019, we expect ¥5,100 of DPU due to the incurrence of costs including property taxes on properties acquired in 2018.



Total acquisition price since the merger

41 properties      ¥196.6 billion

Asset size growth rate since the merger

+37.4%

Increase in asset size after the merger ¥183.9 billion

Acquisition ratio from Daiwa House Group's pipeline since the merger

97.1% (40 properties / 41 properties)

(Acquisition price basis)


Acquisition ratio of properties developed by Daiwa House Group since the merger

96.3% (39 properties / 41 properties)

(Acquisition price basis)

Daiwa House Group's Support in External Growth

DHR holds pipeline support agreements that aim to provide preferential negotiation rights and preferential property information from Daiwa House and Daiwa House Group's supporting companies.




**Daiwa House**  
Daiwa House Group

**Daiwa House Industry Co., Ltd.**

Logistics Residential Retail

Hotel Other

Preferential negotiation rights  
Information on properties for sale  
Warehousing Re-development support  
Property management advisory Leasing support  
Provision of human resources  
Acquisition and holding of investment units  
Advice on renewal and construction-process-control  
Entrustment of PM tasks




**コスモスイニシア**  
Daiwa House Group

**Cosmos Initia Co., Ltd.**

Residential

Preferential negotiation rights  
Information on properties for sale




**Daiwa Lease**  
Daiwa House Group

**Daiwa Lease Co., Ltd.**

Retail

Preferential negotiation rights  
Information on properties for sale  
Leasing support




**Daiwa Info.Service**  
Daiwa House Group

**Daiwa Information Service Co., Ltd.**

Logistics Retail

Preferential negotiation rights  
Information on properties for sale  
Leasing support




**Daiwa Royal**  
Daiwa House Group

**Daiwa Royal Co., Ltd.**

Retail Hotel

Preferential negotiation rights  
Information on properties for sale  
Leasing support




**FUJITA**  
Daiwa House Group

**Fujita Corporation**

Logistics Residential Retail

Preferential negotiation rights  
Information on properties for sale



**Daiwa Logistics**  
Daiwa House Group


**Daiwa Logistics Co., Ltd.**

Logistics


Preferential negotiation rights  
Information on properties for sale  
Leasing support

Principal Developed Properties / Properties under Development of Daiwa House Group, etc.


D Project Kita Hachioji Building A, Building B, Building C  
Logistics: Hachioji City, Tokyo




D Project Jonanjima  
Logistics: Ota Ward, Tokyo




D Project Itabashi Shingashi  
Logistics: Itabashi Ward, Tokyo




D Project Wako Building A  
Logistics: Wako City, Saitama




D Project Ibaraki Building A  
Logistics: Ibaraki City, Osaka




DPL Sagamihara  
Logistics: Sagamihara City, Kanagawa




DPL Yokohama Daikoku  
Logistics: Yokohama City, Kanagawa




DPL Ichikawa  
Logistics: Ichikawa City, Chiba




Royal Parks ER Sasashima  
Residential: Nagoya City, Aichi




iiias Takao  
Retail: Hachioji City, Tokyo




iiias Tsukuba  
Retail: Tsukuba City, Ibaraki




COMBOX310  
Retail: Mito City, Ibaraki




Daiwa Royal Ariake Project  
Hotel: Koto Ward, Tokyo




D Tower Nishi Shinjuku  
Other: Shinjuku Ward, Tokyo



Hiroshima Futaba no Sato Project  
Other: Hiroshima City, Hiroshima



Nerima Takamatsu Project  
Other: Nerima Ward, Tokyo



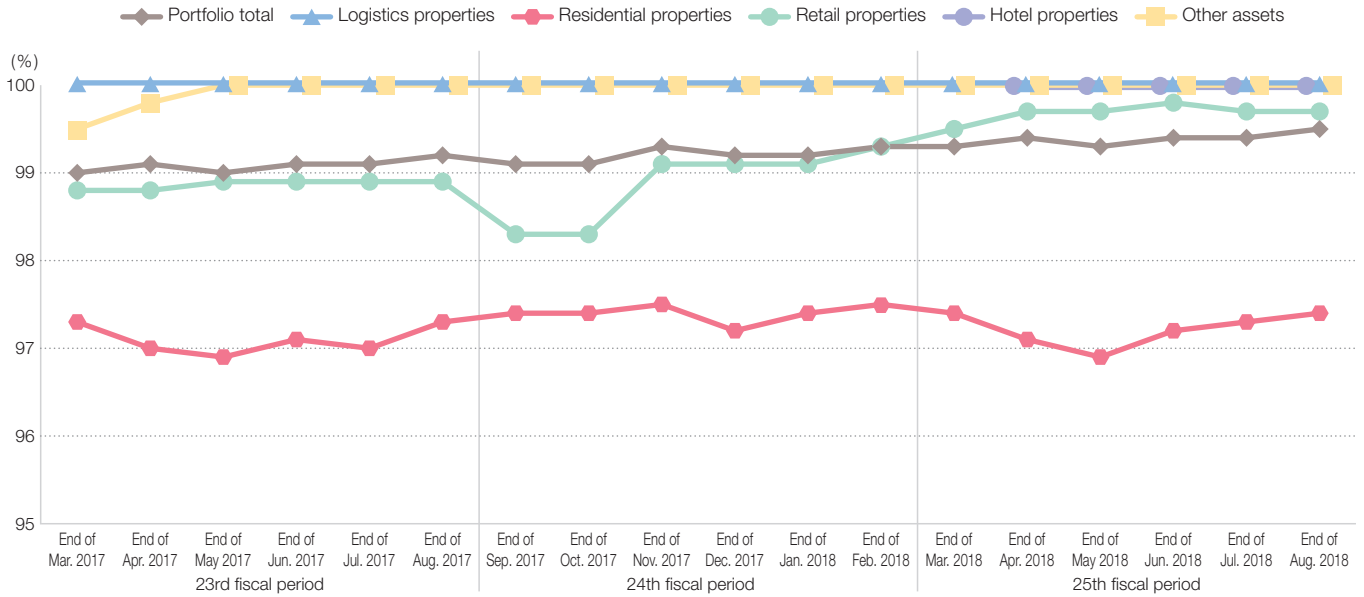
(Source) Daiwa House

(Notes) 1. Among the "principal developed properties / properties under development of Daiwa House Group, etc." there are some properties that are under development as of the date of this report. When these properties are completed, there is no guarantee that the above information will match that of the actual property. Furthermore, DHR does not have fixed plans to acquire each of the properties listed above as of the date of this report.

2. The architectural renderings shown for "Daiwa Royal Ariake Project," "D Tower Nishi Shinjuku" and "Hiroshima Futaba no Sato Project" are images of how they are planned to be completed as of the date of this report.

Trend of Occupancy Rate

As of August 31, 2018, the occupancy rate was 99.5%, as we continued to maintain stable operations.




Initiatives to Increase Attractiveness

We worked to maintain the competitiveness of our properties by implementing value enhancement projects based on the characteristics of each property.


Residential properties: Value enhancement projects

Warehouse renovated into party room

Before

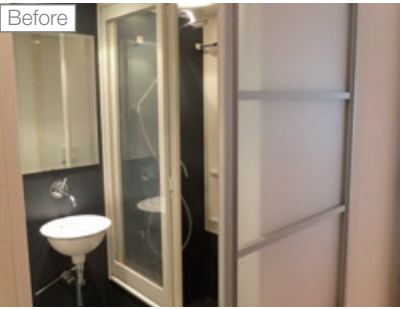


After




Shower room renovated into bathroom with a bathtub

Before

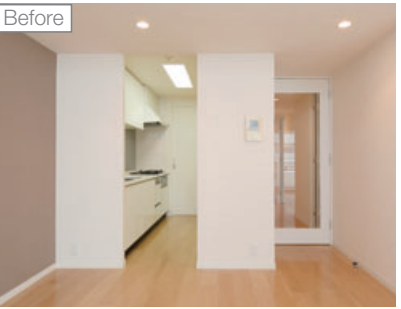


After

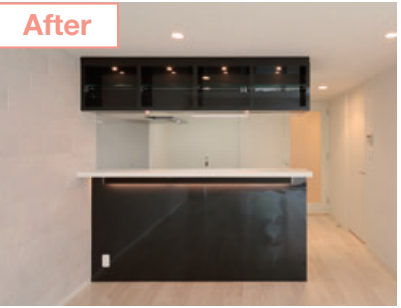


Kitchen renovated from being affixed to wall to popular open style

Before



After





Sustainability Policy

- 1 Prevention of global warming

We will promote energy conservation measures through the installation of energy conservation equipment and so forth to realize a carbon-free society. We will also consider introduction of renewable energy power generation facilities and acquisition of properties that have such equipment installed.
- 2 Harmony with the natural environment (preservation of biodiversity)

We will aim for a society that is able to pass on abundant natural resources to future generations in order to protect and improve natural capital. We will also promote planting and management considering harmony with the surrounding environment.
- 3 Conservation of natural resources (reducing waste, protecting water resources)

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

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

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

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

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

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

Sustainability Target

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


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

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


Consideration for Society

Contributions to local communities


Local events



Bicycle rentals





AED



Neighborhood co-existence activities

- Implementing cleanup activities
- Participating in the “Contribution Project with Books”






Governance


- Ensuring the presence of third parties in the decision-making flow to protect unitholder interests
  - Ownership of investment units by Daiwa House (“Same Boat Investment”)
- Number of investment units held by Daiwa House (holding ratio)    185,200 units (9.6%)    (as of August 31, 2018)

DBJ Green Building Certification Awarded (16 properties)


DBJ Green Building 2017




DPL Misato  
Logistics




D Project Kakegawa  
Logistics




D Project Urayasu III  
Logistics




Royal Parks Toyosu  
Residential




D Project Machida  
Logistics




D Project Hachioji  
Logistics




D Project Kuki I  
Logistics




Royal Parks Wakabadai  
Residential




Pacific Royal Court Minatomirai Urban Tower  
Residential




D Project Kuki II  
Logistics




D Project Kuki IV  
Logistics




D Project Kuki V  
Logistics



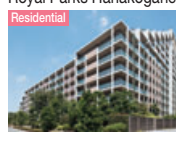
Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)  
Other




D Project Kawagoe III  
Logistics




Royal Parks Hanakoganei  
Residential



ACROSSMALL Shinkamagaya  
Retail



DBJ Green Building 2016

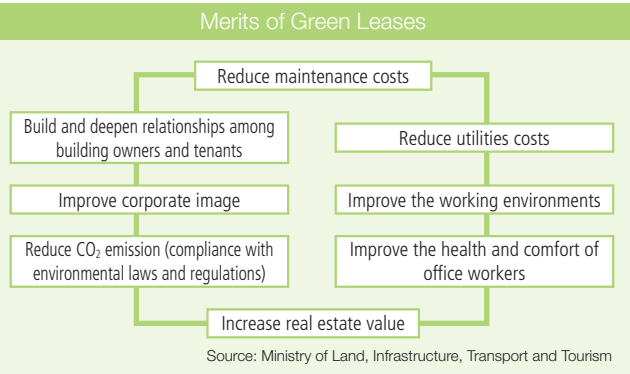


Green Lease Agreement

- Concluded Green Lease agreements for six logistics properties
- Installed LED lights

**What are Green Leases?**

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.



Consideration for the Environment

- Energy conservation measures
- Greening and heat island countermeasures

LED lights



Solar power generation system



Slope to the upper floor



Large-scale window space allowing the use of natural light



Large-scale green area



Rooftop greening



Exterior greening, water-permeable paving



Rooftop terraces



Solar power generation system, rooftop greening



GRESB Real Estate Assessment

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

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





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 funding through issuance of investment corporation bonds, and by promoting use of long-term fixed rates on interest-bearing debt and staggering repayment dates. DHR will continue its policy of stable financial operation by maintaining the ongoing conservative LTV level target (excluding goodwill) of between 40% and 50%.

Interest-bearing Debt (as of September 27, 2018)

We issued ¥3.0 billion in investment corporation bonds in July 2018 and took out ¥2.0 billion in new loans in September 2018.

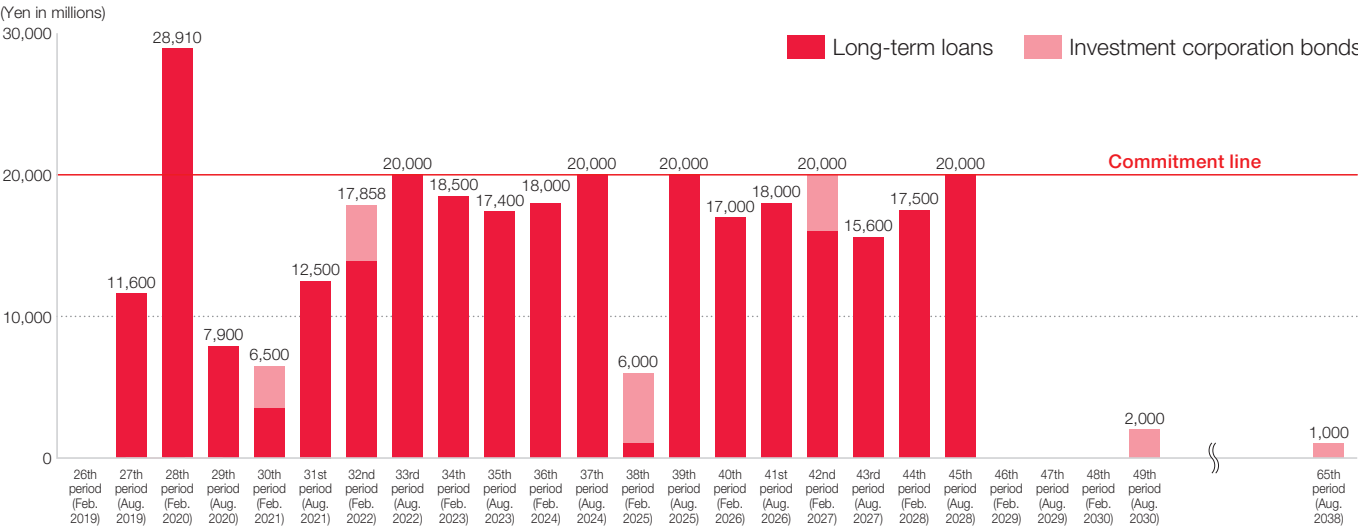
Total interest-bearing debt	¥316,268 million
Total loans	¥297,268 million
Total investment corporation bonds	¥19,000 million
LTV (excluding goodwill)	45.1%
LTV (including goodwill)	40.9%
Long-term interest-bearing debt ratio	96.3%
Fixed interest ratio	95.4%
Average interest rate	0.76%
Average remaining maturity	5.4 years
Commitment line	¥20,000 million

Breakdown by Lender (as of September 27, 2018)

Lender	Loan balance (Yen in millions)	Ratio (%)
MUFG Bank, Ltd.	57,154	19.2
Sumitomo Mitsui Trust Bank, Limited	52,809	17.8
Sumitomo Mitsui Banking Corporation	52,800	17.8
Mizuho Bank, Ltd.	45,800	15.4
Development Bank of Japan Inc.	16,400	5.5
Aozora Bank, Ltd.	13,561	4.6
The Norinchukin Bank	12,610	4.2
Resona Bank, Limited	10,500	3.5
Mizuho Trust & Banking Co., Ltd.	6,908	2.3
Nippon Life Insurance Company	4,500	1.5
Shinsei Bank, Limited	4,000	1.3
Shinkin Central Bank	3,500	1.2
Mitsui Sumitomo Insurance Company, Limited	3,000	1.0
The Bank of Fukuoka, Ltd.	2,500	0.8
The Chiba Bank, Ltd.	1,965	0.7
The 77 Bank, Ltd.	1,500	0.5
The Nishi-Nippon City Bank, Ltd.	1,500	0.5
The Shizuoka Bank, Ltd.	1,260	0.4
The Iyo Bank, Ltd.	1,000	0.3
The Bank of Kyoto, Ltd.	1,000	0.3
The Dai-ichi Life Insurance Company, Limited	1,000	0.3
Taiyo Life Insurance Company	1,000	0.3
The Chugoku Bank, Limited	1,000	0.3
Total loans	297,268	100.0

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

Diversifying Debt Maturities (as of September 27, 2018)



Rating/Outlook (as of August 31, 2018)

On August 8, 2018, Rating and Investment Information, Inc. (R&I) upgraded the outlook of its issuer rating for DHR from “A+ (Stable)” to “A+ (Positive).”

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

LM-001 | DPL Misato



Logistics properties

LB-037 | D Project Urayasu III



Logistics properties

LB-049 | D Project Chibakita



Retail properties

RM-002 | FOLEO Hirakata



Residential properties

RE-107 | Royal Parks Hanakoganei



Hotel properties

HO-001 | Daiwa Roynet Hotel Yokohama Kannai

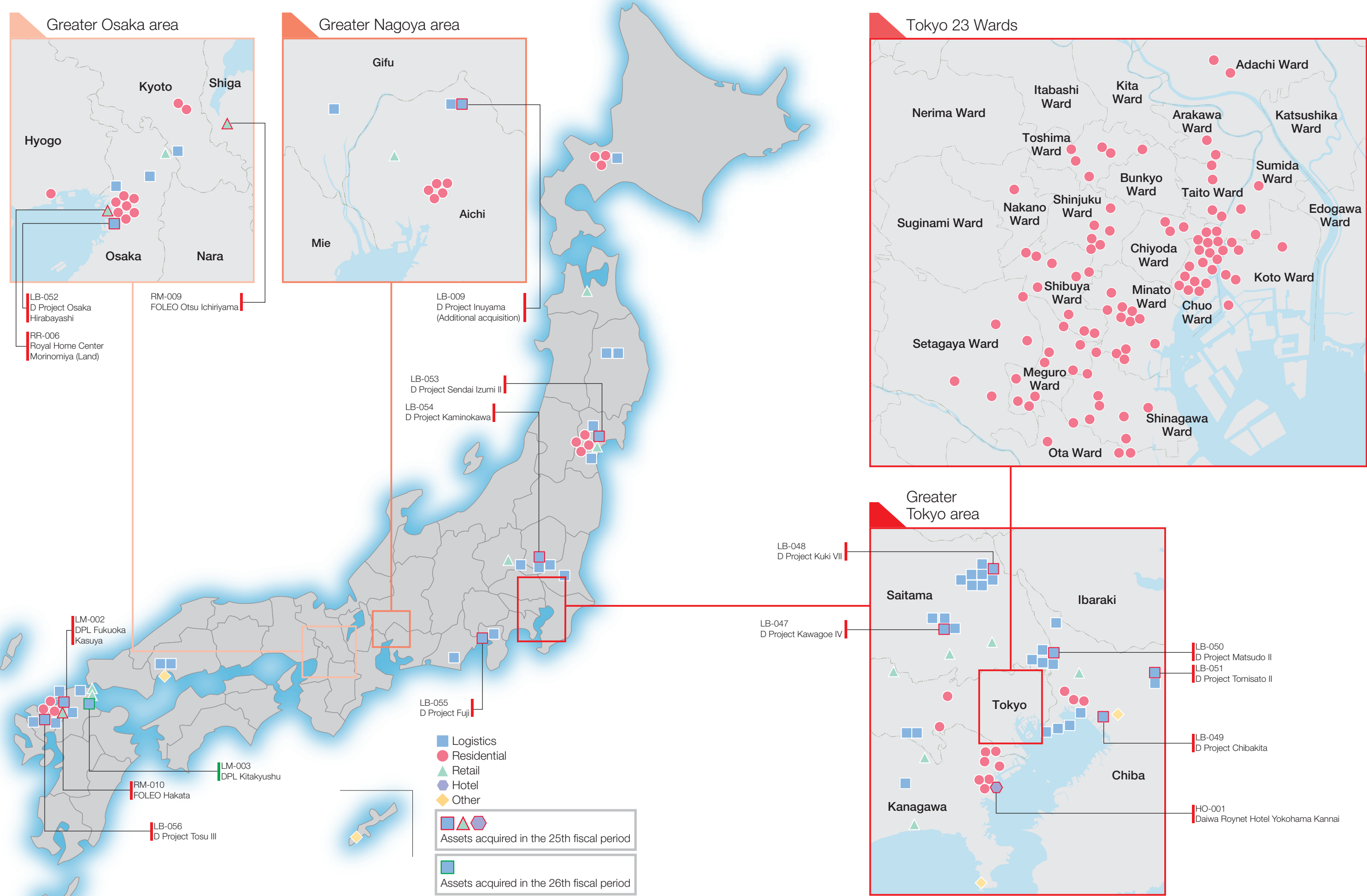


Other assets

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







# I. Asset Management Report

## 1. Summary of Asset Management

### (1) Historical Operating Results

		21st period August 2016	22nd period February 2017	23rd period August 2017	24th period February 2018	25th period August 2018
Operating revenues (Note 1)	Yen in millions	9,691	17,531	21,015	19,700	22,211
Of which, real estate rental revenues	Yen in millions	9,691	17,531	19,479	19,700	22,211
Operating expenses	Yen in millions	5,731	11,963	11,623	11,687	12,942
Of which, real estate rental expenses	Yen in millions	4,746	7,493	7,906	7,947	8,944
Operating income	Yen in millions	3,959	5,567	9,392	8,012	9,269
Ordinary income	Yen in millions	3,214	4,474	7,974	7,146	7,770
Net income	Yen in millions	3,213	4,393	7,968	7,142	7,765
Total assets	Yen in millions	258,266	604,142	682,359	681,192	771,281
Period-on-period changes	%	(0.1)	133.9	12.9	(0.2)	13.2
Net assets	Yen in millions	111,042	330,304	377,321	376,300	430,596
Period-on-period changes	%	(0.1)	197.5	14.2	(0.3)	14.4
Unitholders' capital	Yen in millions	61,703	61,703	108,136	108,136	163,230
Total number of investment units issued	Units	747,740	1,519,280	1,690,000	1,690,000	1,927,000
Net assets per unit	Yen	148,504	217,408	223,267	222,663	223,454
Total distributions	Yen in millions	3,392	7,292	8,389	8,777	9,723
Distributions per unit	Yen	4,537	4,800	4,964	5,194	5,046
Of which, earnings distributions per unit	Yen	4,537	4,800	4,964	5,194	5,046
Of which, distributions in excess of earnings per unit	Yen	—	—	—	—	—
Ordinary income to total assets ratio (Note 2)	%	1.2	1.0	1.2	1.0	1.1
Annualized	%	2.5	2.1	2.5	2.1	2.1
Return on equity (Note 3)	%	2.9	2.0	2.3	1.9	1.9
Annualized	%	5.7	4.0	4.5	3.8	3.8
Equity ratio	%	43.0	54.7	55.3	55.2	55.8
Period-on-period changes	%	(0.0)	11.7	0.6	(0.1)	0.6
Payout ratio	%	105.6	166.0	104.0	122.9	123.6
<Other Reference Information>						
Rental NOI (Note 4)	Yen in millions	6,977	13,398	15,286	15,503	17,563
FFO per unit (Note 5)	Yen	7,024	6,469	7,184	7,625	7,346
FFO multiple (Note 6)	Times	20.9	22.4	18.9	16.7	17.7
Debt service coverage ratio (Note 7)	Times	10.2	12.2	15.4	14.4	14.2
Interest-bearing debt	Yen in millions	141,663	253,163	282,268	282,268	314,268
Interest-bearing debt to total assets ratio (Note 8)	%	54.9	41.9	41.4	41.4	40.7

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

### (2) Asset Management during the Period

#### i) Transition of DHR

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

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

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

Accordingly, leveraging their individual strengths and drawing on sponsor support of the Daiwa House Group (Note), both former DHI and the former DHR (hereinafter collectively referred to as the “Investment Corporations”) accumulated asset management results geared to securing stable income over the medium to long term and steadily growing their assets. However, as of September 1, 2016, DHR conducted an absorption-type merger (hereinafter referred to as the “Merger”) whereby the former DHI was the surviving corporation and the former DHR was the absorbed corporation, shifted to a diversified REIT portfolio that targets investment in new asset classes such as hotel and office properties, in addition to those that the Investment Corporations had targeted for investment in the past, and changed its corporate name from Daiwa House Residential Investment Corporation to Daiwa House REIT Investment Corporation with the aim of sustainably increasing unitholder value going forward.

(Note) The Daiwa House Group comprises Daiwa House, which is the parent company, 314 consolidated subsidiaries, 2 non-consolidated subsidiaries, 35 equity-method affiliates and 5 non-equity-method affiliates as of June 30, 2018. The Asset Manager is a member of the group. The same shall apply hereinafter.

#### ii) Performance for the Current Fiscal Period

DHR raised ¥55.0 billion of capital in its second public offering since the Merger and acquired 16 properties for a total acquisition price (Note 1) of ¥96.9 billion through the Daiwa House Group’s pipeline in March and April 2018 by a combination of funds raised through public offering and loans. Furthermore, in June 2018, DHR sold one residential property for a sale price of ¥2.8 billion. As a result, DHR’s portfolio as of the end of the current fiscal period consists of 213 properties with an asset value of ¥671.7 billion (Note 2).

Concerning actual performance of owned assets in the current fiscal period, DHR’s occupancy rate at the end of the fiscal period was 99.5%, and a high level of rental revenues was maintained. As a result, operating revenues amounted to ¥22,211 million, ¥137 million higher than the forecast of results disclosed in the financial results report for the fiscal period ended February 28, 2018 (referred to as the “forecast of results” in “ii) Performance for the Current Fiscal Period”).

Regarding rental expenses, on the other hand, DHR brought forward part of the repairs and maintenance expenses, etc. that had been scheduled for the next fiscal period onward in view of reducing the future cost burden. Nevertheless, DHR’s efforts to reduce general and administrative expenses and other costs led to operating income of ¥9,269 million, up ¥94 million from the forecast of results, and net income of ¥7,765 million, up ¥208 million from the forecast of results.

(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. “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 in the total amount of ¥32,000 million on March 27, 2018 and April 10, 2018, to provide for some of the acquisition costs and the related expenses for the acquisition of properties through the Daiwa House Group’s pipeline (total acquisition price of ¥96.9 billion). In addition, on July 30, 2018, DHR issued its 7th Unsecured Investment Corporation Bonds at a total issue amount of ¥2,000 million, and 8th Unsecured Investment Corporation Bonds at a total issue amount of ¥1,000 million, to provide for partial early repayment of the long-term loans becoming due on March 31, 2020.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥314,268 million (loan balance: ¥295,268 million, investment corporation bond balance: ¥19,000 million), which is an increase of ¥32,000 million in comparison with the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 40.7%, and its LTV (excluding goodwill) (Note 2) was 44.9%.

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

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

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



iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥731,042 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value, was ¥78,885 million.

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

v) Overview of Financial Results

As a result of the abovementioned investment management activities, in the current fiscal period, DHR posted operating revenues of ¥22,211 million, operating income of ¥9,269 million, ordinary income of ¥7,770 million, and net income of ¥7,765 million (¥4,029 per investment unit).

Furthermore, based on its distribution policy, DHR reversed ¥1,980 million (¥1,027 per investment unit) as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up net income, while at the same time, ¥22 million (¥11 per investment unit) recorded as refunded consumption taxes relating to properties that DHR acquired in prior periods was accumulated as reserve for distribution. As a result, total distributions amounted to ¥9,723 million (¥5,046 per investment unit).

(3) Summary of Capital Increase

Changes in DHR's total number of investment units issued and unitholders' capital for the most recent five years until August 31, 2018 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remark
		Change	Balance	Change	Balance	
October 28, 2013	Capital increase through public offering	20,000	371,870	7,817	60,921	(Note 1)
November 19, 2013	Capital increase through third-party allotment	2,000	373,870	781	61,703	(Note 2)
March 1, 2015	Split of investment units	373,870	747,740	—	61,703	(Note 3)
September 1, 2016	Delivery by allotment due to merger	771,540	1,519,280	—	61,703	(Note 4)
March 21, 2017	Capital increase through public offering	156,720	1,676,000	42,625	104,328	(Note 5)
April 14, 2017	Capital increase through third-party allotment	14,000	1,690,000	3,807	108,136	(Note 6)
March 19, 2018	Capital increase through public offering	222,000	1,912,000	51,607	159,743	(Note 7)
April 13, 2018	Capital increase through third-party allotment	15,000	1,927,000	3,486	163,230	(Note 8)

(Notes) 1. Investment units were issued by public offering with an issue price of ¥404,137 per unit (paid-in amount: ¥390,873) in order to raise funds for repayments of short-term loans for the acquisition of new properties, etc.  
2. Additional investment units were issued with a paid-in amount of ¥390,873 per unit in order to raise funds for repayments of short-term loans for the acquisition of new properties, etc.  
3. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.  
4. 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.  
5. 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.  
6. 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.  
7. 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.  
8. Additional investment units were issued with a paid-in amount of ¥232,465 per unit in order to raise funds for the acquisition of new properties, etc.

[Changes in market price of investment securities]

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

	21st period	22nd period	23rd period	24th period	25th period
Fiscal period ended	August 2016	February 2017	August 2017	February 2018	August 2018
Highest	¥308,000	¥298,400	¥289,800	¥277,100	¥276,000
Lowest	¥232,100	¥274,800	¥248,500	¥250,800	¥244,000
Beginning of period	¥236,300	¥284,400	¥289,800	¥268,500	¥251,300
End of period	¥291,800	¥292,000	¥268,800	¥257,100	¥257,600

(4) Distributions

As indicated in “(5) Future Operating Policies and Issues to Be Addressed, ii) Future Operating Policies and Issues to Be Addressed, (b) Distribution Policy” below, DHR established the policy on how to use the voluntary reserve and implemented its distribution policy by utilizing the voluntary reserve. For the current fiscal period, DHR reversed ¥1,980 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up unappropriated retained earnings of ¥7,765 million, while at the same time, ¥22 million recorded as refunded consumption taxes relating to properties that DHR acquired in prior periods was accumulated as reserve for distribution. Consequently, total distributions amounted to ¥9,723 million, for distributions per unit of ¥5,046.

	21st period From March 1, 2016 to August 31, 2016	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018	25th period From March 1, 2018 to August 31, 2018
Unappropriated retained earnings	¥3,213,554,837	¥4,393,259,342	¥7,968,070,160	¥7,142,344,597	¥7,765,290,290
Amount retained as voluntary reserve (Note)	¥17,705,349,429	¥14,806,064,771	¥14,384,974,931	¥12,749,459,528	¥10,791,107,818
Total distributions	¥3,392,496,380	¥7,292,544,000	¥8,389,160,000	¥8,777,860,000	¥9,723,642,000
Distributions per unit	¥4,537	¥4,800	¥4,964	¥5,194	¥5,046
Of the above, total earnings distributions	¥3,392,496,380	¥7,292,544,000	¥8,389,160,000	¥8,777,860,000	¥9,723,642,000
Earnings distributions per unit	¥4,537	¥4,800	¥4,964	¥5,194	¥5,046
Of the above, total capital refunds	—	—	—	—	—
Capital refunds per unit	—	—	—	—	—
Of total capital refunds, total distributions from the allowance for temporary difference adjustments	—	—	—	—	—
Of capital refunds per unit, temporary-difference- adjustment-allowance distributions per unit	—	—	—	—	—
Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes	—	—	—	—	—
Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit	—	—	—	—	—

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

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, the Japanese economy is in a gradual expansionary trend. According to the quarterly Financial Statements Statistics of Corporations by Industry, conditions including corporate earnings for April to June 2018 showed sales rising 1.8% from the previous quarter, for the eighth consecutive quarterly increase. Ordinary income followed the positive shift in the previous quarter, rising 17.9% from the previous quarter for April to June. Capital expenditure saw a large-scale recovery centered on the manufacturing industry, rising 6.9% from the previous quarter for the fourth-straight quarterly increase. According to the GDP growth rate for April to June 2018 (the 2nd preliminary), real GDP was up by 0.7% (3.0% annualized), meaning that the Japanese economy remained firm. As for consumer spending, consumption is expected to grow gently in the future on account of steady improvements in the employment and personal income environments. Furthermore, looking toward the future, amidst expectations for overall stability in the economies of the United States and major European countries, the Japanese economy is expected to continue its gradual expansion, driven by private-sector demand backed by strong corporate results. However, changes in the policy rates of foreign countries and in exchange rates, external debt issues in emerging countries, and concern over trade friction between the US and China could affect the Japanese economy going forward, and these trends require sufficient attention.

In Japan's real estate market, according to the Land Value LOOK Report for the second quarter of 2018 released by the Ministry of Land, Infrastructure, Transport and Tourism in August 2018, among the 100 intensively used districts of major cities, land value rose in 95 districts (compared with 91 districts in the first quarter of 2018), stayed flat in 5 districts (compared with 9 districts in the first quarter of 2018), and dropped in 0 districts (compared with 0 districts in the first quarter of 2018). Therefore, the districts maintaining rising prices were 95%. The main reason that the percentage of districts with rising prices maintained such a high level was a continuing strong real estate investment sentiment reflecting improvements in the employment and personal income environments and favorable financing environment owing to monetary easing, etc. on the back of a continuing favorable office market condition particularly in the three major metropolitan areas, cities becoming more vibrant due to ongoing redevelopment projects, and continuing high-level demand of visitors to Japan for consumption and accommodation.

In the J-REIT market, entering 2018, the Tokyo Stock Exchange REIT Index (1,662.92 points at the end of 2017) had risen to 1,768.07 points in January, but by mid-February, the index had fallen to 1,645.41 points due to the fall in the global equity market due to concern over rising US long-term interest rates. Thereafter, the index followed a gradual track of increase from March due mainly to capital inflows from foreign investors, rising to 1,752.65 points by the end of this quarter (August 31).

Under the aforementioned environment, the investment environment (environment for property acquisitions) is expected to continue to be tough due to lowering capitalization rates used in real estate appraisals, rising land prices, soaring construction costs, and other factors. Nevertheless, DHR will continue to acquire high quality properties actively while making use of the Daiwa House Group's integrated capabilities, and real estate development knowhow.

ii) Future Operating Policies and Issues to Be Addressed

(a) Growth Strategy

DHR now targets a broader range of investments due to its shift to a diversified REIT portfolio as a result of the Merger (thereby enhancing external growth potential). Consequently, DHR has achieved swift expansion of its asset size, having acquired 41 new properties over the roughly two years since the Merger (at a total acquisition price of ¥196.6 billion). Also, DHR made acquisitions of a multi-use complex consisting of hotel and offices, in addition to existing built-to-suit (BTS) logistics properties (Note 1), residential properties, and retail properties since the Merger, and subsequently also acquired its first multi-tenant logistics property (Note 2) in April 2017, and its first hotel property in April 2018. DHR believes that acquiring various types of assets will enable it to diversify its portfolio and generate income more consistently.

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

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

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

(b) Distribution Policy

As of the end of the current fiscal period, DHR had a total of ¥35,062 million in tax loss carryforwards (Note 1), ¥10,785 million in reserve for temporary difference adjustments (before reversal for the current fiscal period; the amount after reversal is ¥8,804 million), and ¥1,964 million in reserve for distribution (before accumulation for the current fiscal period; the amount after accumulation is ¥1,986 million).

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

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

In order to make earnings distributions deductible for tax purposes, J-REITs must distribute more than 90% of distributable earnings, but J-REITs that have tax loss carryforwards can reduce their taxable income to the extent of tax loss carryforwards. By utilizing tax loss carryforwards inherited from the merger with NCR, DHR is able to accumulate all or part of income in cases where net income exceeds the initial forecast due to gain on sale of real estate properties without having taxes imposed until August 31, 2018 to the extent that the tax loss carryforwards are available (Note 1).

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

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

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

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

(Notes) 1. The carryforward period of loss carryforwards inherited from the merger with NCR is until the end of the fiscal period ended August 31, 2018. In addition, the loss carryforwards inherited from the former DHR as a result of the Merger is ¥507 million and the carryforward period for such loss carryforwards is until the end of the fiscal period ending February 28, 2021.  
2. DHR's reversals of reserve for temporary difference adjustments do not fall under distributions in excess of earnings (return of unitholders' capital).  
3. Under the above distribution policy, DHR has the policy to stabilize distributions. However, it is not intended as a guarantee or promise of the payment of distribution and amounts thereof.

iii) Financial Strategy

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

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



(6) Significant Events after Balance Sheet Date

A. Acquisition of Assets

DHR acquired the following property on September 27, 2018.

Asset name	DPL Kitakyushu
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥3,510,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.

(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 classified as an interested party, etc. as defined in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act"). As such, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.

B. Debt Financing

DHR conducted debt financing for acquiring the property mentioned in "A. Acquisition of Assets" above, on September 27, 2018, as follows.

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Collateral
The Dai-ichi Life Insurance Company, Limited	1,000	0.43% (Fixed interest rate)	September 27, 2018	September 29, 2023	Bullet repayment	Unsecured and non-guaranteed
Taiyo Life Insurance Company	1,000	0.60% (Fixed interest rate)	September 27, 2018	September 30, 2025	Bullet repayment	Unsecured and non-guaranteed

C. Dismissal of Final Appeal Against Court Judgment of Lawsuit over Confirmation of Reduction of Rent for D Project Shin-Misato

DHR has been subject to the lawsuit over confirmation of rent reduction filed against Mitsubishi UFJ Trust and Banking Corporation, the trustee of D Project Shin-Misato (the "Property"), by Asahi Security Co., Ltd., the tenant of the Property. The Supreme Court dismissed DHR's appeal through the trustee on October 2, 2018.

After giving comprehensive consideration to how the lawsuit unfolded, DHR recorded provision for loss on litigation of ¥89 million as of the fiscal period ended February 28, 2018. With the dismissal of the appeal in the lawsuit, the reduced portion of rent of Asahi Security Co., Ltd. for prior periods is covered by the provision for loss on litigation previously recorded and the loss on litigation recorded in the fiscal period ended August 31, 2018.

2. Overview of the Investment Corporation

(1) Status of Investment Units

	21st period As of August 31, 2016	22nd period As of February 28, 2017	23rd period As of August 31, 2017	24th period As of February 28, 2018	25th period As of August 31, 2018
Total number of authorized investment units	4,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued	747,740	1,519,280 (Note)	1,690,000	1,690,000	1,927,000
Unitholders' capital (Yen in thousands)	61,703,224	61,703,224	108,136,162	108,136,162	163,230,367
Number of unitholders	6,431	10,851	13,779	13,461	16,962

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

(2) Matters concerning Investment Units

The major unitholders as of August 31, 2018 are as follows:

Name	Number of investment units held (Units)	Percentage of investment units held against the total number of investment units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust account)	367,959	19.1
The Master Trust Bank of Japan, Ltd. (Trust account)	285,150	14.8
Daiwa House Industry Co., Ltd.	185,200	9.6
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	71,670	3.7
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	57,289	3.0
State Street Bank - West Client - Treaty 505234	46,621	2.4
Nomura Bank (Luxembourg) S.A.	38,415	2.0
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	29,981	1.6
Mizuho Securities Co., Ltd.	19,546	1.0
Trust & Custody Services Bank, Ltd. (Money trust taxable account)	18,994	1.0
Total	1,120,825	58.2

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

(3) Officers

The following table provides information about the officers.

Title and post	Name	Major concurrent position	Total compensation per title during the 25th period (Yen in thousands)
Executive Director	Jiro Kawanishi	—	2,400
Supervisory Directors	Tetsuya Iwasaki	Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	2,100
	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	2,100
Accounting Auditor	Ernst & Young ShinNihon LLC	—	38,500

(Notes) 1. The Executive Director and Supervisory Directors do not hold investment units of DHR under their own or another person's name. Any Supervisory Director may serve as an executive of a corporation other than those listed above, but such corporations including those listed above do not have any interest in DHR.  
2. Dismissal or non-reappointment of the Accounting Auditor shall be discussed at DHR's board of directors pursuant to the provisions of the Investment Trusts Act for dismissal, taking into full account all relevant factors for non-reappointment such as the quality of audits and compensation for audits.  
3. Compensation for the Accounting Auditor includes fees for the creation of comfort letters for the issuance of new investment units in March 2018 and issuance of 7th and 8th investment corporation bonds in July 2018.  
4. On July 1, 2018, Ernst & Young ShinNihon LLC changed its Japanese corporate name from ShinNihon Yugen Sekinin Kansa Hojin to EY ShinNihon Yugen Sekinin Kansa Hojin.

(4) Asset Manager, Custodian and General Administrators

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

3. Portfolio of DHR

(1) Composition of Assets

The following table provides information about the composition of assets.

Type of assets	Asset class	Area (Note 1)	24th period February 28, 2018		25th period August 31, 2018		
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	
Real estate	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	25,093	3.7	24,989	3.2
			Greater Nagoya area	919	0.1	913	0.1
			Greater Osaka area	13,507	2.0	13,413	1.7
		Other	5,403	0.8	5,358	0.7	
	Subtotal		44,924	6.6	44,675	5.8	
Trust beneficiary interests in real estate	Logistics properties	Three major metropolitan areas of Japan	Greater Tokyo area	178,673	26.2	207,466	26.9
			Greater Nagoya area	13,496	2.0	15,521	2.0
			Greater Osaka area	19,539	2.9	23,226	3.0
		Other	46,358	6.8	87,470	11.3	
	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	170,044	25.0	169,032	21.9
			Greater Nagoya area	6,173	0.9	6,109	0.8
			Greater Osaka area	9,108	1.3	6,196	0.8
		Other	5,189	0.8	5,152	0.7	
	Retail properties	Three major metropolitan areas of Japan	Greater Tokyo area	26,953	4.0	26,867	3.5
			Greater Nagoya area	2,390	0.4	2,390	0.3
			Greater Osaka area	4,553	0.7	17,224	2.2
		Other	21,677	3.2	24,835	3.2	
	Hotel properties	Three major metropolitan areas of Japan	Greater Tokyo area	—	—	4,821	0.6
	Other assets	Three major metropolitan areas of Japan	Greater Tokyo area	1,960	0.3	1,947	0.3
		Other	9,332	1.4	9,272	1.2	
	Subtotal		515,452	75.7	607,555	78.8	
	Deposits and other assets		120,816	17.7	119,051	15.4	
	Total assets		681,192	100.0	771,281	100.0	

(Notes) 1. Three major metropolitan areas of Japan in "Area" are the greater Tokyo area (Tokyo, Kanagawa, Saitama and Chiba, the same shall apply hereinafter), the greater Nagoya area (Aichi, Gifu and Mie, the same shall apply hereinafter) and the greater Osaka area (Osaka, Kyoto, Hyogo, Nara and Shiga, the same shall apply hereinafter). The same shall apply hereinafter.

2. "Total amount held" represents the amounts recorded on the balance sheets as of the last day of each fiscal period (February 28, 2018 and August 31, 2018), 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 August 31, 2018 (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 <sup>2</sup> ) (Note 2)	Leased area (m <sup>2</sup> ) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total real estate rental revenues (%) (Note 5)	Primary use
D Project Urayasu II	25,680	72,320.01	72,320.01	100.0	(Note 6)	Logistics
DPL Misato	16,744	55,864.47	55,864.47	100.0	(Note 6)	Logistics
D Project Hachioji	15,319	62,394.17	62,394.17	100.0	(Note 6)	Logistics
DPL Fukuoka Kasuya	13,351	73,739.04	73,739.04	100.0	(Note 6)	Logistics
D Project Inuyama	10,586	54,197.80	54,197.80	100.0	(Note 6)	Logistics
D Project Nishiyodogawa	10,056	39,584.80	39,584.80	100.0	(Note 6)	Logistics
D Project Tosu III	9,208	65,215.07	65,215.07	100.0	(Note 6)	Logistics
D Project Urayasu I	9,172	36,515.81	36,515.81	100.0	(Note 6)	Logistics
D Project Machida	9,142	50,490.39	50,490.39	100.0	(Note 6)	Logistics
Pacific Royal Court Minatomirai Urban Tower	8,622	26,294.49	26,294.49	100.0	2.3	Residential
Total	127,883	536,616.05	536,616.05	100.0	16.6	—

(Notes) 1. "Book value" is the amount recorded on the balance sheets as of August 31, 2018 (in the case of real estate and real estate in trust, "Book value" is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.  
2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of August 31, 2018.  
3. "Leased area" represents the leased area in the leasable area as indicated in the lease agreement in relation to each real estate or each real estate in trust as of August 31, 2018. However, in the case of a pass-through type master lease agreement entered into with the master lease company, the leased area to end-tenants, as indicated in the sublease agreement for each real estate or each real estate in trust as of August 31, 2018, is provided. As some lease agreements for each real estate or each real estate in trust may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area.  
4. "Occupancy rate" represents the ratio of leased area to total leasable area of each real estate or each real estate in trust as of August 31, 2018, and it is rounded to the first decimal place.  
5. "Rate to total real estate rental revenues" is the rental revenues from each real estate or each real estate in trust expressed as a percentage of the total rental revenues from the entire portfolio, rounded to the first decimal place.  
6. Undisclosed as consent has not been obtained from the lessee.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of August 31, 2018 (real estate and real estate in trust, etc.) is as follows:

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Machida	2-1-6, Oyamagaoka, Machida City, Tokyo	Real estate in trust	50,490.39	9,630	9,142
	D Project Hachioji	3-21-1, Minami-Osawa, Hachioji City, Tokyo	Real estate in trust	62,394.17	16,600	15,319
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa	Real estate in trust	14,240.84	4,410	3,812
	D Project Shin-Misato	Lala City, Shin-Misato, Misato City, Saitama (Note 5)	Real estate in trust	11,289.91	5,830	5,626
	D Project Urayasu I	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	36,515.81	9,720	9,172
	D Project Urayasu II	11-5, Chidori, Urayasu City, Chiba	Real estate in trust	72,320.01	27,200	25,680
	D Project Akanehama	3-2-8, Akanehama, Narashino City, Chiba	Real estate in trust	11,663.39	3,010	2,901
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda City, Chiba	Real estate in trust	29,232.53	6,560	6,109
	D Project Inuyama	5-5, Aza Takanebora, Inuyama City, Aichi	Real estate in trust	54,197.80	11,450	10,586
	D Project Gifu	449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu	Real estate in trust	7,669.91	1,150	1,083
	D Project Neyagawa	2-24-12, Shimeno, Neyagawa City, Osaka	Real estate in trust	11,151.51	6,320	5,883
	D Project Sapporo Minami	5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido	Real estate in trust	6,749.10	849	797
	D Project Morioka	3-18, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	9,558.32	1,210	1,163
	D Project Sendai Minami	3-2-39, Kuko-Minami, Iwanuma City, Miyagi	Real estate in trust	11,052.27	1,550	1,538
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura City, Ibaraki	Real estate in trust	17,448.86	3,490	3,291
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka	Real estate in trust	6,737.53	1,150	1,112
	D Project Nishi-Hiroshima	2-3-11, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	5,093.51	1,220	1,186
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka	Real estate in trust	24,729.56	4,430	4,154
	D Project Tosu	1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	17,858.01	6,030	5,558
	D Project Kuki I	6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	22,708.72	4,180	3,818
	D Project Kuki II	6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	50,490.00	8,680	7,895
	D Project Kawagoe I	3-2-3, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	16,150.88	3,770	3,466
	D Project Kawagoe II	3-2-4, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	19,872.00	5,250	4,758
	Logistics properties – Subtotal					
	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	8,660	7,191
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,290	4,199
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,230	2,434
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,230	2,329
	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	1,880	2,069
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,170	1,057
	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,300	2,088
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,700	2,772
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,510	2,510
	Castalia Shinjuku Natsume-zaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,620	1,757
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,740	1,647
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,150	1,330
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,380	2,332
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,190	1,697
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,480	1,471

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	DPL Inuyama	1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi	Real estate in trust	21,628.50	4,150	3,852
	D Project Fukuoka Hako-zaki	5-2-1, Hako-zakifuto, Higashi Ward, Fukuoka City, Fukuoka	Real estate in trust	34,710.80	4,610	4,245
	D Project Kuki III	6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	26,937.41	8,250	7,450
	D Project Kuki IV	6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	26,460.00	5,900	5,407
	D Project Kuki V	6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	47,320.89	8,920	8,138
	D Project Kuki VI	48-3, Kiyoku-cho, Kuki City, Saitama	Real estate in trust	29,244.66	5,510	5,038
	D Project Yashio	50-1, Oaza Shin-machi, Yashio City, Saitama	Real estate in trust	21,965.04	6,640	6,292
	D Project Nishiyodogawa	2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka	Real estate in trust	39,584.80	10,600	10,056
	D Project Matsudo	700-3, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	26,776.67	7,600	7,248
	D Project Hibiki Nada	3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka	Real estate in trust	23,933.75	2,130	2,024
	D Project Morioka II	3-15, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	4,481.00	1,330	1,257
	D Project Kawagoe III	2-8-55, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	39,572.32	7,660	7,135
	D Project Kazo	2-16-1, Okuwa, Kazo City, Saitama	Real estate in trust	18,371.10	3,460	3,270
	D Project Urayasu III	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	39,441.32	9,520	8,559
	D Project Tomisato	7-2, Misawa, Tomisato City, Chiba	Real estate in trust	36,113.25	5,170	4,939
	D Project Kyotanabe	3-50-1, Kannabidai, Kyotanabe City, Kyoto	Real estate in trust	10,965.68	3,640	3,512
	D Project Sendai Izumi	2-9-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	10,764.05	1,580	1,497
	D Project Oyama	2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi	Real estate in trust	14,106.91	2,040	1,979
	D Project Sano	570-9, Nishiura-cho, Sano City, Tochigi	Real estate in trust	15,668.44	1,790	1,760
	D Project Tatebayashi	110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma	Real estate in trust	13,521.56	3,220	3,064
	D Project Kakegawa	653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka	Real estate in trust	39,341.44	6,140	5,978
	D Project Hiroshima Seifu	2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	19,004.72	4,050	3,787
	D Project Tosu II	1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	13,012.50	1,860	1,681
	D Project Kawagoe IV	3-2-1, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	24,684.47	5,830	5,616
	D Project Kuki VII	6004-3, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	3,225.46	1,100	1,047
	D Project Chibakita	461-1, Naganumacho, Inage Ward, Chiba City, Chiba	Real estate in trust	24,368.86	7,840	7,662
	D Project Matsudo II	700-1, Aza Nishinooda, Kamihongo, Matsudo City, Chiba	Real estate in trust	25,305.82	8,290	8,224
	D Project Tomisato II	1-6, Misawa, Tomisato City, Chiba	Real estate in trust	40,870.56	7,000	6,915
	D Project Osaka Hirabayashi	2-6-15, Hirabayashikita, Suminoe Ward, Osaka City, Osaka	Real estate in trust	22,485.08	4,370	3,773
	D Project Sendai Izumi II	3-1-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	39,580.46	7,390	7,309
	D Project Kaminokawa	2568-1, Aza Minamihara, Oaza Tako, Kaminokawamachi, Kawachi District, Tochigi	Real estate in trust	52,239.75	8,050	7,912
	D Project Fuji	2261-6, Aza Shiroyama, Obuchi, Fuji City, Shizuoka	Real estate in trust	23,795.40	3,680	3,609
	D Project Tosu III	3-1-3, Yayoigaoka, Tosu City, Saga	Real estate in trust	65,215.07	9,380	9,208
	DPL Misato	1-3-5, Inter-Minami, Misato City, Saitama	Real estate in trust	55,864.47	17,800	16,744
	DPL Fukuoka Kasuya	642-1, Aza Sanjyuroku, Oaza Uchihashi, Kasuyamachi, Kasuya District, Fukuoka	Real estate in trust	73,739.04	13,300	13,351
Residential properties	Logistics properties – Subtotal			1,593,916.28	353,489	333,611
	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	8,660	7,191
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,290	4,199
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,230	2,434
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,230	2,329
	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	1,880	2,069
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,170	1,057
	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,300	2,088
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,700	2,772
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,510	2,510
	Castalia Shinjuku Natsume-zaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,620	1,757
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,740	1,647
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,150	1,330
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,380	2,332
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,190	1,697
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,480	1,471

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,480	1,223
	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,350	1,092
	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	1,090	907
	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	963	813
	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	945	856
	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	720	656
	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	636	554
	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	541	439
	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,230	891
	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,360	994
	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo	Real estate in trust	1,308.38	1,090	850
	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,680	1,253
	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,450	1,076
	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	760	611
	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	3,240	2,600
	Castalia Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	1,050	812
	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	810	605
	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	537	470
	Castalia Shintomicho IV	3-10-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	681.00	500	395
	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,370	1,152
	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	697	607
	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	3,050	2,717
	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	3,170	2,515
	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	8,010	7,125
	Castalia Higashi Nihonbashi	9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo	Real estate	6,442.28	4,070	3,232
	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,420	2,833
	Castalia Ichigaya	14-4, Ichigaya Yakuoji-machi, Shinjuku Ward, Tokyo	Real estate in trust	1,546.34	1,340	869
	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	9,170	6,739
	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,360	1,963
	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,140	1,865
	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,590	1,407
	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,350	4,026
	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	535	587
	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,120	991
	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,310	1,336
	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,650	1,314
	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	790	719
	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	1,050	859
	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,260	977
	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,390	1,159
	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,090	928
	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	2,820	2,438
	Castalia Kaname-cho	5-26-10 Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,250	1,054
	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	8,920	6,756
	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	798	827
	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	2,000	1,459
	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,190	988
	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	827	755
	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	588	476
	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	217	180
	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	1,040	796
	Castalia Wakabayashikoen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	850	743
	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	963	730
	Castalia Iriya	3-1-28, Shitaya, Taito Ward, Tokyo	Real estate in trust	1,415.15	665	498
	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	2,820	2,389
	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	816	615
	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,560	1,293
	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	599	498
	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,250	971
	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,140	867
	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	1,030	845
	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,700	1,984
	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,150	984
	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,500	1,139
	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,580	1,648
	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	9,870	6,203

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,510	1,589
	Castalia Ooimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,510	1,155
	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,800	1,425
	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,300	1,841
	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,190	1,599
	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	2,920	2,266
	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,410	3,769
	Castalia Meguro Chojamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,340	2,003
	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,850	1,747
	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,710	1,476
	Morino Tonari	1-1-5, Koyamadai, Shinagawa Ward, Tokyo	Real estate	1,668.24	1,170	1,048
	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,280	1,206
	Royal Parks SEASIR	1-16-2, Nishiarai Sakae-cho, Adachi Ward, Tokyo	Real estate in trust	17,269.74	4,960	4,160
	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,780	1,523
	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	1,990	1,654
	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	742	591
	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	794	700
	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	936	746
	Castalia Nogeeyama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	744.90	328	298
	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	538	405
	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	6,160	4,759
	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	1,850	1,642
	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo	Real estate in trust	21,367.93	4,720	3,967
	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	10,800	8,622
	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa	Real estate in trust	3,009.74	2,070	1,717
	Royal Parks Musashikosugi	13-8, Aza Shinjuku-kochi, Nakamaruko, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	3,808.97	1,300	1,009
	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,780	1,318
	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,580	1,216
	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	5,180	4,011
	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,220	913
	Castalia Maruyama Urasando	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	1,522.89	498	364
	Castalia Maruyama Omotesando	21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	6,100.31	2,010	1,547
	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	1,020	846
	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,610	2,962
	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,490	1,073
	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	555	417
	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	934	696
	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	813	607
	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,710	1,963
	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,570	2,387
	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido	Real estate in trust	8,661.19	2,640	1,325
	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	3,040	1,983
	Castalia Meieki Minami	1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	938	664
	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,180	878
	Castalia Mibu	79, Mibu Aiai-cho, Nakagyo Ward, Kyoto City, Kyoto	Real estate in trust	2,828.39	1,470	1,111
	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,750	1,194
	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,560	2,631
	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	2,940	2,551
	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,090	1,607
	Castalia Kyoto Nishioji	100-1, Shichijyo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto	Real estate	2,035.37	1,070	1,014



Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m <sup>2</sup> ) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Ningyocho III	1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo	Real estate in trust	2,897.06	2,360	2,008
	Royal Parks Umejima	5-25-33, Umeda, Adachi Ward, Tokyo	Real estate in trust	6,828.78	2,180	2,005
	Castalia Shinsakae II	1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	4,425.46	1,920	1,854
	Residential properties – Subtotal			473,790.11	284,103	231,166
Retail properties	ACROSSMALL Shinkamagaya	2-12-1, Shin-Kamagaya, Kamagaya City, Chiba	Real estate in trust	41,742.84	8,060	7,564
	FOLEO Hirakata	1-20-10, Koyamichi, Hirakata City, Osaka	Real estate in trust	16,390.96	4,660	4,541
	QIZ GATE URAWA	3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama	Real estate in trust	9,720.49	4,310	4,258
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma	Real estate in trust	9,277.08	3,070	2,959
	ACROSSPLAZA Miyoshi (Land)	855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama	Real estate in trust	24,018.00	3,930	3,740
	DREAM TOWN ALi	3-1-1, Hamada, Aomori City, Aomori	Real estate in trust	22,196.81	8,330	7,961
	ASOBOX (Land)	2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka	Real estate in trust	11,207.90	1,860	1,617
	FOLEO Ome Imai	3-10-9, Imai, Ome City, Tokyo	Real estate in trust	8,637.91	3,950	3,787
	FOLEO Otsu Ichiriyama	7-1-1, Ichiriyama, Otsu City, Shiga	Real estate in trust	62,917.73	8,420	8,161
	FOLEO Hakata	1-14-46, Higashinaka, Hakata Ward, Fukuoka City, Fukuoka	Real estate in trust	23,230.77 (Note 6)	3,610	3,226
	LIFE Sagamihara Wakamatsu	5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa	Real estate in trust	2,973.44	1,760	1,658
	FOLEO Sendai Miyanomori	4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi	Real estate in trust	19,845.72	7,380	6,875
	ACROSSPLAZA Inazawa (Land)	5-1-1, Otsuka Minami, Inazawa City, Aichi	Real estate in trust	31,981.70	2,490	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	2,360	2,194
	Hiratsuka Retail Property (Land)	1-2, Kuryozutsumi, Hiratsuka City, Kanagawa	Real estate in trust	28,002.92	6,640	5,857
	Royal Home Center Morinomiya (Land)	1-540-1, Tamatsukuri, Chuo Ward, Osaka City, Osaka	Real estate in trust	6,669.74	5,190	4,541
	Retail properties – Subtotal			327,713.90	76,020	71,336
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	2-7-4, Hagoromocho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	7,932.37	4,940	4,821
	Hotel properties – Subtotal			7,932.37	4,940	4,821
Other assets	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba	Real estate in trust	4,177.52	1,300	860
	Aburatsubo Marina HILLS	1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa	Real estate in trust	3,901.14	1,260	1,087
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	1-1-12, Omoromachi, Naha City, Okinawa	Real estate in trust	13,480.00	7,980	7,426
	Sharp Hiroshima Building	2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	3,064.89	1,950	1,845
	Other – Subtotal			24,623.55	12,490	11,219
Total				2,427,976.21	731,042	652,156

- (Notes)
1. “Location” means displayed address of each real estate or each real estate in trust. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.
  2. “Leasable area” means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of August 31, 2018. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.
  3. “Assessed value at the end of period” is the appraisal value as of August 31, 2018 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., The Tanizawa Sōgō Appraisal Co., Ltd., Japan Real Estate Institute and JLL Morii Valuation & Advisory K.K.) in accordance with the Articles of Incorporation of DHR as well as “Regulations on Accounting of Investment Corporations.” The amounts are rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.
  4. “Book value” is the amount recorded on the balance sheets as of August 31, 2018 (in the case of real estate and real estate in trust, “Book value” is the acquisition price (including expenses associated with the acquisition) less accumulated depreciation), which is rounded down to the nearest million yen.
  5. Undisclosed as consent has not been obtained from the lessee.
  6. Separately from the building of this property, a part of the land of this property is leased to the lessee for the purpose of subleasing to Fukuoka Prefecture and other third parties as land for a police station, etc. The area of such leased land is not included in the leasable area.

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

Asset class	Property name	24th period (From September 1, 2017 to February 28, 2018)			25th period (From March 1, 2018 to August 31, 2018)		
		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 Shin-Misato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Akanehama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Noda	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Neyagawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sapporo Minami	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Minami	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tsuchiura	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gotenba	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishi-Hiroshima	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Umi	100.0	126,624	0.6	100.0	126,633	0.6
	D Project Tosu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe I	100.0	102,933	0.5	100.0	102,933	0.5
	D Project Kawagoe II	100.0	140,520	0.7	100.0	140,520	0.6
	DPL Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Hakozaki	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki IV	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki V	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki VI	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yashio	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishiyodogawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hibiki Nada	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kazo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kyotanabe	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Oyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sano	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tatebayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kakegawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hiroshima Seifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe IV	–	–	–	100.0	126,079	0.6
	D Project Kuki VII	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Chibakita	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Matsudo II	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Tomisato II	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Osaka Hirabayashi	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi II	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Kaminokawa	–	–	–	100.0	(Note 3)	(Note 3)
	D Project Fuji	–	–	–	100.0	(Note 3)	(Note 3)

Asset class	Property name	24th period (From September 1, 2017 to February 28, 2018)			25th period (From March 1, 2018 to August 31, 2018)		
		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 Tosu III	–	–	–	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)
	Logistics properties – Subtotal	100.0	7,542,075	38.3	100.0	9,389,717	42.3
Residential properties	Qiz Ebisu	97.6	232,268	1.2	98.2	236,676	1.1
	Castalia Azabujuban Shichimenzaka	97.0	118,603	0.6	99.2	119,023	0.5
	Castalia Shibakoen	97.6	70,862	0.4	94.3	70,575	0.3
	Castalia Ginza	98.2	68,895	0.3	95.1	66,722	0.3
	Castalia Hiroo	100.0	50,709	0.3	100.0	52,810	0.2
	Castalia Nihonbashi	100.0	38,968	0.2	96.6	38,103	0.2
	Castalia Hacchobori	92.8	65,262	0.3	98.2	67,242	0.3
	Castalia Azabujuban	98.4	72,905	0.4	97.9	74,965	0.3
	Castalia Azabujuban II	98.6	67,981	0.3	93.2	66,949	0.3
	Castalia Shinjuku Natsumezaka	97.2	39,810	0.2	98.6	43,884	0.2
	Castalia Ginza II	96.9	50,721	0.3	100.0	51,334	0.2
	Castalia Shibuya Sakuragaoka	97.3	35,609	0.2	95.6	35,029	0.2
	Castalia Nishi Azabu Kasumicho	100.0	70,332	0.4	100.0	73,283	0.3
	Castalia Ochanomizu	100.0	61,201	0.3	97.8	59,522	0.3
	Castalia Sangubashi	84.6	42,460	0.2	91.8	44,501	0.2
	Castalia Suitengu	97.9	45,495	0.2	97.0	46,381	0.2
	Castalia Suitengu II	98.3	40,372	0.2	95.0	40,942	0.2
	Castalia Shintomicho	97.6	32,677	0.2	100.0	33,391	0.2
	Castalia Shintomicho II	100.0	29,247	0.1	96.5	28,336	0.1
	Castalia Harajuku	95.1	27,030	0.1	100.0	27,336	0.1
	Castalia Yoyogi Uehara	100.0	22,431	0.1	92.2	21,365	0.1
	Castalia Sendagaya	100.0	20,061	0.1	91.2	20,268	0.1
	Castalia Shinjuku 7 chome	100.0	19,853	0.1	100.0	19,120	0.1
	Castalia Ningyocho	100.0	37,480	0.2	100.0	37,269	0.2
	Castalia Ningyocho II	100.0	40,542	0.2	100.0	40,505	0.2
	Castalia Shin-Ochanomizu	100.0	32,303	0.2	100.0	33,566	0.2
	Castalia Higashi Nihonbashi II	100.0	51,852	0.3	100.0	50,309	0.2
	Castalia Jinbocho	98.4	42,798	0.2	100.0	43,218	0.2
	Castalia Shintomicho III	100.0	24,713	0.1	100.0	24,786	0.1
	Castalia Shinjuku Gyoen	100.0	83,844	0.4	100.0	83,827	0.4
	Castalia Takanawadai	100.0	29,583	0.2	100.0	30,307	0.1
	Castalia Higashi Nihonbashi III	100.0	24,336	0.1	100.0	24,413	0.1
	Castalia Shinjuku Gyoen II	100.0	16,101	0.1	100.0	16,490	0.1
	Castalia Shintomicho IV	100.0	15,668	0.1	100.0	16,019	0.1
	Castalia Takanawadai II	94.7	38,390	0.2	100.0	39,153	0.2
	Castalia Minami Azabu	100.0	21,879	0.1	100.0	21,234	0.1
	Castalia Ginza III	97.0	86,460	0.4	97.8	85,860	0.4
	Castalia Kayabacho	99.0	96,724	0.5	100.0	98,508	0.4
	Castalia Takanawa	98.0	251,189	1.3	100.0	249,787	1.1
	Castalia Higashi Nihonbashi	98.0	139,786	0.7	99.4	144,186	0.6
	Castalia Shinjuku	100.0	92,083	0.5	100.0	92,554	0.4
	Castalia Ichigaya	100.0	40,632	0.2	97.4	40,927	0.2
	Shibaura Island Bloom Tower	98.3	384,721	2.0	98.2	388,532	1.7
	Castalia Hatsudai	99.1	70,604	0.4	96.2	69,079	0.3
	Castalia Hatsudai II	97.5	59,796	0.3	92.3	58,803	0.3
	Castalia Ebisu	100.0	44,423	0.2	100.0	43,769	0.2
	Castalia Meguro Kamurozaka	95.9	130,141	0.7	97.6	130,295	0.6
	Castalia Toritsudaigaku	100.0	20,885	0.1	100.0	21,228	0.1
	Castalia Yukigaya	100.0	34,912	0.2	100.0	36,187	0.2
	Castalia Yutenji	100.0	38,501	0.2	95.8	37,465	0.2
	Castalia Otsuka	93.0	46,052	0.2	90.3	47,150	0.2
	Castalia Kikukawa	97.0	26,480	0.1	97.1	27,912	0.1

Asset class	Property name	24th period (From September 1, 2017 to February 28, 2018)			25th period (From March 1, 2018 to August 31, 2018)		
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		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Meguro	95.8	29,767	0.2	100.0	31,180	0.1
	Castalia Otsuka II	100.0	37,598	0.2	98.3	37,875	0.2
	Castalia Jiyugaoka	97.6	39,671	0.2	94.6	38,931	0.2
	Castalia Mejiro	96.7	33,877	0.2	96.0	34,598	0.2
	Castalia Ikebukuro	98.5	86,582	0.4	98.9	87,561	0.4
	Castalia Kaname-cho	97.3	40,464	0.2	100.0	39,759	0.2
	Castalia Tower Shinagawa Seaside	100.0	280,269	1.4	99.7	285,884	1.3
	Castalia Yakumo	100.0	25,483	0.1	94.5	25,154	0.1
	Castalia Togoshiekimae	100.0	50,544	0.3	100.0	52,801	0.2
	Castalia Honjo Azumabashi	100.0	37,530	0.2	100.0	37,238	0.2
	Castalia Kitazawa	93.8	25,597	0.1	93.4	24,536	0.1
	Castalia Monzennakacho	100.0	17,133	0.1	100.0	17,032	0.1
	Castalia Kamiikedai	100.0	7,692	0.0	100.0	7,592	0.0
	Castalia Morishita	100.0	32,871	0.2	97.1	33,568	0.2
	Castalia Wakabayashikoen	95.7	28,016	0.1	100.0	27,553	0.1
	Castalia Asakusabashi	98.0	32,719	0.2	100.0	32,500	0.1
	Castalia Iriya	100.0	22,958	0.1	100.0	23,747	0.1
	Castalia Kita Ueno	99.1	89,967	0.5	100.0	90,999	0.4
	Castalia Morishita II	95.0	27,423	0.1	97.4	27,737	0.1
	Castalia Minowa	99.0	50,242	0.3	96.9	50,573	0.2
	Castalia Oyamadai	92.1	18,091	0.1	94.2	17,683	0.1
	Castalia Nakano	95.0	36,792	0.2	95.4	36,069	0.2
	Castalia Yoga	98.3	34,869	0.2	90.9	33,019	0.1
	Castalia Sumiyoshi	100.0	32,191	0.2	100.0	33,101	0.1
	Castalia Monzennakacho II	100.0	69,477	0.4	100.0	69,711	0.3
	Castalia Oshiage	100.0	36,293	0.2	98.6	35,838	0.2
	Castalia Kuramae	100.0	43,834	0.2	100.0	43,813	0.2
	Castalia Nakanobu	98.9	72,150	0.4	96.6	73,629	0.3
	Royal Parks Toyosu	100.0	333,120	1.7	100.0	332,045	1.5
	Castalia Togoshi	98.3	74,724	0.4	97.4	75,562	0.3
	Castalia Ooimachi	72.3	36,094	0.2	100.0	46,067	0.2
	Castalia Omori	100.0	53,813	0.3	100.0	54,418	0.2
	Castalia Mishuku	94.5	68,694	0.3	96.6	69,115	0.3
	Castalia Arakawa	100.0	65,188	0.3	98.9	67,262	0.3
	Castalia Omori II	98.5	79,149	0.4	94.5	81,727	0.4
	Castalia Nakameguro	99.2	115,789	0.6	95.8	119,765	0.5
	Castalia Meguro Chojyamaru	92.0	62,812	0.3	96.3	63,344	0.3
	Castalia Meguro Takaban	95.2	53,966	0.3	96.8	53,510	0.2
	Castalia Omori III	95.8	49,336	0.3	98.3	50,235	0.2
	Morino Tonari	92.5	30,415	0.2	96.2	31,536	0.1
	Castalia Meguro Tairamachi	100.0	32,885	0.2	98.0	35,016	0.2
	Royal Parks SEASIR	100.0	245,180	1.2	100.0	245,984	1.1
	Castalia Honkomagome	98.3	51,598	0.3	97.0	52,579	0.2
	Cosmo Heim Musashikosugi	100.0	59,147	0.3	100.0	59,050	0.3
	Castalia Tsurumi	100.0	27,345	0.1	96.9	26,981	0.1
	Castalia Funabashi	98.9	30,364	0.2	96.6	31,559	0.1
	Castalia Nishi Funabashi	100.0	33,122	0.2	95.1	33,951	0.2
	Castalia Nogeyama	96.7	15,078	0.1	96.7	14,724	0.1
	Castalia Ichikawa	100.0	19,681	0.1	100.0	22,558	0.1
	Royal Parks Hanakoganei	100.0	245,412	1.2	100.0	245,389	1.1
	Castalia Musashikosugi	100.0	57,472	0.3	96.8	56,677	0.3
	Royal Parks Wakabadaï	100.0	259,516	1.3	100.0	259,585	1.2
	Pacific Royal Court Minatomirai Urban Tower	100.0	518,256	2.6	100.0	519,188	2.3
	L-Place Shinkoyasu	100.0	56,400	0.3	100.0	56,822	0.3
	Royal Parks Musashikosugi	100.0	68,352	0.3	100.0	68,212	0.3
	Crest Kusatsu (Note 4)	94.6	132,148	0.7	–	78,817	0.4



Asset class	Property name	24th period (From September 1, 2017 to February 28, 2018)			25th period (From March 1, 2018 to August 31, 2018)		
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		(%) (Note 1)	(Yen in thousands)	(%) (Note 2)	(%) (Note 1)	(Yen in thousands)	(%) (Note 2)
Residential properties	Castalia Sakaisuji Honmachi	96.5	61,627	0.3	98.7	62,039	0.3
	Castalia Shin-Umeda	98.4	54,990	0.3	98.2	55,294	0.2
	Castalia Abeno	100.0	179,359	0.9	94.5	175,357	0.8
	Castalia Sakae	97.2	45,329	0.2	93.7	44,873	0.2
	Castalia Maruyama Urasando	84.8	19,328	0.1	97.7	20,692	0.1
	Castalia Maruyama Omotesando	96.1	76,081	0.4	96.7	77,626	0.3
	Castalia Higashi Hie	100.0	43,514	0.2	96.0	43,349	0.2
	Castalia Tower Nagahoribashi	94.5	160,136	0.8	99.3	162,979	0.7
	Castalia Sannomiya	100.0	53,773	0.3	95.6	54,028	0.2
	Castalia Kotodaikoen	100.0	23,739	0.1	100.0	23,882	0.1
	Castalia Ichibancho	96.8	38,871	0.2	100.0	38,638	0.2
	Castalia Omachi	97.2	33,476	0.2	97.2	33,649	0.2
	Castalia Uemachidai	100.0	88,891	0.5	98.6	89,186	0.4
	Castalia Tower Higobashi	98.7	132,919	0.7	99.6	132,847	0.6
	Big Tower Minami Sanjo	98.8	109,820	0.6	97.1	112,723	0.5
	Castalia Fushimi	95.7	105,750	0.5	95.7	106,055	0.5
	Castalia Meieki Minami	95.6	32,357	0.2	94.2	31,676	0.1
	Castalia Yakuin	97.5	42,338	0.2	96.7	42,357	0.2
	Castalia Mibu	100.0	50,384	0.3	98.8	53,020	0.2
	Castalia Tsutsujigaoka	94.9	58,916	0.3	100.0	59,179	0.3
	Castalia Ohori Bay Tower	56.9	148,340	0.8	52.4	148,308	0.7
	Royal Parks Namba	100.0	136,225	0.7	100.0	136,241	0.6
	Castalia Shigahondori	96.4	74,632	0.4	96.3	73,403	0.3
	Castalia Kyoto Nishioji	100.0	33,843	0.2	97.5	34,616	0.2
	Castalia Ningyocho III	100.0	69,858	0.4	99.0	69,384	0.3
	Royal Parks Umejima	100.0	104,920	0.5	100.0	107,363	0.5
	Castalia Shinsakae II	100.0	60,160	0.3	100.0	61,813	0.3
	Residential properties – Subtotal	97.5	9,601,429	48.7	97.4	9,623,102	43.3
Retail properties	ACROSSMALL Shinkamagaya	100.0	275,700	1.4	100.0	275,907	1.2
	FOLEO Hirakata	95.9	259,538	1.3	94.8	287,082	1.3
	QIZ GATE URAWA	92.1	180,901	0.9	99.6	202,225	0.9
	UNICUS Takasaki	100.0	129,912	0.7	100.0	129,870	0.6
	ACROSSPLAZA Miyoshi (Land)	100.0	94,284	0.5	100.0	94,284	0.4
	DREAM TOWN ALi	99.2	402,779	2.0	100.0	390,185	1.8
	ASOBOX (Land)	100.0	47,076	0.2	100.0	47,076	0.2
	FOLEO Ome Imai	100.0	128,828	0.7	100.0	128,823	0.6
	FOLEO Otsu Ichiriyama	–	–	–	100.0	264,673	1.2
	FOLEO Hakata	–	–	–	100.0	104,148	0.5
	LIFE Sagamihara Wakamatsu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Sendai Miyanomori	100.0	238,500	1.2	100.0	238,962	1.1
	ACROSSPLAZA Inazawa (Land)	100.0	69,660	0.4	100.0	69,660	0.3
	Sports Depo and GOLF5 Kokurahigashi IC Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Hiratsuka Retail Property (Land)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Royal Home Center Morinomiya (Land)	–	–	–	100.0	88,258	0.4
	Retail properties – Subtotal	99.3	2,091,279	10.6	99.7	2,585,235	11.6
Hotel properties	Daiwa Roynet Hotel Yokohama Kannai	–	–	–	100.0	140,118	0.6
	Hotel properties – Subtotal	–	–	–	100.0	140,118	0.6
Other assets	Urban Living Inage	100.0	39,060	0.2	100.0	39,060	0.2
	Aburatsubo Marina HILLS	100.0	43,749	0.2	100.0	43,749	0.2
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	100.0	324,776	1.6	100.0	332,393	1.5
	Sharp Hiroshima Building	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Other – Subtotal	100.0	465,789	2.4	100.0	473,403	2.1
Total		99.3	19,700,575	100.0	99.5	22,211,576	100.0

(Notes) 1. "Occupancy rate (as of the end of period)" is the leased floor space expressed as a percentage of the leasable floor space of each real estate or each real estate in trust as of February 28, 2018 and August 31, 2018, 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 has not been obtained from the lessee.  
4. The sale of property was completed on June 22, 2018.

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

Not applicable.

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

Not applicable.

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

The following summarizes contracted amount and fair value of specified transactions of DHR as of August 31, 2018.

Category	Type	Contracted amount (Yen in thousands) (Note 1)		Fair value (Yen in thousands) (Note 2) (Note 3)
		Portion due after one year		
Transaction other than market transaction	Interest rate swap transaction			
	Receipt: floating interest rate	95,768,000	95,768,000	(1,122,187)
	Payment: fixed interest rate			
	Total	95,768,000	95,768,000	(1,122,187)

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

(7) Status of Other Assets

Real estate and trust beneficiary interests in real estate are all listed in "(3) Description of Portfolio" presented earlier in this report. The following are other specified assets as of August 31, 2018.

(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	9,342	–	–	8,921	(421)	Deposited as business security deposit
	Total	10,000	9,342	–	–	8,921	(421)	

(8) Holding of Assets by Country and Region

Not applicable.

4. Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc. for owned properties (real estate, real estate in trust, etc.) as of August 31, 2018. 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 Machida (Machida City, Tokyo)	Renovation work of exterior walls	From October 2018 to January 2019	103,680	51,840	51,840
Qiz Ebisu (Shibuya Ward, Tokyo)	Large-scale renovations	From October 2018 to November 2019	292,680	—	—
Castalia Ginza II (Chuo Ward, Tokyo)	Large-scale renovations	From October 2018 to February 2019	42,552	—	—
Castalia Iriya (Taito Ward, Tokyo)	Large-scale renovations	From October 2018 to February 2019	33,048	—	—

(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 ¥919,449 thousand together with ¥568,311 thousand in repairs and maintenance expenses and ¥311,974 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥1,799,735 thousand in construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
D Project Sendai Minami (Iwanuma City, Miyagi)	Sealing work of exterior walls on the south side and north side	From June 2018 to August 2018	39,177
Castalia Arakawa (Arakawa Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From April 2018 to August 2018	56,280
Cosmo Heim Musashikosugi (Kawasaki City, Kanagawa)	Painting renovation and sealing work of exterior walls	From April 2018 to August 2018	36,062
Castalia Tsutsujigaoka (Sendai City, Miyagi)	Painting renovation and sealing work of exterior walls	From April 2018 to August 2018	48,939
Aburatsubo Marina HILLS (Miura City, Kanagawa)	Air conditioning equipment replacement work at second and third floors	From July 2018 to August 2018	14,398

(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	21st period From March 1, 2016 to August 31, 2016	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018	25th period From March 1, 2018 to August 31, 2018
Balance of reserves at the beginning of period	575,440	589,520	1,298,495	1,439,455	1,470,535
Amount of reserves during period	14,080	708,974	140,960	39,080	39,080
Amount of reversal of reserves during period	—	—	—	8,000	—
Reserves carried forward	589,520	1,298,495	1,439,455	1,470,535	1,509,615

5. Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

Item	24th period From September 1, 2017 to February 28, 2018	25th period From March 1, 2018 to August 31, 2018
Asset management fees (Note)	1,300,091	1,452,834
Asset custody fees	29,357	32,882
Administrative service fees	80,903	83,859
Directors' remuneration	6,600	6,600
Other expenses	340,866	340,219
Total	1,757,819	1,916,396

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

(2) Debt Financing

The status of loans per financial institution as of August 31, 2018 is as follows:

Classification		Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment date	Method of repayment	Use	Note
Lender									
Current portion of long-term loans	MUFG Bank, Ltd.	March 27, 2012	—	4,000,000	1.07% (Note 3)	March 27, 2019	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		—	2,000,000					
	Aozora Bank, Ltd.		—	2,000,000					
	The Norinchukin Bank		—	1,000,000					
	The Chiba Bank, Ltd.	March 31, 2016	—	600,000	0.25%	March 29, 2019	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		—	500,000					
	Mizuho Bank, Ltd.		—	500,000					
	The Shizuoka Bank, Ltd.		—	500,000					
	The Bank of Fukuoka, Ltd.		—	500,000					
	Subtotal	—	—	11,600,000	—	—	—	—	—
Long-term loans	MUFG Bank, Ltd.	March 27, 2012	4,000,000	—	1.07% (Note 3)	March 27, 2019	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,000,000	—					
	Aozora Bank, Ltd.		2,000,000	—					
	The Norinchukin Bank		1,000,000	—					
	The Chiba Bank, Ltd.	March 31, 2016	600,000	—	0.25%	March 29, 2019	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		500,000	—					
	Mizuho Bank, Ltd.		500,000	—					
	The Shizuoka Bank, Ltd.		500,000	—					
	The Bank of Fukuoka, Ltd.		500,000	—					
	Sumitomo Mitsui Banking Corporation		3,260,000	3,260,000					
	Sumitomo Mitsui Trust Bank, Limited		4,430,000	4,430,000					
	Aozora Bank, Ltd.	January 31, 2013 and February 28, 2013	2,700,000	2,700,000	0.96% (Note 2)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	MUFG Bank, Ltd.		2,260,000	2,260,000					
	Mizuho Bank, Ltd.		1,930,000	1,930,000					
	Mizuho Trust & Banking Co., Ltd.		1,830,000	1,830,000					
	The Norinchukin Bank		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								
Development Bank of Japan Inc.	January 31, 2013	1,500,000	1,500,000	0.96% (Note 3)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.90% (Note 2)	January 31, 2021	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		936,000	936,000					
Sumitomo Mitsui Trust Bank, Limited		1,599,000	1,599,000					
The Norinchukin Bank		1,510,000	1,510,000					
Aozora Bank, Ltd.	January 30, 2015	1,169,000	1,169,000	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		603,000	603,000					
Mizuho Trust & Banking Co., Ltd.		454,000	454,000					
MUFG Bank, Ltd.		437,000	437,000					
The Chiba Bank, Ltd.		150,000	150,000					
Development Bank of Japan Inc.	January 30, 2015	2,000,000	2,000,000	0.88% (Note 3)	January 31, 2024	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		2,030,000	2,030,000					
Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
The Norinchukin Bank		1,600,000	1,600,000					
Aozora Bank, Ltd.		1,192,000	1,192,000					
Mizuho Bank, Ltd.		1,017,000	1,017,000					
MUFG Bank, Ltd.	May 1, 2015	907,500	907,500	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Trust & Banking Co., Ltd.		524,000	524,000					
Nippon Life Insurance Company		500,000	500,000					
Development Bank of Japan Inc.		400,000	400,000					
The Shizuoka Bank, Ltd.		260,000	260,000					
The Chiba Bank, Ltd.		215,000	215,000					
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
MUFG Bank, Ltd.		3,200,000	3,200,000					
Sumitomo Mitsui Trust Bank, Limited	December 28, 2015	1,800,000	1,800,000	0.59% (Note 2)	December 28, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Resona Bank, Limited		1,400,000	1,400,000					
Shinsei Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation		2,000,000	2,000,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	November 29, 2012	2,000,000	2,000,000	1.29% (Note 3)	November 29, 2019	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000,000	2,000,000	1.50% (Note 2)	March 27, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed

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		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		1,000,000	1,000,000					
MUFG Bank, Ltd.	April 1, 2014	1,000,000	1,000,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
MUFG Bank, Ltd.	April 1, 2014	1,000,000	1,000,000	1.52% (Note 2)	April 1, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Development Bank of Japan Inc.		500,000	500,000					
Sumitomo Mitsui Banking Corporation		500,000	500,000					
MUFG Bank, Ltd.	April 1, 2014	500,000	500,000	2.03% (Note 2)	April 1, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Development Bank of Japan Inc.		500,000	500,000					
Nippon Life Insurance Company	September 30, 2014	1,000,000	1,000,000	1.00% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	April 1, 2015	1,000,000	1,000,000	0.57% (Note 3)	April 1, 2020	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.87% (Note 2)	October 3, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,000,000	1,000,000					
The Norinchukin Bank		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited	April 1, 2015	1,000,000	1,000,000	0.99% (Note 2)	October 2, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited	April 1, 2015	1,000,000	1,000,000	1.23% (Note 2)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
MUFG Bank, Ltd.	April 1, 2015	3,000,000	3,000,000	1.18% (Note 3)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Development Bank of Japan Inc.	April 1, 2015	1,500,000	1,500,000	1.46% (Note 3)	April 1, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed

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	September 28, 2015	1,000,000	1,000,000	0.65% (Note 2)	September 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Nippon Life Insurance Company	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.51% (Note 2)	November 30, 2021	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
MUFG Bank, Ltd.		3,000,000	3,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.71% (Note 2)	May 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Long-term loans	November 30, 2015	1,000,000	1,000,000	0.97% (Note 2)	May 30, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
Mizuho Bank, Ltd.	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 Banking Corporation		1,500,000	1,500,000					
Sumitomo Mitsui Trust Bank, Limited		1,500,000	1,500,000					
MUFG Bank, Ltd.		2,000,000	2,000,000					
Mizuho Bank, Ltd.	September 28, 2016	1,500,000	1,500,000	0.69% (Note 3)	September 28, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
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

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	September 30, 2016	1,700,000	950,000	0.20%	March 31, 2020	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,700,000	1,950,000					
Sumitomo Mitsui Banking Corporation		1,700,000	950,000					
Mizuho Bank, Ltd.		1,700,000	950,000					
Resona Bank, Limited		800,000	800,000					
The Norinchukin Bank		500,000	500,000					
The Chiba Bank, Ltd.		500,000	500,000					
Shinsei Bank, Limited		300,000	300,000					
Sumitomo Mitsui Banking Corporation	September 30, 2016	1,700,000	1,700,000	0.41% (Note 3)	March 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,700,000	2,700,000					
Sumitomo Mitsui Trust Bank, Limited		1,700,000	1,700,000					
Mizuho Bank, Ltd.		1,700,000	1,700,000					
Aozora Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		800,000	800,000					
Shinsei Bank, Limited		300,000	300,000					
MUFG Bank, Ltd.		2,800,000	2,800,000					
Sumitomo Mitsui Trust Bank, Limited	September 30, 2016	1,800,000	1,800,000	0.48% (Note 3)	March 29, 2024	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui 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		3,000,000	3,000,000					
Mizuho Bank, Ltd.		3,000,000	3,000,000					
MUFG Bank, Ltd.	November 29, 2016	5,000,000	5,000,000	0.87% (Note 3)	November 30, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Development Bank of Japan Inc.	March 9, 2017	2,000,000	2,000,000	0.85% (Note 3)	March 31, 2027	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Mitsui Sumitomo Insurance Company, Limited	March 9, 2017	1,000,000	1,000,000	0.55% (Note 3)	March 29, 2024	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
Mizuho Bank, Ltd.	March 31, 2017	4,000,000	4,000,000	0.57% (Note 3)	September 29, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		4,000,000	4,000,000					
MUFG Bank, Ltd.		1,000,000	1,000,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	March 31, 2017	4,000,000	4,000,000	0.70% (Note 3)	March 31, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Aozora Bank, Ltd.		2,500,000	2,500,000					
Shinkin Central Bank		2,000,000	2,000,000					
MUFG Bank, Ltd.		1,500,000	1,500,000					
Resona Bank, Limited		1,000,000	1,000,000					



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 11, 2017	2,200,000	2,200,000	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		1,600,000	1,600,000					
Sumitomo Mitsui Trust Bank, Limited		1,600,000	1,600,000					
Mizuho Bank, Ltd.		1,600,000	1,600,000					
The Norinchukin Bank		1,500,000	1,500,000					
Nippon Life Insurance Company		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	April 11, 2017	1,800,000	1,800,000	0.76% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,200,000	2,200,000					
Mizuho Bank, Ltd.		1,200,000	1,200,000					
Resona Bank, Limited		1,100,000	1,100,000					
Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
Shinsei Bank, Limited		1,000,000	1,000,000					
The Bank of Fukuoka, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		700,000	700,000					
Sumitomo Mitsui Banking Corporation	April 11, 2017	2,100,000	2,100,000	1.02% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		3,700,000	3,700,000					
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
Sumitomo Mitsui Trust Bank, Limited	July 31, 2017	3,400,000	3,400,000	0.89% (Note 3)	July 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		3,400,000	3,400,000					
Mizuho Bank, Ltd.		3,400,000	3,400,000					
MUFG Bank, Ltd.		1,900,000	1,900,000					
Sumitomo Mitsui Banking Corporation	November 29, 2017	2,500,000	2,500,000	0.90% (Note 3)	November 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
MUFG Bank, Ltd.		2,000,000	2,000,000					
Development Bank of Japan Inc.		3,000,000	3,000,000					
Sumitomo Mitsui Trust Bank, Limited		2,500,000	2,500,000					
Mizuho Bank, Ltd.		2,500,000	2,500,000					
The 77 Bank, Ltd.		1,000,000	1,000,000					
The Nishi-Nippon City Bank, Ltd.		1,000,000	1,000,000					
The Iyo Bank, Ltd.		500,000	500,000					
The Bank of Kyoto, Ltd.		500,000	500,000					
The Chugoku Bank, Limited		500,000	500,000					
Mitsui Sumitomo Insurance Company, Limited	March 27, 2018	—	1,000,000	0.44% (Note 3)	March 31, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
MUFG Bank, Ltd.	March 27, 2018	—	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	0.43% (Note 3)	September 9, 2022	Bullet repayment	(Note 4)	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								
Development Bank of Japan Inc.	April 10, 2018	—	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	0.42% (Note 3)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		—	1,000,000					
Mizuho Bank, Ltd.		—	500,000					
The Bank of Fukuoka, Ltd.		—	500,000					
The Chiba Bank, Ltd.		—	500,000					
The 77 Bank, Ltd.		—	500,000					
The Nishi-Nippon City Bank, Ltd.		—	500,000					
The Shizuoka Bank, Ltd.		—	500,000					
The Iyo Bank, Ltd.		—	500,000					
The Bank of Kyoto, Ltd.	April 10, 2018	—	500,000	0.52% (Note 3)	April 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
The Chugoku Bank, Limited		—	500,000					
Sumitomo Mitsui Trust Bank, Limited		—	500,000					
Sumitomo Mitsui Banking Corporation		—	1,500,000					
Mizuho Bank, Ltd.		—	1,000,000					
Aozora Bank, Ltd.		—	500,000					
The Norinchukin Bank		—	500,000					
Shinsei Bank, Limited		—	500,000					
Shinkin Central Bank		—	500,000					
Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	—	500,000	0.60% (Note 3)	April 30, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		—	1,500,000					
Mizuho Bank, Ltd.		—	500,000					
Aozora Bank, Ltd.		—	500,000					
The Norinchukin Bank		—	500,000					
Resona Bank, Limited		—	500,000					
Shinsei Bank, Limited		—	500,000					
Shinkin Central Bank		—	500,000					
Sumitomo Mitsui Trust Bank, Limited	April 10, 2018	—	3,000,000	0.89% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Banking Corporation		—	3,000,000					
Mizuho Bank, Ltd.		—	2,500,000					
Mizuho Trust & Banking Co., Ltd.		—	1,000,000					
Resona Bank, Limited		—	500,000					
Subtotal	—	266,268,000	283,668,000	—	—	—	—	—
Total	—	266,268,000	295,268,000	—	—	—	—	—

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

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of August 31, 2018 is as follows:

Issue name	Issue date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Interest rate	Maturity	Method of redemption	Use	Note
Daiwa House REIT Investment Corporation 1st Unsecured Investment Corporation Bonds (Note 1)	December 24, 2014	2,000,000	2,000,000	0.826%	December 24, 2024	Bullet repayment	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation 2nd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.35%	January 22, 2021	Bullet repayment	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation 3rd Unsecured Investment Corporation Bonds (Note 1)	January 22, 2015	3,000,000	3,000,000	0.67%	January 22, 2025	Bullet repayment	(Note 3)	Unsecured
Daiwa House REIT Investment Corporation 5th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.24%	December 20, 2021	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 6th Unsecured Investment Corporation Bonds (Note 1)	December 20, 2016	4,000,000	4,000,000	0.57%	December 18, 2026	Bullet repayment	(Note 2)	Unsecured
Daiwa House REIT Investment Corporation 7th Unsecured Investment Corporation Bonds (Note 1)	July 30, 2018	—	2,000,000	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	1.03%	July 30, 2038	Bullet repayment	(Note 2)	Unsecured
Total	—	16,000,000	19,000,000	—	—	—	—	—

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

(4) Short-Term Investment Corporation Bonds

Not applicable.

(5) Unit Acquisition Rights

Not applicable.

6. Status of Acquisition and Sale during the Period

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

Property name	Acquisition		Sale			
	Acquisition date	Acquisition price (Yen in millions) (Note 1)	Date of sale	Sale price (Yen in millions) (Note 1)	Book value (Yen in millions)	Gain or loss on sale (Yen in millions) (Note 2)
Royal Home Center Morinomiya (Land)	March 27, 2018	4,500	—	—	—	—
FOLEO Otsu Ichiriyama	April 3, 2018	8,100	—	—	—	—
FOLEO Hakata	April 3, 2018	3,200	—	—	—	—
Daiwa Roynet Hotel Yokohama Kannai	April 3, 2018	4,800	—	—	—	—
D Project Inuyama (Additional acquisition)	April 10, 2018	2,100	—	—	—	—
D Project Kawagoe IV	April 10, 2018	5,600	—	—	—	—
D Project Kuki VII	April 10, 2018	1,040	—	—	—	—
D Project Chibakita	April 10, 2018	7,640	—	—	—	—
D Project Matsudo II	April 10, 2018	8,200	—	—	—	—
D Project Tomisato II	April 10, 2018	6,900	—	—	—	—
D Project Osaka Hirabayashi	April 10, 2018	3,600	—	—	—	—
D Project Sendai Izumi II	April 10, 2018	7,300	—	—	—	—
D Project Kaminokawa	April 10, 2018	7,900	—	—	—	—
D Project Fuji	April 10, 2018	3,600	—	—	—	—
D Project Tosu III	April 10, 2018	9,200	—	—	—	—
DPL Fukuoka Kasuya	April 10, 2018	13,300	—	—	—	—
Crest Kusatsu	—	—	June 22, 2018	2,800	2,814	(99)
Total		96,980		2,800	2,814	(99)

(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	Royal Home Center Morinomiya (Land)	March 27, 2018	Trust beneficiary interests in real estate	4,500	5,170	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	FOLEO Otsu Ichiriyama	April 3, 2018	Trust beneficiary interests in real estate	8,100	8,400	Japan Real Estate Institute	January 31, 2018
Acquisition	FOLEO Hakata	April 3, 2018	Trust beneficiary interests in real estate	3,200	3,530	Japan Real Estate Institute	January 31, 2018
Acquisition	Daiwa Roynet Hotel Yokohama Kannai	April 3, 2018	Trust beneficiary interests in real estate	4,800	4,930	Daiwa Real Estate Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Inuyama (Additional acquisition)	April 10, 2018	Trust beneficiary interests in real estate	2,100	2,190	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Kawagoe IV	April 10, 2018	Trust beneficiary interests in real estate	5,600	5,730	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Kuki VII	April 10, 2018	Trust beneficiary interests in real estate	1,040	1,100	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Chibakita	April 10, 2018	Trust beneficiary interests in real estate	7,640	7,650	Daiwa Real Estate Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Matsudo II	April 10, 2018	Trust beneficiary interests in real estate	8,200	8,310	Japan Real Estate Institute	January 31, 2018
Acquisition	D Project Tomisato II	April 10, 2018	Trust beneficiary interests in real estate	6,900	6,990	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Osaka Hirabayashi	April 10, 2018	Trust beneficiary interests in real estate	3,600	4,320	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Sendai Izumi II	April 10, 2018	Trust beneficiary interests in real estate	7,300	7,370	Japan Real Estate Institute	January 31, 2018
Acquisition	D Project Kaminokawa	April 10, 2018	Trust beneficiary interests in real estate	7,900	7,940	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	D Project Fuji	April 10, 2018	Trust beneficiary interests in real estate	3,600	3,650	Japan Real Estate Institute	January 31, 2018
Acquisition	D Project Tosu III	April 10, 2018	Trust beneficiary interests in real estate	9,200	9,380	The Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2018
Acquisition	DPL Fukuoka Kasuya	April 10, 2018	Trust beneficiary interests in real estate	13,300	13,300	Japan Real Estate Institute	January 31, 2018
Sale	Crest Kusatsu	June 22, 2018	Trust beneficiary interests in real estate	2,800	1,960	The Tanizawa Sōgō Appraisal Co., Ltd.	February 28, 2018

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

(4) Transactions with Interested Parties, etc.

i) Status of Transactions

Purchase and sale transactions, etc. with interested parties, etc. (Note 1) for the 25th period are as follows:

Classification	Transaction amount, etc. (Note 2)			
	Purchase		Sale	
Total	¥96,980 million		¥2,800 million	
Breakdown of transactions with interested parties				
Daiwa House Industry Co., Ltd.	¥61,840 million	(63.8%)	¥— million	(—%)
Fujita Corporation	¥4,800 million	(4.9%)	¥— million	(—%)
Royal Home Center Co., Ltd.	¥4,500 million	(4.6%)	¥— million	(—%)
Total	¥71,140 million	(73.4%)	¥— 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	1,303,367	Daiwa Living Co., Ltd.	564,686	43.3
		Daiwa Information Service Co., Ltd.	167,512	12.9
		Daiwa Lease Co., Ltd	285	0.0
		Daiwa LifeNext Co., Ltd.	32,451	2.5
		Daiwa House Property Management Co., Ltd.	169,698	13.0
Repairs and maintenance expenses	568,311	Daiwa Living Co., Ltd.	223,629	39.3
		Daiwa Information Service Co., Ltd.	157,218	27.7
		Daiwa Lease Co., Ltd	7,210	1.3
		Daiwa LifeNext Co., Ltd.	9,495	1.7
		Daiwa House Property Management Co., Ltd.	29,026	5.1
Restoration costs	311,974	Daiwa Living Co., Ltd.	206,673	66.2
		Daiwa Information Service Co., Ltd.	2,940	0.9
Other rental expenses	101,953	Daiwa Living Co., Ltd.	34,535	33.9
		Daiwa Information Service Co., Ltd.	13,205	13.0
		Daiwa LifeNext Co., Ltd.	117	0.1
		Daiwa House Property Management Co., Ltd.	299	0.3

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

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

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

7. Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notice

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

Date of the Board of Directors meeting	Item	Description
June 22, 2018	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 Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd., and Nomura Securities Co., Ltd. with the relevant work for soliciting subscribers to 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 February 28, 2018 and August 31, 2018

	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
<b>Assets</b>		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥41,021,631	¥37,460,508
Operating accounts receivable	148,429	176,748
Prepaid expenses	571,664	618,449
Consumption taxes receivable	—	3,551,655
Other current assets	23	227
Allowance for doubtful accounts	(2,067)	(2,137)
Total current assets	41,739,681	41,805,452
Investment properties (Notes 8 and 9)	554,956,816	646,194,941
Other assets:		
Goodwill (Note 7)	73,342,383	71,360,157
Leasehold rights in trust (Note 9)	5,419,785	6,035,339
Lease and guarantee deposits in trust	3,414,720	3,489,293
Guarantee deposits	261	261
Long-term prepaid expenses	2,209,689	2,284,919
Investment corporation bond issuance costs	78,062	99,182
Investment securities (Note 5)	9,325	9,342
Software	862	569
Trademark rights	2,616	2,337
Other	42,488	—
Allowance for doubtful accounts	(24,058)	—
Total other assets	84,496,135	83,281,402
<b>Total assets</b>	¥681,192,633	¥771,281,796

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

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

	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
<b>Liabilities</b>		
Current liabilities:		
Operating accounts and other payable	¥1,160,397	¥1,642,979
Current portion of long-term loans (Notes 4, 6 and 15)	—	11,600,000
Accrued expenses	1,215,522	1,390,790
Accrued consumption taxes	234,231	—
Advances received	2,250,789	2,675,485
Unearned revenue	221,735	221,735
Deposits received	374,500	327,234
Other	58,852	90,429
Total current liabilities	5,516,029	17,948,655
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 14)	16,000,000	19,000,000
Long-term loans (Notes 4, 6 and 15)	266,268,000	283,668,000
Long-term unearned revenue	1,040,622	928,843
Tenant leasehold and security deposits	265,204	280,916
Tenant leasehold and security deposits in trust	14,243,031	17,422,350
Provision for loss on litigation (Note 19)	89,514	—
Asset retirement obligations (Note 11)	439,186	620,349
Derivative liabilities (Notes 4 and 6)	1,030,085	816,561
Total non-current liabilities	299,375,644	322,737,022
<b>Total liabilities</b>	304,891,673	340,685,677
<b>Net assets</b> (Notes 12 and 13)		
Unitholders' equity:		
Unitholders' capital	108,136,162	163,230,367
Units authorized:		
8,000,000 units as of February 28, 2018 and August 31, 2018		
Units issued and outstanding:		
1,690,000 units as of February 28, 2018 and		
1,927,000 units as of August 31, 2018		
Surplus		
Capital surplus	247,667,563	247,667,563
Voluntary reserve		
Reserve for temporary difference adjustments	12,767,357	10,785,218
Reserve for distribution	1,617,617	1,964,241
Total voluntary reserve	14,384,974	12,749,459
Unappropriated retained earnings	7,142,344	7,765,290
Total surplus	269,194,883	268,182,313
Total unitholders' equity	377,331,045	431,412,680
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 6)	(1,030,085)	(816,561)
Total valuation and translation adjustments	(1,030,085)	(816,561)
<b>Total net assets</b>	376,300,960	430,596,119
<b>Total liabilities and net assets</b>	¥681,192,633	¥771,281,796

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

### III. Statements of Income and Retained Earnings

#### Daiwa House REIT Investment Corporation STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six-month periods ended February 28, 2018 and August 31, 2018

	For the six-month periods ended	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
<b>Operating revenues:</b>		
Rental revenues (Note 10)	¥19,700,575	¥22,211,576
Total operating revenues	19,700,575	22,211,576
<b>Operating expenses:</b>		
Rental expenses (Note 10)	7,947,534	8,944,104
Loss on sale of investment properties (Note 18)	—	99,380
Asset management fees	1,300,091	1,452,834
Asset custody fees	29,357	32,882
Administrative service fees	80,903	83,859
Directors' remuneration	6,600	6,600
Amortization of goodwill (Note 7)	1,982,226	1,982,226
Provision of allowance for doubtful accounts	—	561
Other operating expenses	340,866	339,658
Total operating expenses	11,687,580	12,942,107
<b>Operating income</b>	8,012,994	9,269,468
<b>Non-operating revenues:</b>		
Interest income	154	178
Gain on forfeiture of unclaimed distributions	4,552	4,168
Settlement received	—	10,070
Reversal of allowance for doubtful accounts	115	—
Refunded consumption taxes	346,623	22,295
Other non-operating revenues	6,019	2,573
Total non-operating revenues	357,464	39,287
<b>Non-operating expenses:</b>		
Interest expense	923,699	1,019,240
Interest expense on investment corporation bonds	39,240	42,392
Amortization of investment corporation bond issuance costs	7,384	7,709
Investment unit issuance expenses	—	191,068
Borrowing related expenses	250,747	275,881
Other non-operating expenses	2,771	2,056
Total non-operating expenses	1,223,844	1,538,348
<b>Ordinary income</b>	7,146,614	7,770,407
<b>Extraordinary losses:</b>		
Provision for loss on litigation (Note 19)	3,665	—
Loss on litigation (Note 19)	—	4,512
Total extraordinary losses	3,665	4,512
<b>Income before income taxes</b>	7,142,949	7,765,895
Income taxes-current (Note 17)	605	605
<b>Net income</b>	¥7,142,344	¥7,765,290
<b>Unappropriated retained earnings</b>	¥7,142,344	¥7,765,290

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

### IV. Statements of Changes in Net Assets

#### Daiwa House REIT Investment Corporation STATEMENTS OF CHANGES IN NET ASSETS

For the six-month periods ended February 28, 2018 and August 31, 2018

	Unitholders' equity							Valuation and translation adjustments	Total net assets
	Surplus						Total unitholders' equity		
	Voluntary reserve				Unappropriated retained earnings				
	Reserve for temporary difference adjustments	Reserve for distribution	Capital surplus	Unitholders' capital					
						Number of units			
	(Units)							Deferred gains or losses on hedges	
Balance as of August 31, 2017	1,690,000	¥108,136,162	¥247,667,563	¥14,748,347	¥57,717	¥7,968,070	¥378,577,860	¥(1,256,574)	¥377,321,286
Changes during the period:									
Reversal of reserve for temporary difference adjustments	—	—	—	(1,980,989)	—	1,980,989	—	—	—
Reserve for distribution	—	—	—	—	1,559,900	(1,559,900)	—	—	—
Distributions from retained earnings	—	—	—	—	—	(8,389,160)	(8,389,160)	—	(8,389,160)
Net income	—	—	—	—	—	7,142,344	7,142,344	—	7,142,344
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	226,489	226,489
Total changes during the period	—	—	—	(1,980,989)	1,559,900	(825,725)	(1,246,815)	226,489	(1,020,325)
Balance as of February 28, 2018	1,690,000	¥108,136,162	¥247,667,563	¥12,767,357	¥1,617,617	¥7,142,344	¥377,331,045	¥(1,030,085)	¥376,300,960
Changes during the period:									
Issuance of investment units: on March 19, 2018	222,000	51,607,230	—	—	—	—	51,607,230	—	51,607,230
on April 13, 2018	15,000	3,486,975	—	—	—	—	3,486,975	—	3,486,975
Reversal of reserve for temporary difference adjustments	—	—	—	(1,982,138)	—	1,982,138	—	—	—
Reserve for distribution	—	—	—	—	346,623	(346,623)	—	—	—
Distributions from retained earnings	—	—	—	—	—	(8,777,860)	(8,777,860)	—	(8,777,860)
Net income	—	—	—	—	—	7,765,290	7,765,290	—	7,765,290
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	213,523	213,523
Total changes during the period	237,000	55,094,205	—	(1,982,138)	346,623	622,945	54,081,635	213,523	54,295,158
Balance as of August 31, 2018	1,927,000	¥163,230,367	¥247,667,563	¥10,785,218	¥1,964,241	¥7,765,290	¥431,412,680	¥(816,561)	¥430,596,119

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



## V. Statements of Cash Flows

### Daiwa House REIT Investment Corporation STATEMENTS OF CASH FLOWS

For the six-month periods ended February 28, 2018 and August 31, 2018

	For the six-month periods ended	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
<b>Cash flows from operating activities:</b>		
Income before income taxes	¥7,142,949	¥7,765,895
Depreciation and amortization	3,750,860	4,296,514
Amortization of goodwill	1,982,226	1,982,226
Amortization of investment corporation bond issuance costs	7,384	7,709
Amortization of trademark rights	278	278
Amortization of software	292	292
Loss on retirement of non-current assets	8,240	16,012
Investment unit issuance expenses	—	191,068
Interest income	(154)	(178)
Interest expense	962,940	1,061,632
Decrease (increase) in operating accounts receivable	31,385	(28,319)
Increase in accounts receivable	—	(127)
Decrease (increase) in consumption taxes receivable	2,274,566	(3,785,886)
Increase in prepaid expenses	(27,289)	(46,785)
(Decrease) increase in operating accounts and other payable	(104,095)	275,412
Increase in accrued expenses	12,125	170,806
Increase (decrease) in deposits received	181,685	(47,265)
Increase in advances received	93,130	424,696
Decrease (increase) in long-term prepaid expenses	5,255	(75,229)
Decrease in allowance for doubtful accounts	(508)	(23,989)
Increase (decrease) in provision for loss on litigation	3,665	(89,514)
Decrease in investment properties in trust due to sales	—	2,814,320
Increase in lease and guarantee deposits in trust	—	(74,572)
Other	(256,115)	214,356
Subtotal	16,068,824	15,049,353
Interest received	154	178
Interest paid	(1,075,340)	(1,168,950)
Income taxes paid	(608)	(608)
<b>Net cash provided by operating activities</b>	<b>14,993,029</b>	<b>13,879,972</b>
<b>Cash flows from investing activities:</b>		
Acquisition of investment properties	(965,208)	(97,941,078)
Acquisition of intangible assets in trust	—	(661,753)
Proceeds from tenant leasehold and security deposits	23,946	43,535
Repayment of tenant leasehold and security deposits	(13,428)	(19,069)
Proceeds from tenant leasehold and security deposits in trust	146,527	3,801,302
Repayment of tenant leasehold and security deposits in trust	(136,670)	(766,840)
<b>Net cash used in investing activities</b>	<b>(944,832)</b>	<b>(95,543,905)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term loans	16,000,000	32,000,000
Repayment of long-term loans	(16,000,000)	(3,000,000)
Proceeds from issuance of investment corporation bonds	—	2,971,170
Proceeds from issuance of investment units	—	54,903,136
Distribution payment	(8,383,882)	(8,771,497)
<b>Net cash provided by (used in) financing activities</b>	<b>(8,383,882)</b>	<b>78,102,808</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,664,314</b>	<b>(3,561,123)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>35,357,317</b>	<b>41,021,631</b>
<b>Cash and cash equivalents at end of the period (Note 3)</b>	<b>¥ 41,021,631</b>	<b>¥ 37,460,508</b>

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

## VI. Notes to Financial Statements

### Daiwa House REIT Investment Corporation Notes to Financial Statements

As of and for the six-month periods ended February 28, 2018 and August 31, 2018

#### Note 1 – Organization and Basis of Presentation

##### Organization

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

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

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

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

After the merger, DHR shifted to a diversified REIT portfolio that targets investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investments in the past. As of August 31, 2018, DHR’s portfolio included 213 properties at a total acquisition price of ¥671.7 billion.

During the six-month period ended August 31, 2018, DHR issued 222,000 new investment units through a public offering with an offer price of ¥239,806 per unit (paid-in amount: ¥232,465 per unit) on March 19, 2018, and 15,000 new investment units through a third-party allotment also with a paid-in amount of ¥232,465 per unit on April 13, 2018.

##### 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”), the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

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

DHR maintains its accounting records in Japanese yen, the currency of the country in which DHR operates. As permitted by the regulations under the Financial Instruments and Exchange Act, amounts of less than thousand yen

have been omitted. Unless otherwise specified, amounts of less than the units indicated are truncated, while values of ratios are rounded up or down to the nearest value of the last digit in the accompanying financial statements. As a result, totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

**Note 2 – Summary of Significant Accounting Policies**

**(a) Cash and Cash Equivalents**

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

**(b) Investment Properties**

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

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

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

**(c) Intangible Assets**

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

	Years
Goodwill	20
Computer software	5

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

**(d) Investment Corporation Bond Issuance Costs**

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

**(e) Investment Unit Issuance Expenses**

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

**(f) Investment Securities**

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

**(g) Revenue Recognition**

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

**(h) Taxes on Property and Equipment**

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

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

**(i) Income Taxes**

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

**(j) Allowance for Doubtful Accounts**

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

**(k) Provision for Loss on Litigation**

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

**(l) Consumption Taxes**

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

**(m) Trust Beneficiary Interests**

For trust beneficiary interests in real estate, each of the trust assets and liabilities as well as all income generated



and expenses incurred in trusts are recorded in the relevant balance sheet and income statement accounts.

### (n) Derivatives and Hedge Accounting

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 bank deposits include restricted bank deposits held in trust that are retained for repayment of tenant security deposits.

	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
Unrestricted cash and bank deposits	¥31,806,605	¥26,954,525
Restricted bank deposits held in trust	9,215,026	10,505,983
Cash and bank deposits	¥41,021,631	¥37,460,508
Cash and cash equivalents	¥41,021,631	¥37,460,508

## Note 4 – Financial Instruments

### (a) Qualitative Information on Financial Instruments

#### Policy on financial instruments

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

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

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

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

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

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

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

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

### Supplemental explanation concerning fair value of financial instruments

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

### (b) Estimated Fair Value of Financial Instruments

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

	As of					
	February 28, 2018			August 31, 2018		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥41,021,631	¥41,021,631	¥—	¥37,460,508	¥37,460,508	¥—
(2) Investment securities:						
Held-to-maturity bonds	9,325	8,981	(344)	9,342	8,921	(421)
<b>Total</b>	<b>¥41,030,957</b>	<b>¥41,030,612</b>	<b>¥(344)</b>	<b>¥37,469,850</b>	<b>¥37,469,429</b>	<b>¥(421)</b>
Liabilities						
(3) Current portion of long-term loans	¥—	¥—	¥—	¥11,600,000	¥11,613,463	¥13,463
(4) Investment corporation bonds	16,000,000	16,120,053	120,053	19,000,000	19,028,099	28,099
(5) Long-term loans	266,268,000	269,420,271	3,152,271	283,668,000	286,291,112	2,623,112
(6) Tenant leasehold and security deposits in trust	455,970	441,770	(14,199)	624,821	609,723	(15,098)
<b>Total</b>	<b>¥282,723,970</b>	<b>¥285,982,095</b>	<b>¥3,258,125</b>	<b>¥314,892,821</b>	<b>¥317,542,398</b>	<b>¥2,649,577</b>
(7) Derivatives (*)	¥(1,030,085)	¥(1,030,085)	¥—	¥(816,561)	¥(816,561)	¥—

(\*) 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

**Assets:**

(1) Cash and bank deposits

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

(2) Investment securities

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

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

**Liabilities:**

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

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

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

(4) Investment corporation bonds

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

(6) Tenant leasehold and security deposits in trust

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

(7) Derivatives

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

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

	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
Tenant leasehold and security deposits	¥265,204	¥280,916
Tenant leasehold and security deposits in trust	13,787,060	16,797,529

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

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

As of February 28, 2018	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
(Yen in thousands)						
Cash and bank deposits	¥41,021,631	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
<b>Total</b>	¥41,021,631	¥—	¥—	¥—	¥—	¥10,000

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

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

As of February 28, 2018	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
(Yen in thousands)						
Investment corporation bonds	¥—	¥—	¥3,000,000	¥4,000,000	¥—	¥9,000,000
Long-term loans	—	40,510,000	14,400,000	26,358,000	31,000,000	154,000,000
<b>Total</b>	¥—	¥40,510,000	¥17,400,000	¥30,358,000	¥31,000,000	¥163,000,000

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

(\*) The figures above include the current portion.

**Note 5 – Investment Securities**

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

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



	As of					
	February 28, 2018			August 31, 2018		
	(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	9,325	8,981	(344)	9,342	8,921	(421)
Subtotal	9,325	8,981	(344)	9,342	8,921	(421)
Total	¥9,325	¥8,981	¥(344)	¥9,342	¥8,921	¥(421)

**Note 6 – Derivative Transactions**

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

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

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

		As of					
Type of derivative transaction	Hedged item	February 28, 2018			August 31, 2018		
		Contract amount		Fair value	Contract amount		Fair value
		Total	Due after one year		Total	Due after one year	
(Yen in thousands)							
<u>Principle method</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	¥47,500,000	¥47,500,000	¥(1,030,085) (Note 1)	¥47,500,000	¥47,500,000	¥(816,561) (Note 1)
<u>Special treatment for interest-rate swaps</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	48,268,000	48,268,000	(Note 2)	48,268,000	48,268,000	(Note 2)
<b>Total</b>		¥95,768,000	¥95,768,000	¥(1,030,085)	¥95,768,000	¥95,768,000	¥(816,561)

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 Daiwa House REIT Investment Corporation (the “former DHR”) in an absorption-type merger (the “Merger”) with DHR as the surviving corporation and the former DHR as the absorbed corporation.

On the business combination date, consideration given for the acquisition was ¥219,425,976 thousand, which was the amount equivalent to the fair value of DHR investment units allotted, while the fair value of the net assets acquired from the former DHR was ¥140,136,912 thousand. The excess of the acquisition cost over the fair value of the net assets acquired, in the amount of ¥79,289,063 thousand, was recognized as goodwill upon the Merger. The amount of goodwill is amortized over 20 years using the straight-line method. As of February 28, 2018 and August 31, 2018, the unamortized balances of goodwill from the Merger were ¥73,342,383 thousand and ¥71,360,157 thousand, respectively.

**Note 8 – Investment Properties**

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

	As of					
	February 28, 2018			August 31, 2018		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥21,637,530	¥—	¥21,637,530	¥21,637,530	¥—	¥21,637,530
Buildings	26,531,754	4,100,740	22,431,013	26,566,010	4,374,887	22,191,122
Structures	247,513	40,832	206,681	249,493	43,759	205,733
Machinery and equipment	447,543	119,131	328,412	454,987	129,260	325,726
Tools, furniture and fixtures	651,623	330,849	320,773	669,144	354,201	314,943
Property and equipment in trust:						
Land	260,076,467	—	260,076,467	302,954,257	—	302,954,257
Buildings	267,721,035	24,366,686	243,354,349	317,552,921	27,516,054	290,036,867
Structures	5,143,923	441,490	4,702,432	7,054,268	547,644	6,506,624
Machinery and equipment	2,299,873	848,924	1,450,948	2,361,439	932,610	1,428,829
Tools, furniture and fixtures	776,413	340,842	435,571	867,589	348,059	519,530
Construction in progress	12,636	—	12,636	73,774	—	73,774
<b>Total</b>	<b>¥585,546,316</b>	<b>¥30,589,499</b>	<b>¥554,956,816</b>	<b>¥680,441,418</b>	<b>¥34,246,477</b>	<b>¥646,194,941</b>

**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:

	<b>As of / For the six-month periods ended</b>	
	<b>February 28, 2018</b>	<b>August 31, 2018</b>
	(Yen in thousands)	
<b>Book value:</b>		
Balance at beginning of the period	¥563,168,188	¥560,376,601
Net change during the period	(2,791,586)	91,853,678
Balance at end of the period	¥560,376,601	¥652,230,280
<b>Fair value at end of the period</b>	<b>¥623,686,000</b>	<b>¥731,042,000</b>

Notes:

1. The book value above includes leasehold rights in trust of ¥5,419,785 thousand and ¥6,035,339 thousand as of February 28, 2018 and August 31, 2018, respectively.
2. For the period ended February 28, 2018, the decrease is principally attributable to depreciation. For the period ended August 31, 2018, the increase is mainly due to acquisitions of 16 properties including DPL Fukuoka Kasuya (¥97,823,050 thousand), while the decrease is principally attributable to the sale of Crest Kusatsu (¥2,814,320 thousand) and depreciation.
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 February 28, 2018 and August 31, 2018 are as follows:

	<b>For the six-month periods ended</b>	
	<b>February 28, 2018</b>	<b>August 31, 2018</b>
	(Yen in thousands)	
<b>Rental revenues:</b>		
Rental revenues	¥18,344,128	¥20,695,802
Common area charges	432,436	464,918
Subtotal	18,776,564	21,160,720
Other revenues related to property leasing		
Facility charges	352,880	365,832
Incidental revenues	267,725	295,306
Other revenues	303,404	389,716
Subtotal	924,010	1,050,855
Total rental revenues	¥19,700,575	¥22,211,576

**Rental expenses:**

	<b>For the six-month periods ended</b>	
	<b>February 28, 2018</b>	<b>August 31, 2018</b>
	(Yen in thousands)	
Management fees	¥1,203,176	¥1,303,367
Utilities	315,070	342,082
Taxes and public dues	1,201,943	1,440,930
Repairs	608,962	568,311
Restoration costs	241,904	311,974
Insurance premiums	22,983	26,911
Custodian fees	59,402	68,447
Depreciation and amortization	3,750,860	4,296,514
Other operating expenses	543,230	585,563
Total rental expenses	¥7,947,534	¥8,944,104
<b>Operating income from property leasing activities</b>	<b>¥11,753,040</b>	<b>¥13,267,472</b>

Transactions with DHR's major unitholder for the periods ended February 28, 2018 and August 31, 2018 are as follows:

	<b>For the six-month periods ended</b>	
	<b>February 28, 2018</b>	<b>August 31, 2018</b>
	(Yen in thousands)	
<b>Business transactions</b>		
Operating revenues	¥323,109	¥—

**Note 11 – Asset Retirement Obligations**

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

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

	<b>For the six-month periods ended</b>	
	<b>February 28, 2018</b>	<b>August 31, 2018</b>
	(Yen in thousands)	
Balance at beginning of the period	¥434,255	¥439,186
Increase due to acquisitions of property and equipment	—	175,465
Accretion expense	4,931	5,698
Balance at end of the period	¥439,186	¥620,349

**Note 12 – Net Assets**

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

**Note 13 – Distribution Information**

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

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

Adopting the transitional measure stipulated in the paragraph 3 of supplementary provision of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), subsequent to February 28, 2017, DHR transferred the reserve for distribution of ¥14,748,347,148, which was the balance retained from gain on negative goodwill recognized in the past, to the reserve for temporary difference adjustments account. The Ordinance prescribes that, from the fiscal period following the period in which the amount is reserved, a minimum of 1% of the remaining balance shall be appropriated from reserve for temporary difference adjustments for cash distributions. Instead of appropriating the minimum amounts as set forth by the Ordinance, DHR appropriated the amounts equivalent to goodwill amortization expenses in accordance with the cash distribution policy set forth in the Articles of Incorporation from the fiscal period ended August 31, 2017. The amounts appropriated for distributions related to the periods ended February 28, 2018 and August 31, 2018 were ¥1,982,138,926 and ¥1,980,646,890, respectively, which were greater than the aforementioned minimum amounts as set forth by the Ordinance.

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

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

	Distributions related to the six-month periods ended			
	February 28, 2018		August 31, 2018	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥7,142,344,597		¥7,765,290,290	
Reversal of voluntary reserve:				
Reserve for temporary difference adjustments	1,982,138,926		1,980,646,890	
Accumulation of voluntary reserve:				
Reserve for distribution	(346,623,523)		(22,295,180)	
Cash distributions	¥8,777,860,000	¥5,194	¥9,723,642,000	¥5,046
Retained earnings carried forward	—		—	

**Note 14 – Investment Corporation Bonds**

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

Description	Issue date	Maturity date	Interest rate	As of	
				February 28, 2018	August 31, 2018
				(Yen in thousands)	
Daiwa House REIT Investment Corporation 1st Unsecured Bonds (*)	December 24, 2014	December 24, 2024	0.826%	¥2,000,000	¥2,000,000
Daiwa House Residential Investment Corporation 2nd Unsecured Bonds	January 22, 2015	January 22, 2021	0.35%	3,000,000	3,000,000
Daiwa House Residential Investment Corporation 3rd Unsecured Bonds	January 22, 2015	January 22, 2025	0.67%	3,000,000	3,000,000
Daiwa House REIT Investment Corporation 5th Unsecured Bonds	December 20, 2016	December 20, 2021	0.24%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 6th Unsecured Bonds	December 20, 2016	December 18, 2026	0.57%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 7th Unsecured Bonds	July 30, 2018	July 30, 2030	0.69%	—	2,000,000
Daiwa House REIT Investment Corporation 8th Unsecured Bonds	July 30, 2018	July 30, 2038	1.03%	—	1,000,000
<b>Total</b>				<b>¥16,000,000</b>	<b>¥19,000,000</b>

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

**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 February 28, 2018 and August 31, 2018.

Long-term loans:	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
1.07% fixed-rate long-term loan due 2019	¥4,000,000	¥4,000,000
0.25% floating-rate long-term loan due 2019	7,600,000	7,600,000
1.29% fixed-rate long-term loan due 2019	10,000,000	10,000,000



	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
0.96% floating-rate long-term loan due 2020 (*)	17,410,000	17,410,000
0.96% fixed-rate long-term loan due 2020	1,500,000	1,500,000
0.57% fixed-rate long-term loan due 2020	1,000,000	1,000,000
0.20% floating-rate long-term loan due 2020	9,900,000	6,900,000
0.90% floating-rate long-term loan due 2021(*)	3,500,000	3,500,000
1.05% floating-rate long-term loan due 2021 (*)	3,000,000	3,000,000
0.51% floating-rate long-term loan due 2021 (*)	7,000,000	7,000,000
0.40% fixed-rate long-term loan due 2021	9,500,000	9,500,000
0.61% floating-rate long-term loan due 2022 (*)	6,858,000	6,858,000
0.66% floating-rate long-term loan due 2022 (*)	10,000,000	10,000,000
0.59% floating-rate long-term loan due 2022 (*)	10,500,000	10,500,000
1.21% floating-rate long-term loan due 2022 (*)	3,500,000	3,500,000
0.87% floating-rate long-term loan due 2022 (*)	3,000,000	3,000,000
0.65% floating-rate long-term loan due 2022 (*)	4,000,000	4,000,000
0.43% fixed-rate long-term loan due 2022	—	1,000,000
0.42% fixed-rate long-term loan due 2022	—	6,500,000
1.50% floating-rate long-term loan due 2023 (*)	2,000,000	2,000,000
1.00% fixed-rate long-term loan due 2023	1,000,000	1,000,000
0.99% floating-rate long-term loan due 2023 (*)	4,000,000	4,000,000
0.71% floating-rate long-term loan due 2023 (*)	4,000,000	4,000,000
0.41% fixed-rate long-term loan due 2023	10,400,000	10,400,000
0.57% fixed-rate long-term loan due 2023	10,000,000	10,000,000
0.44% fixed-rate long-term loan due 2023	—	1,000,000
0.88% fixed-rate long-term loan due 2024	2,000,000	2,000,000
1.52% floating-rate long-term loan due 2024 (*)	3,000,000	3,000,000
0.73% fixed-rate long-term loan due 2024	1,000,000	1,000,000
0.48% fixed-rate long-term loan due 2024	11,000,000	11,000,000
0.55% fixed-rate long-term loan due 2024	1,000,000	1,000,000
0.52% fixed-rate long-term loan due 2024	—	5,000,000
1.23% floating-rate long-term loan due 2025 (*)	4,000,000	4,000,000
1.18% fixed-rate long-term loan due 2025	3,000,000	3,000,000
0.97% floating-rate long-term loan due 2025 (*)	4,000,000	4,000,000
0.63% fixed-rate long-term loan due 2025	9,000,000	9,000,000
0.70% fixed-rate long-term loan due 2025	11,000,000	11,000,000
0.60% fixed-rate long-term loan due 2025	—	5,000,000
2.03% floating-rate long-term loan due 2026 (*)	2,000,000	2,000,000
1.09% floating-rate long-term loan due 2026 (*)	4,000,000	4,000,000
0.69% fixed-rate long-term loan due 2026	1,000,000	1,000,000
0.87% fixed-rate long-term loan due 2026	15,000,000	15,000,000
0.76% fixed-rate long-term loan due 2026	10,000,000	10,000,000
0.65% fixed-rate long-term loan due 2026	—	2,000,000
1.46% fixed-rate long-term loan due 2027	1,500,000	1,500,000
0.85% fixed-rate long-term loan due 2027	2,000,000	2,000,000
0.89% fixed-rate long-term loan due 2027	12,100,000	12,100,000
0.90% fixed-rate long-term loan due 2027	16,000,000	16,000,000
0.75% fixed-rate long-term loan due 2027	—	1,500,000
1.02% fixed-rate long-term loan due 2028	10,000,000	10,000,000
0.89% fixed-rate long-term loan due 2028	—	10,000,000
Total	266,268,000	295,268,000
Less: current portion	—	(11,600,000)
<b>Long-term loans, less current portion</b>	<b>¥266,268,000</b>	<b>¥283,668,000</b>

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

The stated interest rate is the weighted average interest rate during the period ended August 31, 2018 and is rounded to the second decimal place.

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

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

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

#### Note 16 – Lease Transactions

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

	As of	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
Due within one year	¥15,728,887	¥21,249,137
Due after one year	98,420,039	142,337,743
<b>Total</b>	<b>¥114,148,927</b>	<b>¥163,586,881</b>

#### 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	
	February 28, 2018	August 31, 2018
	(Yen in thousands)	
<b>Deferred tax assets:</b>		
Excess provision of allowance for doubtful accounts	¥8,257	¥652
Deferred interest income	398,987	360,001
Valuation difference at the time of merger (Long-term prepaid expenses, etc.)	313	134
Valuation difference at the time of merger (Land, Buildings)	2,898,242	2,748,571
Loss carryforward assumed at the time of merger	11,127,450	160,307
Asset retirement obligations	138,755	195,991
Provision for loss on litigation	28,280	—
Deferred gains or losses on hedges	325,442	257,982
Amortization of fixed-term land lease rights	92,810	107,406
Other payable (loss on litigation)	—	28,713
Other	990	2,210
Subtotal	15,019,530	3,861,972
Valuation reserve	(15,019,530)	(3,861,972)
<b>Net deferred tax assets</b>	<b>—</b>	<b>—</b>
<b>Deferred tax liabilities:</b>		
Valuation difference at the time of merger (Investment securities)	(780)	(758)
Valuation difference at the time of merger (Land, Buildings)	(14,648,535)	(14,555,319)
Asset retirement costs	(118,925)	(174,361)
Subtotal	(14,768,241)	(14,730,439)
Valuation reserve	14,768,241	14,730,439
<b>Net deferred tax liabilities</b>	<b>—</b>	<b>—</b>
<b>Net deferred tax assets</b>	<b>¥—</b>	<b>¥—</b>

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 six-month periods ended	
	February 28, 2018	August 31, 2018
Statutory tax rate	31.74%	31.74%
Adjustments:		
Tax-deductible cash distributions paid	(39.00)	(38.84)
Use of loss carryforward assumed at the time of merger	(0.74)	—
Amortization of goodwill	8.81	8.10
Change in valuation allowance	(0.82)	(1.01)
Other	0.02	0.02
Effective tax rate	0.01%	0.01%

**Note 18 – Loss on Sale of Investment Properties**

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

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

For the period ended February 28, 2018, no gain or loss on sale of investment properties was reported.

**Note 19 – Loss on Litigation**

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

As of February 28, 2018, DHR recognized a provision for loss on litigation in the amount of ¥89,514 thousand by estimating the amount of loss based on rent judged most likely at that time, after giving comprehensive consideration to how the lawsuit unfolded. Further, for the period ended August 31, 2018, DHR recognized an additional ¥4,512 thousand of loss on litigation based on the most reasonable estimate. Although DHR is required to compensate for the reduced portion of rent of Asahi Security Co., Ltd. for prior periods, such amount is already covered by aforementioned provision and loss as of August 31, 2018.

Note 20 – Per Unit Information

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

	For the six-month periods ended	
	February 28, 2018	August 31, 2018
	(Yen)	
<b>Earnings per unit:</b>		
Net income per unit	¥4,226	¥4,083
Weighted average number of units outstanding (units)	1,690,000	1,901,777
	As of	
	February 28, 2018	August 31, 2018
	(Yen)	
<b>Net assets per unit</b>	¥222,663	¥223,454

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

Note 21 – Related-Party Transactions

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

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

(b) *Affiliates* — None

(c) *Transactions under Common Control*

For the six-month period ended February 28, 2018

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Subsidiary of DHR's major corporate investor	Daiwa House Asset Management Co., Ltd.	Chiyoda Ward, Tokyo	¥300	Asset management	—	Consigned asset management operations	Asset management fees	¥1,300,091	Accrued expenses	¥1,077,198

Notes:

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

For the six-month period ended August 31, 2018 — None

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

Note 22 – Segment Information

(a) *Segment Information*

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

(b) *Related Information*

*Information about products and services*

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

*Information about geographic areas*

(1) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended February 28, 2018 and August 31, 2018, information about geographic areas has been omitted.

(2) Investment properties

Since over 90% of total investment properties on the balance sheets as of February 28, 2018 and August 31, 2018, are located within Japan, information about geographic areas on such investment properties has been omitted.

*Information about major customers*

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

Note 23 – Accounting Standards Issued But Not Yet Applied

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

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(a) *Overview*



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

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

***(b) Scheduled Date of Application***

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

***(c) Effect of Application of the New Accounting Standard***

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

**Note 24 – Subsequent Events**

Not applicable.



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**Independent Auditor’s Report**

The Board of Directors  
Daiwa House REIT Investment Corporation

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

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

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

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

***Opinion***

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

*Ernst & Young ShinNihon LLC*

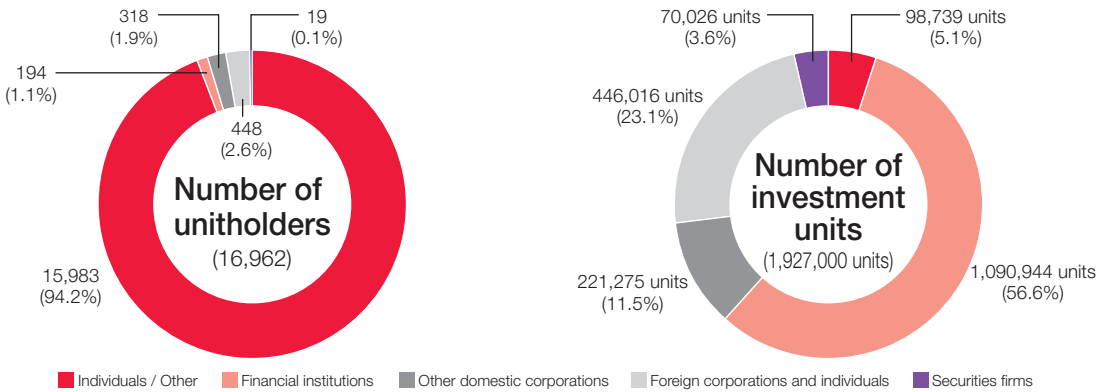
November 19, 2018  
Tokyo, Japan

Investment Unit Price



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

Unitholders Data (as of August 31, 2018)



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

Outline of the Asset Manager

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

Procedures for Changes of Address, etc.

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

Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions has elapsed, please contact the transfer agent Sumitomo Mitsui Trust Bank, Limited.

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

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

Distribution Statement

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

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

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

**Use of the My Number for Investment Unit Related Business**

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

[Contact address for inquiries on submitting My Number]

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

Note for Unitholders

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