



Daiwa House Residential Investment Corporation

FINANCIAL STATEMENTS FOR THE SEVENTEENTH FISCAL PERIOD

(March 1, 2014 — August 31, 2014)

To Our Unitholders

We would like to express our sincere gratitude to unitholders for your unwavering support of Daiwa House Residential Investment Corporation (“DHI”).

Recently, DHI marked the closing of the 17th Fiscal Period (from March 1, 2014 to August 31, 2014). We again would like to extend our heartfelt thanks to unitholders for this could not have been achieved without your understanding and support.

We hereby report on the management status and financial results for the 17th Fiscal Period.

DHI acquired “Royal Parks Wakabadai” in March 2014 and “Morino Tonari” in July 2014 (total acquisition price: ¥5,380 million).

This resulted in realizing steady external growth to a portfolio at the end of the 17th Fiscal Period (August 31, 2014) with 134 properties in terms of the number of properties (10,390 units in terms of the number of leasable units) and ¥235.3 billion in terms of asset size (acquisition price basis).

Favorable performance at the properties held by DHI led to continued high occupancy rates of 96.5% as the period-average occupancy rate and 96.7% as of the end of August 2014.

Moreover, DHI continued to engage in a series of efforts, including reduction of repair expenses, restoration costs and other real estate rental expenses, in pursuit of greater operational efficiency. As a result of the above, operating revenues of ¥8,578 million, operating income of ¥3,906 million, ordinary income of ¥3,082 million and net income of ¥3,081 million were posted in the 17th Fiscal Period, exceeding initial forecasts by approximately ¥80 million.

Concerning distributions, in accordance with its distribution policy, DHI implemented a reversal of internal reserves in the amount of ¥166 million (10% of the amount equivalent to depreciation and amortization) (¥444 per investment unit). Accordingly, DHI declared total distributions of ¥3,247 million and distribution per investment unit of ¥8,686 (¥216 higher than the initial forecast).

Furthermore, entering the 18th Fiscal Period (fiscal period ending in February 2015), DHI has also embarked on proactive activities aimed at new growth. Specifically, DHI acquired “Aburatsubo Marina HILLS” (acquisition price: ¥1,100 million) on September 1, 2014 as DHI’s second fee-based home for the elderly with nursing care services, and acquired “Castalia Meguro Tairamachi” (acquisition price: ¥1,165 million) on September 26, 2014.

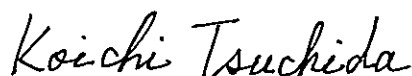
DHI will continue to make utmost efforts to achieve steady growth of the portfolio and maximization of returns for unitholders while making the most of the comprehensive strengths and know-how of the sponsor the Daiwa House Group in the next and subsequent fiscal periods.

The continued support of unitholders is greatly appreciated.

Daiwa House Residential Investment Corporation
Executive Director
Tetsuji Tada



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



Distribution per Unit (Yen) ¥8,686

Actual

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

Distribution per Unit (Yen) ¥8,600

Forecast *1

Eighteenth Fiscal Period: (September 1, 2014 – February 28, 2015)

Distribution per Unit (Yen) ¥8,650

Forecast *1

Nineteenth Fiscal Period: (September 1, 2014 – February 28, 2015)

*1) Forecast as of October 9, 2014. Actual distributions per unit may vary. Moreover, these forecasts are not intended as a guarantee of distribution amount.

1. FINANCIAL HIGHLIGHT

(1) Management Highlight

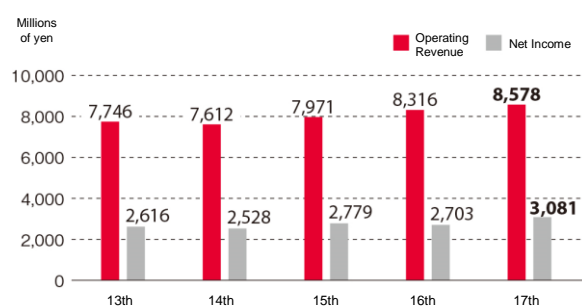
	(Millions of yen)			
	Operating Revenues	Operating Income	Ordinary Income	Net Income
Seventeenth Fiscal Period	¥8,578	¥3,906	¥3,082	¥3,081
Sixteenth Fiscal Period	¥8,316	¥3,559	¥2,704	¥2,703
Fifteenth Fiscal Period	¥7,971	¥3,661	¥2,780	¥2,779
Fourteenth Fiscal Period	¥7,612	¥3,398	¥2,529	¥2,528
Thirteenth Fiscal Period	¥7,746	¥3,691	¥2,724	¥2,616

	(Millions of yen, Yen; days)		
	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
Seventeenth Fiscal Period	¥8,686	¥3,247	184
Sixteenth Fiscal Period	¥8,688	¥3,248	181
Fifteenth Fiscal Period	¥8,300	¥2,920	184
Fourteenth Fiscal Period	¥16,947	¥2,720	181
Thirteenth Fiscal Period	¥16,264	¥2,610	184

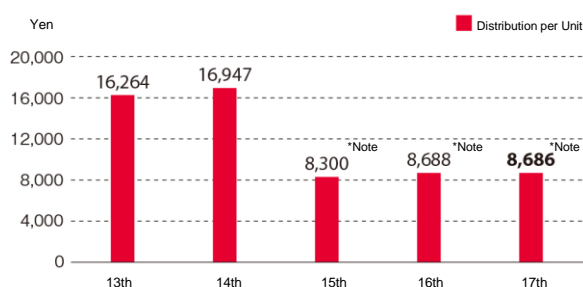
Notes:

- Seventeenth Fiscal Period: March 1, 2014 — August 31, 2014
Sixteenth Fiscal Period: September 1, 2013 — February 28, 2014
Fifteenth Fiscal Period: March 1, 2013 — August 31, 2013
Fourteenth Fiscal Period: September 1, 2012 — February 28, 2013
Thirteenth Fiscal Period: March 1, 2012 — August 31, 2012
Twelfth Fiscal Period: September 1, 2011 — February 29, 2012
- “Net income” for the Thirteenth is the amount including the reversal of internal reserves and differ from the funds from which distributions are paid out.
The funds from which distributions are paid out for the Seventeenth, Sixteenth, Fifteenth and Fourteenth Fiscal Period are the amount including the reversal of internal reserves and differ from “net income”.

< Operating Revenue / Net Income >



< Distribution per Unit >



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

(2) Financial Position

(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Equity Ratio (%)	Unitholders' Equity per Unit (Yen)	Interest-bearing Debt (Millions of yen)	LTV (%)
Seventeenth Fiscal Period	¥238,092	¥111,622	46.9%	¥298,560	¥121,666	51.1%
Sixteenth Fiscal Period	¥237,934	¥111,789	47.0%	¥299,006	¥121,666	51.1%
Fifteenth Fiscal Period	¥229,781	¥103,406	45.0%	¥293,878	¥121,740	53.0%
Fourteenth Fiscal Period	¥221,779	¥91,846	41.4%	¥286,063 *2	¥125,540	56.6%
Thirteenth Fiscal Period	¥218,295	¥91,928	42.1%	¥286,320 *2	¥121,834	55.8%

Notes:

- Seventeenth Fiscal Period: September 1, 2013 — February 28, 2014
Sixteenth Fiscal Period: March 1, 2013 — August 31, 2013
Fifteenth Fiscal Period: March 1, 2013 — August 31, 2013
Fourteenth Fiscal Period: September 1, 2012 — February 28, 2013
Thirteenth Fiscal Period: March 1, 2012 — August 31, 2012
- DHI implemented a 2-for-1 split of investment units on March 1, 2013 as the effective date.
“Unitholders’ equity per unit” was calculated under the assumption that the split was implemented at the beginning of the 13th fiscal period.

Independent Auditor's Report

The Board of Directors
Daiwa House Residential Investment Corporation

We have audited the accompanying financial statements of Daiwa House Residential Investment Corporation which comprise the balance sheet as at August 31, 2014, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House Residential Investment Corporation as at August 31, 2014, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

November 21, 2014
Tokyo, Japan

Ernst & Young Shinmikan LLC

Daiwa House Residential Investment Corporation

Balance Sheets

As of February 28, 2014 and August 31, 2014

	As of February 28, 2014	As of August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Assets			
Current assets:			
Cash and bank deposits (including trust accounts)	¥ 11,632,775	¥ 7,223,749	\$ 69,633
Rental receivables	43,188	58,551	564
Prepaid expenses	303,846	301,620	2,907
Other current assets	389	331	3
Allowance for doubtful accounts	(3,412)	(3,486)	(33)
Total current assets	<u>11,976,788</u>	<u>7,580,767</u>	<u>73,074</u>
Property and equipment:			
Land	21,150,419	21,905,716	211,159
Construction in progress	—	4,500	43
Buildings and structures	28,306,507	28,638,792	276,063
Machinery and equipment	432,205	433,836	4,181
Tools, furniture and fixtures	653,208	658,393	6,346
Land in trust	82,363,377	82,363,377	793,940
Construction in progress in trust	—	1,712	16
Buildings and structures in trust	98,565,328	102,388,789	986,975
Machinery and equipment in trust	1,549,192	1,553,115	14,971
Tools, furniture and fixtures in trust	338,277	364,796	3,516
Less – accumulated depreciation	(12,027,380)	(13,673,798)	(131,808)
Net property and equipment	<u>221,331,135</u>	<u>224,639,232</u>	<u>2,165,406</u>
Investments and other assets:			
Long-term prepaid expenses	648,203	514,536	4,959
Guarantee deposits	10,195	10,195	98
Leasehold rights in trust	2,536,272	3,372,314	32,507
Software	—	1,669	16
Trademark rights	5,155	4,609	44
Lease and guarantee deposits in trust	1,412,200	1,956,916	18,863
Total investments and other assets	<u>4,612,027</u>	<u>5,860,242</u>	<u>56,489</u>
Deferred assets:			
Investment corporation bond issuance costs	14,122	11,768	113
Total deferred assets	<u>14,122</u>	<u>11,768</u>	<u>113</u>
Total assets	<u>¥ 237,934,074</u>	<u>¥ 238,092,010</u>	<u>\$ 2,295,083</u>

	As of February 28, 2014	As of August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Liabilities and net assets			
Current liabilities:			
Trade and other payables	¥ 411,942	¥ 566,801	\$ 5,463
Accrued expenses	462,544	505,231	4,870
Consumption taxes payable	18,631	14,650	141
Rent received in advance	844,848	870,782	8,393
Deposits received	218,821	256,950	2,476
Current portion of rehabilitation obligations	14,861,887	14,861,887	143,260
Total current liabilities	<u>16,818,677</u>	<u>17,076,304</u>	<u>164,606</u>
Long-term liabilities:			
Investment corporation bonds	3,000,000	3,000,000	28,918
Long-term loans	103,805,000	103,805,000	1,000,626
Tenant leasehold and security deposits	318,326	315,200	3,038
Tenant leasehold and security deposits in trust	1,801,227	1,866,878	17,995
Asset retirement obligations	401,258	405,813	3,911
Total long-term liabilities	<u>109,325,812</u>	<u>109,392,892</u>	<u>1,054,490</u>
Total liabilities	<u>126,144,489</u>	<u>126,469,197</u>	<u>1,219,097</u>
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000			
Units issued and outstanding: 373,870	61,703,224	61,703,224	594,787
Capital surplus	28,241,587	28,241,587	272,234
Reserve for distribution	19,140,843	18,596,590	179,261
Retained earnings	2,703,929	3,081,411	29,703
Total unitholders' equity	<u>111,789,584</u>	<u>111,622,813</u>	<u>1,075,986</u>
Total net assets	<u>111,789,584</u>	<u>111,622,813</u>	<u>1,075,986</u>
Total liabilities and net assets	<u>¥ 237,934,074</u>	<u>¥ 238,092,010</u>	<u>\$ 2,295,083</u>

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Income and Retained Earnings

For the period from September 1, 2013 to February 28, 2014
and for the period from March 1, 2014 to August 31, 2014

	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:			
Rental revenues	¥ 8,316,515	¥ 8,578,251	\$ 82,689
Total operating revenues	8,316,515	8,578,251	82,689
Operating expenses:			
Real estate rental expenses	3,545,022	3,769,653	36,337
Loss on sales of real estate properties	385,417	—	—
Asset management fees	532,323	572,099	5,514
Asset custodian and consignment fees	20,909	21,484	207
Administrative service and consignment fees	66,207	59,302	571
Directors' remuneration	6,600	6,600	63
Provision of allowance for doubtful accounts	—	453	4
Other operating expenses	200,177	242,398	2,336
Total operating expenses	4,756,658	4,671,991	45,035
Operating income	3,559,857	3,906,259	37,654
Non-operating income (expenses):			
Interest income	776	486	4
Interest expense	(650,966)	(645,306)	(6,220)
Fixed asset tax settlement	—	1,074	10
Gain on adjustment of account payable	—	567	5
Gain on reversal of allowance for doubtful accounts	727	—	—
Gain on exclusion of distribution payable	4,355	4,273	41
Interest expenses on investment corporation bonds	(16,523)	(17,076)	(164)
Amortization of investment corporation bond issuance costs	(2,353)	(2,353)	(22)
Investment unit issuance expenses	(35,675)	—	—
Financing related expenses	(155,320)	(159,798)	(1,540)
Other, net	(341)	(6,111)	(58)
Total non-operating income (expenses)	(855,323)	(824,243)	(7,945)
Ordinary income	2,704,534	3,082,016	29,709
Income before income taxes	2,704,534	3,082,016	29,709
Income taxes:			
Current	605	605	5
Total income taxes	605	605	5
Net income	2,703,929	3,081,411	29,703
Retained earnings at end of period	¥ 2,703,929	¥ 3,081,411	\$ 29,703

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Changes in Net Assets

For the period from September 1, 2013 to February 28, 2014

	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
(Thousands of yen)							
Balance as of September 1, 2013	351,870	¥53,104,018	¥28,241,587	¥19,281,910	¥2,779,454	¥103,406,970	¥103,406,970
Changes during the fiscal period:							
Issuance of new investment units	22,000	8,599,206	—	—	—	8,599,206	8,599,206
Reversal of reserve for distribution	—	—	—	(141,066)	141,066	—	—
Dividends from retained earnings	—	—	—	—	(2,920,521)	(2,920,521)	(2,920,521)
Net income	—	—	—	—	2,703,929	2,703,929	2,703,929
Total changes during the fiscal period	22,000	8,599,206	—	(141,066)	(75,525)	8,382,614	8,382,614
Balance as of February 28, 2014	373,870	¥61,703,224	¥28,241,587	¥19,140,843	¥2,703,929	¥111,789,584	¥111,789,584

For the period from March 1, 2014 to August 31, 2014

	For the period from March 1, 2014 to August 31, 2014						
	Net assets						
	Unitholders' equity						Total unitholders' equity
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total net assets	
	(Thousands of yen)						
Balance as of March 1, 2014	373,870	¥61,703,224	¥28,241,587	¥19,140,843	¥2,703,929	¥111,789,584	¥111,789,584
Changes during the fiscal period:							
Reversal of reserve for distribution	—	—	—	(544,253)	544,253	—	—
Dividends from retained earnings	—	—	—	—	(3,248,182)	(3,248,182)	(3,248,182)
Net income	—	—	—	—	3,081,411	3,081,411	3,081,411
Total changes during the fiscal period	—	—	—	(544,253)	377,482	(166,771)	(166,771)
Balance as of August 31, 2014	373,870	¥61,703,224	¥28,241,587	¥18,596,590	¥3,081,411	¥111,622,813	¥111,622,813

For the period from March 1, 2014 to August 31, 2014

	For the period from March 1, 2014 to August 31, 2014						
	Net assets						
	Unitholders' equity						Total unitholders' equity
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total net assets	
	<i>(Thousands of U.S. dollars)</i>						
Balance as of March 1, 2014	373,870	\$594,787	\$272,234	\$184,507	\$ 26,064	\$1,077,593	\$1,077,593
Changes during the fiscal period:							
Reversal of reserve for distribution	—	—	—	(5,246)	5,246	—	—
Dividends from retained earnings	—	—	—	—	(31,310)	(31,310)	(31,310)
Net income	—	—	—	—	29,703	29,703	29,703
Total changes during the fiscal period	—	—	—	(5,246)	3,638	(1,607)	(1,607)
Balance as of August 31, 2014	373,870	\$594,787	\$272,234	\$179,261	\$29,703	\$1,075,986	\$1,075,986

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Cash Flows

For the period from September 1, 2013 to February 28, 2014
and for the period from March 1, 2014 to August 31, 2014

	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash flows from operating activities			
Income before income taxes	¥ 2,704,534	¥ 3,082,016	\$ 29,709
Depreciation and amortization	1,589,961	1,663,841	16,038
Amortization of investment corporation bond issuance costs	2,353	2,353	22
Loss on retirement of noncurrent assets	2,005	1,647	15
Amortization of trademark rights	546	546	5
Amortization of software	—	87	0
Investment unit issuance expenses	35,675	—	—
Interest income	(776)	(486)	(4)
Interest expense	667,490	662,382	6,385
Change in rental receivables	(1,488)	(15,362)	(148)
Change in advance payments	(18,229)	2,226	21
Change in trade payables	(119,800)	128,327	1,237
Change in other payables	(21,429)	14,344	138
Change in accrued consumption taxes	46,452	(3,981)	(38)
Change in accrued expenses	11,423	35,416	341
Change in deposits received	9,131	(973)	(9)
Change in rent received in advance	14,517	25,934	249
Change in long-term prepaid expenses	98,958	133,667	1,288
Change in allowance for doubtful accounts	(1,323)	73	0
Decrease in disposal of property and equipment in trust	1,365,459	—	—
Change in lease and guarantee deposits in trust	—	(544,716)	(5,250)
Other	(56,129)	(65,644)	(632)
Subtotal	6,329,334	5,121,700	49,370
Interest received	776	486	4
Interest paid	(677,038)	(655,111)	(6,314)
Income taxes paid	(580)	(546)	(5)
Net cash provided by operating activities	5,652,492	4,466,528	43,055
Cash flows from investing activities			
Purchases of property and equipment	(50,716)	(1,109,402)	(10,694)
Purchases of property and equipment in trust	(10,674,590)	(3,839,180)	(37,007)
Purchases of intangible fixed assets	—	(1,757)	(16)
Purchases of intangible fixed assets in trust	—	(853,266)	(8,225)
Proceeds from tenant leasehold and security deposits	35,674	45,766	441
Payment of tenant leasehold and security deposits	(15,971)	(27,577)	(265)
Proceeds from tenant leasehold and security deposits in trust	224,176	266,276	2,566
Payment of tenant leasehold and security deposits in trust	(224,381)	(112,638)	(1,085)
Net cash used in investing activities	(10,705,809)	(5,631,780)	(54,287)
Cash flows from financing activities			
Proceeds from short-term loans	7,000,000	—	—
Repayment of short-term loans	(7,000,000)	—	—
Proceeds from long-term loans	3,500,000	—	—
Repayment of rehabilitation obligations	(3,573,845)	—	—
Proceeds from issuance of new investment units	8,540,078	—	—
Dividend payment	(2,915,919)	(3,243,774)	(31,268)
Net cash provided by (used in) financing activities	5,550,313	(3,243,774)	(31,268)
Net increase (decrease) in cash and cash equivalents	496,996	(4,409,025)	(42,500)
Cash and cash equivalents at beginning of period	11,135,779	11,632,775	112,133
Cash and cash equivalents at end of period	¥ 11,632,775	¥ 7,223,749	\$ 69,633

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Notes to Financial Statements

For the period from September 1, 2013 to February 28, 2014
and for the period from March 1, 2014 to August 31, 2014

1. Organization and Basis of Presentation

(a) Organization

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

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

(b) Basis of presentation

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

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

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

1. Organization and Basis of Presentation (continued)

The U.S. dollar amounts in the accompanying financial statements have been translated from yen amounts solely for the convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥103.74 = U.S.\$1.00, the rate of exchange prevailing on August 29, 2014. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

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

(b) Property and equipment

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

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

(c) Intangible fixed assets

Amortization of intangible fixed assets is calculated on a straight-line basis.

The estimated useful life of software is 5 years.

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

(d) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized on a straight-line basis over the term of the bonds.

(e) Investment unit issuance expenses

Investment unit issuance expenses are charged to income as incurred.

(f) Revenue recognition

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

(g) Taxes on property and equipment

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

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

(h) Income taxes

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

(i) Allowance for doubtful accounts

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

(j) Consumption taxes

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

(k) Trust beneficiary interests

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

(l) Derivatives and hedge accounting

(1) Derivatives and hedge accounting

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of evaluating hedge effectiveness

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

3. Cash and Cash Equivalents

A reconciliation of cash and bank deposits in the accompanying balance sheets at February 28, 2014 and August 31, 2014 with cash and cash equivalents in the accompanying statements of cash flows is as follows:

	As of February 28, 2014 <i>(Thousands of yen)</i>	As of August 31, 2014 <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥7,971,475	¥ 3,331,562	\$ 32,114
Cash in trust and deposits in trust	3,661,299	3,892,186	37,518
Cash and cash equivalents	<u>¥ 11,632,775</u>	<u>¥ 7,223,749</u>	<u>\$ 69,633</u>

4. Lease Transactions

Operating lease transactions as lessor at February 28, 2014 and August 31, 2014 are as follows:

	As of February 28, 2014 <i>(Thousands of yen)</i>	As of August 31, 2014 <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Future lease receivable equivalents			
Due within one year	¥ 607,919	¥ 455,826	\$ 4,393
Due after one year	143,464	120,380	1,160
Total	<u>¥ 751,384</u>	<u>¥ 576,206</u>	<u>\$ 5,554</u>

5. Long-Term Loans

Long-term loans as of February 28, 2014 and August 31, 2014 consisted of the following:

Lender	As of February 28, 2014	As of August 31, 2014	As of August 31, 2014	Average interest rate (%) (1)	Due on	Use of funds	Note
	(Thousands of yen)	(Thousands of yen)	(Thousands of U.S. dollars)				
Long-term loans:							
Sumitomo Mitsui Banking Corporation	¥1,800,000	¥1,800,000	\$17,351				
Sumitomo Mitsui Trust Bank, Limited.	1,800,000	1,800,000	17,351				
Mizuho Bank, Ltd.	1,800,000	1,800,000	17,351				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,800,000	1,800,000	17,351	1.40	December 28, 2015	(2)	Unsecured without warranty
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000	1,400,000	13,495				
Resona Bank, Ltd.	1,400,000	1,400,000	13,495				
Shinsei Bank, Limited.	500,000	500,000	4,819				
Sumitomo Mitsui Trust Bank, Limited.	5,200,000	5,200,000	50,125				
Sumitomo Mitsui Banking Corporation	5,200,000	5,200,000	50,125				
Mizuho Bank, Ltd.	5,200,000	5,200,000	50,125				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	5,200,000	5,200,000	50,125	1.10	September 30, 2016	(3)	Unsecured without warranty
Aozora Bank, Ltd.	4,500,000	4,500,000	43,377				
Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000	3,000,000	28,918				
Resona Bank, Ltd.	2,500,000	2,500,000	24,098				
Shinsei Bank, Limited.	1,000,000	1,000,000	9,639				
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	28,918				
Aozora Bank, Ltd.	1,500,000	1,500,000	14,459	1.03	March 31, 2017	(4)	Unsecured without warranty
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000	1,500,000	14,459				
Shinkin Central Bank	1,000,000	1,000,000	9,639				
Mizuho Bank, Ltd.	3,000,000	3,000,000	28,918				
Sumitomo Mitsui Trust Bank, Limited.	3,000,000	3,000,000	28,918	1.03	March 31, 2017	(4)	Unsecured without warranty
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	9,639				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	4,000,000	4,000,000	38,557	1.07	March 27, 2019	(4)	Unsecured without warranty
Resona Bank, Ltd.	1,095,000	1,095,000	10,555	0.81	March 31, 2017	(5)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	3,480,000	3,480,000	33,545				
Sumitomo Mitsui Banking Corporation	3,480,000	3,480,000	33,545	0.70	July 31, 2017	(5)	Unsecured without warranty
Mizuho Bank, Ltd.	3,480,000	3,480,000	33,545				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,960,000	1,960,000	18,893				
Sumitomo Mitsui Trust Bank, Limited.	2,000,000	2,000,000	19,278				
Aozora Bank, Ltd.	2,000,000	2,000,000	19,278				
The Norinchukin Bank	1,000,000	1,000,000	9,639	0.45	March 31, 2016	(6)	Unsecured without warranty
The Chiba Bank, Ltd.	600,000	600,000	5,783				
Sumitomo Mitsui Banking Corporation	500,000	500,000	4,819				
Mizuho Bank, Ltd.	500,000	500,000	4,819				
The Shizuoka Bank, Ltd.	500,000	500,000	4,819				
The Bank of Fukuoka	500,000	500,000	4,819				

Sumitomo Mitsui Trust Bank, Limited.	4,430,000	4,430,000	42,702				
Sumitomo Mitsui Banking Corporation	3,260,000	3,260,000	31,424				
Aozora Bank, Ltd.	2,700,000	2,700,000	26,026				
Mizuho Bank, Ltd.	1,930,000	1,930,000	18,604				
Mizuho Trust & Banking Co., Ltd.	1,830,000	1,830,000	17,640	0.96	January 31, 2020	(6)	Unsecured without warranty
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000	1,350,000	13,013				
The Norinchukin Bank	1,000,000	1,000,000	9,639				
Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000	910,000	8,771				
Development Bank of Japan Inc.	1,500,000	1,500,000	14,459	0.96	January 31, 2020	(6)	Unsecured without warranty
The Norinchukin Bank	3,500,000	3,500,000	33,738	0.90	January 31, 2021	(6)	Unsecured without warranty
Subtotal	103,805,000	103,805,000	1,000,626				
Total	¥103,805,000	¥103,805,000	\$1,000,626				

- (1) The average interest rate for each loan has been rounded to the second decimal place.
- (2) Purchase of rehabilitation obligations (others), retirement of rehabilitation obligations (investment corporation bonds), and repayment of part of rehabilitation obligations (loans).
- (3) Repayment of existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- (4) Purchase of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (5) Repayment of existing loans (refinance fund).
- (6) Redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

6. Commitment Line

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

	As of February 28, 2014 <i>(Thousands of</i> <i>yen)</i>	
Total amount of commitment line	¥ 10,000,000	
Outstanding loans at end of the period	—	
Amount unutilized at end of the period	¥ 10,000,000	

	As of August 31, 2014 <i>(Thousands of</i> <i>yen)</i>		<i>(Thousands of</i> <i>U.S. dollars)</i>
Total amount of commitment line	¥ 10,000,000		\$ 96,394
Outstanding loans at end of the period	—		—
Amount unutilized at end of the period	¥ 10,000,000		\$ 96,394

7. Details of Rental Revenues and Expenses

	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Real estate rental revenues:			
Rental income	¥ 7,521,874	¥ 7,723,250	\$ 74,448
Common service fees	260,215	267,505	2,578
Subtotal	7,782,089	7,990,756	77,026
Other rental revenues:			
Facility charges	242,657	251,554	2,424
Incidental revenues	47,279	45,497	438
Other rental business revenues	244,489	290,442	2,799
Subtotal	534,425	587,494	5,663
Total rental revenues	8,316,515	8,578,251	82,689
Real estate rental expenses:			
Management fees	820,236	856,198	8,253
Utilities	136,165	138,447	1,334
Taxes and public dues	413,777	464,435	4,476
Repairs	135,550	116,586	1,123
Insurance premiums	11,846	12,484	120
Restoration costs	192,438	214,597	2,068
Custodian fees	47,075	44,339	427
Depreciation and amortization	1,589,961	1,663,841	16,038
Other operating expenses	197,971	258,722	2,493
Total real estate rental expenses	3,545,022	3,769,653	36,337
Rental income	¥ 4,771,492	¥ 4,808,597	\$ 46,352

7. Details of Rental Revenues and Expenses (continued)

Details of gain and loss on sales of real estate properties

	From September 1, 2013 to February 28, 2014
	<i>(Thousands of yen)</i>
FOLEO TOWN Tsutsui	
Revenue from sale of real estate	¥990,446
Cost of real estate sales	1,365,459
Other sales expenses	10,404
Loss on sales of real estate	385,417

Transactions with major unitholders

	From September 1, 2013 to February 28, 2014
	<i>(Thousands of yen)</i>
Business transaction	
Operating revenues	¥ 39,060
Non-business transaction	
Acquisition of trust beneficiary rights in real estate	—

	From March 1, 2014 to August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Business transaction		
Operating revenues	¥ 39,060	\$ 376
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	4,360,000	42,028

8. Financial Instruments

1. Status of Financial Instruments

(a) Policy for the use of financial instruments

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

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

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

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

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

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

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

(c) Supplementary explanation concerning fair value of financial instruments

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

8. Financial Instruments (continued)

2. Fair Value of Financial Instruments

The book value on the balance sheet, fair value and the difference as of February 28, 2014 and August 31, 2014 are as follows.

As of February 28, 2014			
<i>(Thousands of yen)</i>			
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 11,632,775	¥11,632,775	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	14,861,887	14,861,887	—
(4) Investment corporation bonds	3,000,000	3,009,770	¥(9,770)
(5) Long-term loans	103,805,000	104,381,220	(576,220)
(6) Rehabilitation obligations	—	—	—
(7) Derivatives	—	—	—

As of August 31, 2014			
<i>(Thousands of yen)</i>			
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 7,223,749	¥7,223,749	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	14,861,887	14,861,887	—
(4) Investment corporation bonds	3,000,000	3,008,334	¥(8,334)
(5) Long-term loans	103,805,000	104,347,357	(542,357)
(6) Rehabilitation obligations	—	—	—
(7) Derivatives	—	—	—

As of August 31, 2014			
<i>(Thousands of U.S. dollars)</i>			
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	\$69,633	\$69,633	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	143,260	143,260	—
(4) Investment corporation bonds	28,918	28,998	\$(80)
(5) Long-term loans	1,000,626	1,005,854	(5,228)
(6) Rehabilitation obligations	—	—	—
(7) Derivatives	—	—	—

8. Financial Instruments (continued)

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

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

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

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

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

(4) Investment corporation bonds

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

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

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

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

(7) Derivatives

Please refer to “9. Derivative Transactions” below.

(Note 2) Amount of redemption (scheduled) for monetary claims after February 28, 2014 and August 31, 2014 are as follows.

	As of February 28, 2014	As of August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
		Within one year	
Cash and bank deposits (including trust accounts)	¥11,632,775	¥7,223,749	\$69,633
Total	¥11,632,775	¥7,223,749	\$69,633

8. Financial Instruments (continued)

(Note 3) Repayments (scheduled) for short-term loans, investment corporation bonds, long-term loans and rehabilitation obligations after February 28, 2014 and August 31, 2014 are as follows.

As of February 28, 2014						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	¥14,861,887	—	—	—	—	—
Investment corporation bonds	—	—	—	¥3,000,000	—	—
Long-term loans	—	¥10,500,000	¥39,400,000	27,495,000	—	¥26,410,000
Rehabilitation obligations	—	—	—	—	—	—
Total	¥14,861,887	¥10,500,000	¥39,400,000	¥30,495,000	—	¥26,410,000

As of August 31, 2014						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	¥14,861,887	—	—	—	—	—
Investment corporation bonds	—	—	¥3,000,000	—	—	—
Long-term loans	—	¥18,100,000	59,295,000	—	¥4,000,000	¥22,410,000
Rehabilitation obligations	—	—	—	—	—	—
Total	¥14,861,887	¥18,100,000	¥62,295,000	—	¥4,000,000	¥22,410,000

As of August 31, 2014						
<i>(Thousands of U.S. dollars)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	\$143,260	—	—	—	—	—
Investment corporation bonds	—	—	\$28,918	—	—	—
Long-term loans	—	\$174,474	571,573	—	\$38,557	\$216,020
Rehabilitation obligations	—	—	—	—	—	—
Total	\$143,260	\$174,474	\$600,491	—	\$38,557	\$216,020

9. Derivative Transactions

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

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

As of February 28, 2014

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥89,610,000	¥89,610,000	(Note)	—
Total	¥89,610,000	¥89,610,000	—	—

As of August 31, 2014

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥89,610,000	¥89,610,000	(Note)	—
Total	¥89,610,000	¥89,610,000	—	—

As of August 31, 2014

(Thousands of U.S. dollars)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	\$863,794	\$863,794	(Note)	—
Total	\$863,794	\$863,794	—	—

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

10. Asset Retirement Obligations

1. Details of applicable asset retirement obligations

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

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

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

3. Changes in applicable asset retirement obligations

	From September 1, 2013 to February 28, 2014
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥396,754
Accretion expense	4,503
Balance at end of the period	¥401,258
	From March 1, 2014 to August 31, 2014
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥401,258
Accretion expense	4,555
Balance at end of the period	¥405,813
	From March 1, 2014 to August 31, 2014
	<i>(Thousands of U.S. dollars)</i>
Balance at beginning of the period	\$3,867
Accretion expense	43
Balance at end of the period	\$3,911

11. Investment and Rental Properties

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

	As of February 28, 2014	As of August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Book value on balance sheets			
Balance at beginning of the period	¥216,103,457	¥223,867,408	\$2,157,966
Change during the period	7,763,950	4,137,926	39,887
Balance at end of the period	223,867,408	228,005,334	2,197,853
Fair value at end of the period	234,160,000	243,264,000	2,344,939

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

(Note 2) The change during the period ended February 28, 2014 includes an increase of (¥10,586,216 thousand) primarily due to the acquisition of 6 properties (Castalia Ebisu, etc.) and a decrease of (¥1,365,459 thousand) primarily due to the sale of FOLEO TOWN Tsutsui and depreciation and amortization.

The change during the period ended August 31, 2014 includes an increase of (¥5,652,811 thousand) (\$54,490 thousand) primarily due to the acquisition of Royal Parks Wakabadai and Morino Tonari and a decrease primarily due to depreciation and amortization.

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

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

12. Segment Information

1. Segment Information

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

2. Related Information

(1) Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHI's statements of income and retained earnings for the periods ended February 28, 2014 and August 31, 2014, information about products and services has been omitted.

(2) Information about geographic areas

(a) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHI's statement of income and retained earnings for the periods ended February 28, 2014 and August 31, 2014, information about geographic areas has been omitted.

(b) Property and equipment

Since over 90% of total property and equipment on the balance sheet as of February 28, 2014 and August 31, 2014 are located within Japan, information about geographic areas on such property and equipment has been omitted.

(3) Information about major customers

Since no single external client represents 10% or more of total operating revenues in DHI's statement of income and retained earnings for the periods ended February 28, 2014 and August 31, 2014, information about major client has been omitted.

13. Deferred Income Taxes

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

	As of February 28, 2014
	<i>(Thousands of yen)</i>
Deferred tax assets - current:	
Others	¥20,358
Subtotal-Deferred tax assets - current	20,358
Valuation reserve	¥20,358
Total deferred tax assets - current	—
Net deferred tax assets - current	—
Deferred tax assets - non-current:	
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥2,450
Valuation difference from the time of merger (Land, Buildings)	1,783,999
Loss carryforward assumed at the time of merger	15,209,408
Asset retirement obligations	137,069
Others	11,340
Subtotal	17,144,268
Deferred tax liabilities - non-current:	
Valuation difference from the time of merger (Land, Buildings)	1,928,289
Asset retirement costs (associated with asset retirement obligations)	128,585
Subtotal	2,056,875
Valuation reserve	¥15,087,393
Total deferred tax assets - non-current	—
Net deferred tax assets - non-current	—

13. Deferred Income Taxes (continued)

	As of August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets - current:		
Others	¥19,421	\$187
Subtotal-Deferred tax assets - current	19,421	187
Valuation reserve	¥19,421	\$187
Total deferred tax assets - current	—	—
Net deferred tax assets - current	—	—
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥2,153	\$20
Valuation difference from the time of merger (Land, Buildings)	1,751,470	16,883
Loss carryforward assumed at the time of merger	15,209,408	146,610
Asset retirement obligations	138,625	1,336
Others	17,223	166
Subtotal	17,118,882	165,017
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	1,904,843	18,361
Asset retirement costs (associated with asset retirement obligations)	128,585	1,239
Subtotal	2,033,428	19,601
Valuation reserve	¥15,085,454	\$145,415
Total deferred tax assets - non-current	—	—
Net deferred tax assets - non-current	—	—

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

	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014
Statutory tax rate	36.59%	36.59%
(Adjustment)		
Tax-deductible dividends paid	(36.34)	(36.48)
Other	(0.23)	(0.09)
Effective tax rate after applying deferred income tax accounting	0.02%	0.02%

14. Related Party Transactions

1) Controlling company and major corporate investors

(a) For the period from September 1, 2013 to February 28, 2014

Not applicable.

(b) For the period from March 1, 2014 to August 31, 2014

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Major unitholder	DAIWA HOUSE INDUSTRY Co., Ltd.	Osaka City, Osaka	¥161,699 (\$1,558)	Construction industry	10.09	—	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥4,360,000 (\$42,028)	—	—

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

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

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

2) Affiliates

Not applicable.

3) Sister companies

(a) For the period from September 1, 2013 to February 28, 2014

Attribute	Name	Location	Capital (Millions of yen)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen)	Account	Balance at end of period (Thousands of yen)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	—	Consigned asset-management operations	Asset-management compensation payment	¥ 614,723	Accrued expenses	¥ 327,506
Subsidiary of DHI's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100	Real estate property management	—	—	Property lease and management	Property lease and management compensation payment	735,922	Accrued operating expenses payable	161,877

(b) For the period from March 1, 2014 to August 31, 2014

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300 (\$2)	Asset management	—	—	Consigned asset-management operations	Asset-management compensation payment	¥ 597,699 (\$5,761)	Accrued expenses	¥ 362,895 (\$3,498)
Subsidiary of DHI's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100 (\$0)	Real estate property management	—	—	Property lease and management	Property lease and management compensation payment	751,526 (7,244)	Accrued operating expenses payable	119,320 (1,150)

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

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

4) Director and major individual investors

Not applicable.

15. Per Unit Information

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

	As of / For the six months ended February 28, 2014	As of / For the six months ended August 31, 2014	
	<i>(yen)</i>	<i>(yen)</i>	<i>(U.S. dollars)</i>
Net assets per unit	¥ 299,006	¥ 298,560	\$2,877
Net income per unit	¥ 7,373	¥ 8,241	\$79

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

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

	From September 1, 2013 to February 28, 2014	From March 1, 2014 to August 31, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net income	¥ 2,703,929	¥ 3,081,411	\$29,703
Amount not attributable to common unitholders	—	—	—
Net income attributable to common units	¥ 2,703,929	¥ 3,081,411	\$29,703
Average number of investment units during the period (in units)	366,698	373,870	373,870

16. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand (\$481 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

17. Significant Subsequent Events

(a) For the period from September 1, 2013 to February 28, 2014

1. Cash dividends

On April 10, 2014, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥8,688 per unit, aggregating to ¥3,248,182,560, to unitholders of record as of February 28, 2014.

(Method of calculation of cash dividends)

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

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,248,182,560 (¥8,688 per unit) was set as the amount for distribution of dividends.

The amount is the total of the current period's unappropriated income of ¥2,703,929,077 and the reversal of reserve for distribution of ¥544,253,483.

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

(b) For the period from March 1, 2014 to August 31, 2014

1. Cash dividends

On October 9, 2014, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥8,686 (\$83) per unit, aggregating to ¥3,247,434,820 (\$31,303,593), to unitholders of record as of August 31, 2014.

(Method of calculation of cash dividends)

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

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,247,434,820 (\$31,303,593) (¥8,686 per unit) (\$83 per unit) was set as the amount for distribution of dividends.

The amount is the total of the current period's unappropriated income of ¥3,081,411,214 (\$29,703,212) and the reversal of reserve for distribution of ¥166,023,606 (\$1,600,381).

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

17. Significant Subsequent Events (continued)

2. Acquisition of properties

DHI acquired the following assets on September 1, 2014 and September 26, 2014.

Property Name	Aburatsubo Marina HILLS
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,100,000 (\$10,603)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	September 1, 2014
Acquisition Date	September 1, 2014
Property Name	Castalia Meguro Tairamachi
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,165,000 (\$11,230)
Seller (Note 3)	Company engaged in general business activities in Japan
Execution Date of Agreement (Note 4)	June 24, 2014
Acquisition Date (Note 4)	September 26, 2014

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

(Note 2) The seller constitutes an interested party of DHI or the Asset Management Company. Consequently, such transactions have undergone the procedures required by the Interested-Party Transaction Rules bylaws of the Asset Management Company.

(Note 3) No name, etc. is shown as the seller has not consented to such disclosure. The seller does not constitute a party with any particular vested interest in DHI or the Asset Management Company.

(Note 4) The agreement constitutes a forward commitment. A forward commitment, etc. is defined as “a sale and purchase agreement binding for forward and future transactions, with respect to which the settlement and delivery take place one or more months after the signing of the date of agreement; or other similar agreements” in the “Guidelines for Financial Instruments Business Supervision” issued by the Financial Services Agency.

The continuous appraisal value based on the Guidelines is ¥1,220 million (\$11 million) (date of appraisal: August 31, 2014), which is the same as of June 20, 2014 (date of appraisal: June 1, 2014) when DHI announced the acquisition of the property.

3. New loans based on commitment line

DHI obtained new loans (¥1,600 million) (\$15 million) on September 1, 2014 (¥800 million) (\$7 million) and on September 26, 2014 (¥800 million) (\$7 million) based on a commitment line in order to acquire the properties stated previously in “2. Acquisition of properties” above.

4. Changes in commitment line

DHI agreed to amend the terms of the commitment line as of September 30, 2014 as follows.

Total credit limit:	¥10,000 million (\$96 million)
Lenders:	The Bank of Tokyo Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, and Mizuho Bank, Ltd.
Drawdown period:	From October 4, 2014 to October 3, 2015
Individual loan period:	Within 1 year
Collateral and guarantee:	Unsecured and non-guaranteed
Usage of funds:	To fund the acquisition of trust beneficiary rights and real estate (including common area), as well as payment of related expenses, the repayment and redemption of existing loans (including existing investment corporation bonds).

18. Changes in Investment Units Issued

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

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

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

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

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

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

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

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

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

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

19. Other Supplementary Information

1) Detailed Schedule of Portfolio
Not applicable.

2) Contract Amount and Fair Value of Derivative Transactions as of August 31, 2014

(Thousands of yen)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	¥89,610,000	¥89,610,000	—
Total		¥89,610,000	¥89,610,000	—

(Thousands of U.S. dollars)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	\$863,794	\$863,794	—
Total		\$863,794	\$863,794	—

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

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

3) General Overview of Detailed Schedule of Real Estate as of August 31, 2014

(Thousands of yen)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	¥ 28,061,989	¥ 328,356	—	¥28,390,345	¥2,454,086	¥286,925	¥25,936,258
	Structures	244,517	3,928	—	248,446	22,261	2,747	226,185
	Machinery and equipment	432,205	1,630	—	433,836	67,818	7,909	366,018
	Tools, furniture and fixtures	653,208	5,184	—	658,393	204,979	22,339	453,413
	Land	21,150,419	755,297	—	21,905,716	—	—	21,905,716
	Construction in progress	—	4,500	—	4,500	—	—	4,500
	Buildings in trust	97,806,111	3,730,558	¥1,846	101,534,823	10,230,477	1,236,673	91,304,345
	Structures in trust	759,216	94,750	—	853,966	97,981	17,247	755,985
	Machinery and equipment in trust	1,549,192	3,922	—	1,553,115	452,097	54,244	1,101,017
	Tools, furniture and fixtures in trust	338,277	26,519	—	364,796	144,095	18,530	220,701
	Land in trust	82,363,377	—	—	82,363,377	—	—	82,363,377
	Construction in progress in trust	—	1,712	—	1,712	—	—	1,712
	Total	¥ 233,358,516	¥ 4,956,361	¥1,846	¥238,313,030	¥13,673,798	¥1,646,616	¥224,639,232
Intangible fixed assets	Leasehold rights in trust	¥ 2,569,367	¥853,266	—	¥3,422,634	¥50,319	¥17,224	¥3,372,314
	Software	—	1,757	—	1,757	87	87	1,669
	Trademark rights	8,738	—	—	8,738	4,129	546	4,609
	Total	¥ 2,578,106	¥855,024	—	¥3,433,131	¥54,537	¥17,858	¥3,378,594

19. Other Supplementary Information (continued)

(Thousands of U.S. dollars)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	\$270,503	\$3,165	–	\$273,668	\$ 23,656	\$2,765	\$250,012
	Structures	2,357	37	–	2,394	214	26	2,180
	Machinery and equipment	4,166	15	–	4,181	653	76	3,528
	Tools, furniture and fixtures	6,296	49	–	6,346	1,975	215	4,370
	Land	203,879	7,280	–	211,159	–	–	211,159
	Construction in progress	–	43	–	43	–	–	43
	Buildings in trust	942,800	35,960	\$17	978,743	98,616	11,920	880,126
	Structures in trust	7,318	913	–	8,231	944	166	7,287
	Machinery and equipment in trust	14,933	37	–	14,971	4,357	522	10,613
	Tools, furniture and fixtures in trust	3,260	255	–	3,516	1,389	178	2,127
	Land in trust	793,940	–	–	793,940	–	–	793,940
	Construction in progress in trust	–	16	–	16	–	–	16
	Total	\$2,249,455	\$47,776	\$17	\$2,297,214	\$131,808	\$15,872	\$2,165,406
Intangible fixed assets	Leasehold rights in trust	\$24,767	\$8,225	–	\$32,992	\$485	\$166	\$32,507
	Software	–	16	–	16	0	0	16
	Trademark rights	84	–	–	84	39	5	44
	Total	\$24,851	\$8,241	–	\$33,093	\$525	\$172	\$32,567

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

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

(Thousands of yen)

Shinagawa-ku, Tokyo	Morino Tonari	Buildings etc.	¥ 317,218
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(Thousands of U.S. dollars)

Shinagawa-ku, Tokyo	Morino Tonari	Buildings etc.	\$ 3,057
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2. Increase in land (increase by acquisition and disposition etc.)

(Thousands of yen)

Shinagawa-ku, Tokyo	Morino Tonari	Land	¥ 755,297
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(Thousands of U.S. dollars)

Shinagawa-ku, Tokyo	Morino Tonari	Land	\$ 7,280
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19. Other Supplementary Information (continued)

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

(Thousands of yen)

Inagi City, Tokyo	Royal Parks Wakabadai	Building in trust etc.	¥ 3,727,028
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(Thousands of U.S. dollars)

Inagi City, Tokyo	Royal Parks Wakabadai	Building in trust etc.	\$ 35,926
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4. Increase in leasehold rights in trust (increase by acquisition and disposition etc.)

(Thousands of yen)

Inagi City, Tokyo	Royal Parks Wakabadai	Leasehold rights in trust	¥ 853,266
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(Thousands of U.S. dollars)

Inagi City, Tokyo	Royal Parks Wakabadai	Leasehold rights in trust	\$ 8,225
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4) Detailed Schedule of Other Specific Assets Not applicable.

5) Detailed Schedule of Investment Corporation Bonds

(Thousands of yen)

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

(Thousands of U.S. dollars)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation First Series Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	\$28,918	—	\$28,918	1.12%	March 9, 2017	(Note 2)	Unsecured
Total	—	\$28,918	—	\$28,918	—	—	—	—

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

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

19. Other Supplementary Information (continued)

(Note 3) Scheduled payment per year for the investment corporation bonds within a period of 5 years subsequent to August 31, 2014 is as follows.

(Thousands of yen)

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

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	—	\$28,918	—	—
Total	—	\$28,918	—	—

(Note 4) Please refer to the following 7) Detailed Schedule of Rehabilitation Obligations as of August 31, 2014.

19. Other Supplementary Information (continued)

6) Detailed Schedule of Loans as of August 31, 2014

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Banking Corporation	¥1,800,000 (\$17,351)	—	—	¥1,800,000 (\$17,351)	1.40% (Note 2)	December 28, 2015	(Note 10)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,800,000 (17,351)	—	—	1,800,000 (17,351)				
	Mizuho Bank, Ltd.	1,800,000 (17,351)	—	—	1,800,000 (17,351)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (17,351)	—	—	1,800,000 (17,351)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (13,495)	—	—	1,400,000 (13,495)				
	Resona Bank, Ltd.	1,400,000 (13,495)	—	—	1,400,000 (13,495)				
	Shinsei Bank, Limited.	500,000 (4,819)	—	—	500,000 (4,819)	1.10% (Note 3)	September 30, 2016	(Note 11)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	5,200,000 (50,125)	—	—	5,200,000 (50,125)				
	Sumitomo Mitsui Banking Corporation	5,200,000 (50,125)	—	—	5,200,000 (50,125)				
	Mizuho Bank, Ltd.	5,200,000 (50,125)	—	—	5,200,000 (50,125)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,200,000 (50,125)	—	—	5,200,000 (50,125)				
	Aozora Bank, Ltd.	4,500,000 (43,377)	—	—	4,500,000 (43,377)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000 (28,918)	—	—	3,000,000 (28,918)				
	Resona Bank, Ltd.	2,500,000 (24,098)	—	—	2,500,000 (24,098)				
	Shinsei Bank, Limited.	1,000,000 (9,639)	—	—	1,000,000 (9,639)				
	Sumitomo Mitsui Banking Corporation	3,000,000 (28,918)	—	—	3,000,000 (28,918)	1.03% (Note 4)	March 31, 2017	(Note 12)	Unsecured without warranty
	Aozora Bank, Ltd.	1,500,000 (14,459)	—	—	1,500,000 (14,459)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000 (14,459)	—	—	1,500,000 (14,459)				
	Shinkin Central Bank	1,000,000 (9,639)	—	—	1,000,000 (9,639)				
	Mizuho Bank, Ltd.	3,000,000 (28,918)	—	—	3,000,000 (28,918)	1.03% (Note 4)	March 31, 2017	(Note 12)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,000,000 (28,918)	—	—	3,000,000 (28,918)				
	Mizuho Trust & Banking Co., Ltd.	1,000,000 (9,639)	—	—	1,000,000 (9,639)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000 (38,557)	—	—	4,000,000 (38,557)	1.07% (Note 5)	March 27, 2019	(Note 12)	Unsecured without warranty
	Resona Bank, Ltd.	1,095,000 (10,555)	—	—	1,095,000 (10,555)	0.81%	March 31, 2017	(Note 13)	Unsecured without warranty

19. Other Supplementary Information (continued)

Classification		Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
	Lender								
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	¥3,480,000 (\$33,545)	—	—	¥3,480,000 (\$33,545)	0.70% (Note 6)	July 31, 2017	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,480,000 (33,545)	—	—	3,480,000 (33,545)				
	Mizuho Bank, Ltd.	3,480,000 (33,545)	—	—	3,480,000 (33,545)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,960,000 (18,893)	—	—	1,960,000 (18,893)				
	Sumitomo Mitsui Trust Bank, Limited.	2,000,000 (19,278)	—	—	2,000,000 (19,278)	0.45%	March 31, 2016	(Note 14)	Unsecured without warranty
	Aozora Bank, Ltd.	2,000,000 (19,278)	—	—	2,000,000 (19,278)				
	The Norinchukin Bank	1,000,000 (9,639)	—	—	1,000,000 (9,639)				
	The Chiba Bank, Ltd.	600,000 (5,783)	—	—	600,000 (5,783)				
	Sumitomo Mitsui Banking Corporation	500,000 (4,819)	—	—	500,000 (4,819)				
	Mizuho Bank, Ltd.	500,000 (4,819)	—	—	500,000 (4,819)				
	The Shizuoka Bank, Ltd.	500,000 (4,819)	—	—	500,000 (4,819)				
	The Bank of Fukuoka	500,000 (4,819)	—	—	500,000 (4,819)				
	Sumitomo Mitsui Trust Bank, Limited.	4,430,000 (42,702)	—	—	4,430,000 (42,702)	0.96% (Note 7)	January 31, 2020	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,260,000 (31,424)	—	—	3,260,000 (31,424)				
	Aozora Bank, Ltd.	2,700,000 (26,026)	—	—	2,700,000 (26,026)				
	Mizuho Bank, Ltd.	1,930,000 (18,604)	—	—	1,930,000 (18,604)				
	Mizuho Trust & Banking Co., Ltd.	1,830,000 (17,640)	—	—	1,830,000 (17,640)				
	The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000 (13,013)	—	—	1,350,000 (13,013)				
	The Norinchukin Bank	1,000,000 (9,639)	—	—	1,000,000 (9,639)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000 (8,771)	—	—	910,000 (8,771)				
	Development Bank of Japan Inc.	1,500,000 (14,459)	—	—	1,500,000 (14,459)	0.96% (Note 8)	January 31, 2020	(Note 14)	Unsecured without warranty
	The Norinchukin Bank	3,500,000 (33,738)	—	—	3,500,000 (33,738)	0.90% (Note 9)	January 31, 2021	(Note 14)	Unsecured without warranty
	Subtotal	103,805,000 (1,000,626)	—	—	103,805,000 (1,000,626)	—	—	—	—
Total		¥103,805,000 (\$1,000,626)	—	—	¥103,805,000 (\$1,000,626)	—	—	—	—

19. Other Supplementary Information (continued)

- (Note 1) Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders, and are rounded off to the nearest second decimal place.
- (Note 2) On and after March 31, 2011, interest rate is substantially fixed at an annual rate of 1.40% based on interest-rate swap agreement dated on March 23, 2011.
- (Note 3) On and after December 30, 2011, interest rate is substantially fixed at an annual rate of 1.096% based on interest-rate swap agreement dated on December 20, 2011.
- (Note 4) On and after June 29, 2012, interest rate is substantially fixed at an annual rate of 1.025% based on interest-rate swap agreement dated on June 7, 2012.
- (Note 5) This loan carries a fixed interest rate.
- (Note 6) On and after July 31, 2012, the interest rate is substantially fixed at an annual rate of 0.69536% based on interest-rate swap agreement dated on July 24, 2012.
- (Note 7) On and after February 28, 2013, the interest rate is substantially fixed at an annual rate of 0.9585% based on interest-rate swap agreement dated on February 4, 2013.
- (Note 8) This loan carries a fixed interest rate.
- (Note 9) On and after February 28, 2014, the interest rate is substantially fixed at an annual rate of 0.89825% based on interest-rate swap agreement dated on February 17, 2014.
- (Note 10) To be used to purchase rehabilitation obligations (others), purchase rehabilitation obligations (investment corporation bonds) and repayment of part of rehabilitation obligations (loans).
- (Note 11) To be used to refinance existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- (Note 12) To be used to purchase rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (Note 13) To be used to repayment of existing loans (refinance fund).
- (Note 14) To be used to redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (Note 15) Payment schedule for long-term loans over five years subsequent to August 31, 2014 is as follows:

(Thousands of yen)

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

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	\$174,474	\$571,573	—	\$38,557

19. Other Supplementary Information (continued)

7) Detailed Schedule of Rehabilitation Obligations as of August 31, 2014

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Current portion of rehabilitation obligations (Loans)	Sumitomo Mitsui Trust Bank, Limited.	January 5, 2010 (Note 3)	¥3,218,197 (\$31,021)	—	—	¥3,218,197 (\$31,021)	1.73% (Note 4)	January 30, 2015	(Note 5)	Unsecured without warranty
	The Norinchukin Bank		3,039,249 (29,296)	—	—	3,039,249 (29,296)				
	Aozora Bank, Ltd.		2,353,296 (22,684)	—	—	2,353,296 (22,684)				
	Sumitomo Mitsui Banking Corporation		1,883,981 (18,160)	—	—	1,883,981 (18,160)				
	Mizuho Bank, Ltd.		1,215,563 (11,717)	—	—	1,215,563 (11,717)				
	Mizuho Trust & Banking Co., Ltd.		914,765 (8,817)	—	—	914,765 (8,817)				
	Development Bank of Japan Inc.		516,699 (4,980)	—	—	516,699 (4,980)				
	Mitsubishi UFJ Trust and Banking Corporation		455,846 (4,394)	—	—	455,846 (4,394)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		425,564 (4,102)	—	—	425,564 (4,102)				
	The Chiba Bank, Ltd.		303,898 (2,929)	—	—	303,898 (2,929)				
	Subtotal	—	14,327,064 (138,105)	—	—	14,327,064 (138,105)	—	—	—	—
Current portion of rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 2)	January 5, 2010 (Note 3)	534,823 (5,155)	—	—	534,823 (5,155)	1.73% (Note 4)	January 30, 2015	(Note 6)	Unsecured without warranty
	Subtotal	—	534,823 (5,155)	—	—	534,823 (5,155)	—	—	—	—
Total rehabilitation obligations		—	¥14,861,887 (\$143,260)	—	—	¥14,861,887 (\$143,260)	—	—	—	—

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

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

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

(Note 4) With regard to each rehabilitation obligation, a fixed interest rate has been applied to the balance of the principal with a maturity of January 30, 2015 (¥14,861,887 thousand at end of the period) (\$143,260 thousand) from September 1, 2010.

(Note 5) The loan was made for use in funding repayment of loans, or to purchase real estates and real estate trust beneficiary rights.

(Note 6) These bonds were issued to finance funds for repayment of short-term loans, and for purchase of real estate trust beneficiary rights.