



Daiwa House Residential Investment Corporation

**FINANCIAL STATEMENTS FOR THE
EIGHTEENTH FISCAL PERIOD**

(September 1, 2014 — February 28, 2015)

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 18th Fiscal Period (from September 1, 2014 to February 28, 2015). 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 18th Fiscal Period.

DHI acquired “Aburatsubo Marina HILLS” and “Castalia Meguro Tairamachi” in September 2015 (total acquisition price: ¥2,265 million).

This resulted in realizing steady external growth to a portfolio at the end of the 18th Fiscal Period (February 28, 2015) with 136 properties in terms of the number of properties (10,429 units in terms of the number of leasable units) and ¥237.6 billion in terms of asset size (acquisition price basis).

Favorable performance at the properties held by DHI led to continued high occupancy rates of 96.8% as the period-average occupancy rate and 97.1% as of the end of February 2015.

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 ¥8,693 million, operating income of ¥3,881 million, ordinary income of ¥3,081 million and net income of ¥3,080 million were posted in the 18th Fiscal Period, exceeding initial forecasts by approximately ¥33 million.

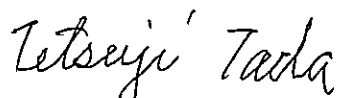
Concerning distributions, in accordance with its distribution policy, DHI implemented a reversal of internal reserves in the amount of ¥168 million (10% of the amount equivalent to depreciation and amortization) (¥451 per investment unit). Accordingly, DHI declared total distributions of ¥3,249 million and distribution per investment unit of ¥8,691 (¥91 higher than the initial forecast).

Furthermore, DHI implemented a two-for-one split of investment units with February 28, 2015 as the record date for the purpose of creating a more favorable environment for investment by investors through lowering the amount of the unit of investment in investment units and enhancing the liquidity of investment units based on feedback received in questionnaire surveys of unitholders conducted every Fiscal Period.

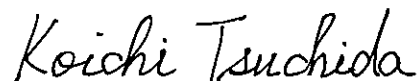
DHI will continue to make utmost efforts to achieve steady growth of the portfolio and maximization of returns for unitholders while making the most of the comprehensive strengths and know-how of the sponsor the Daiwa House Group in the next and subsequent fiscal periods.

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)

¥8,691

Actual

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

Distribution per Unit (Yen)

¥4,440 *2 (after 2-for-1 split)

Forecast *1

Nineteenth Fiscal Period: (March 1, 2015 – August 31, 2015)

Distribution per Unit (Yen)

¥4,480 *2 (after 2-for-1 split)

Forecast *1

Twentieth Fiscal Period: (September 1, 2015 – February 29, 2016)

*1) Forecast as of April 9, 2015. Actual distributions per unit may vary. Moreover, these forecasts are not intended as a guarantee of distribution amount.

*2) DHI implemented a 2-for-1 split of investment units on March 1, 2015 as the effective date.

1. FINANCIAL HIGHLIGHT

(1) Management Highlight

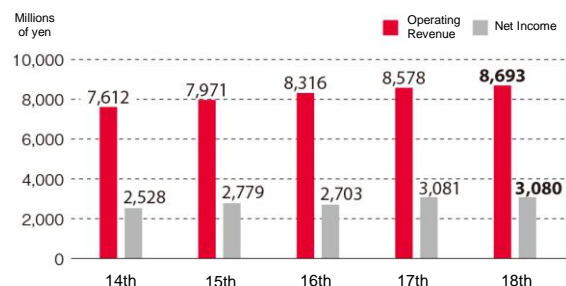
	(Millions of yen)			
	Operating Revenues	Operating Income	Ordinary Income	Net Income
Eighteenth Fiscal Period	¥8,693	¥3,881	¥3,081	¥3,080
Seventeenth Fiscal Period	¥8,578	¥3,906	¥3,082	¥3,081
Sixteenth Fiscal Period	¥8,316	¥3,559	¥2,704	¥2,703
Fifteenth Fiscal Period	¥7,971	¥3,661	¥2,780	¥2,779
Fourteenth Fiscal Period	¥7,612	¥3,398	¥2,529	¥2,528

	(Millions of yen, Yen; days)		
	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
Eighteenth Fiscal Period	¥8,691	¥3,249	181
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

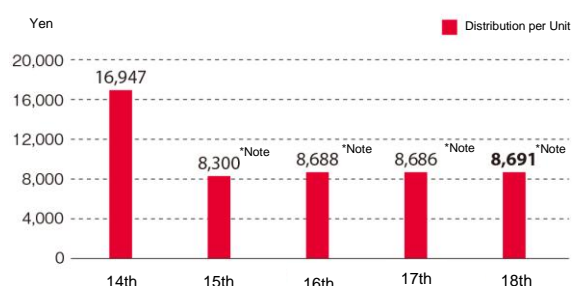
Notes:

1. Eighteenth Fiscal Period: September 1, 2014 – February 28, 2015
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
2. The funds from which distributions are paid out 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, 2015 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 (%)
Eighteenth Fiscal Period	¥238,730	¥111,455	46.7%	¥149,056 *3	¥122,463	51.3%
Seventeenth Fiscal Period	¥238,092	¥111,622	46.9%	¥149,280 *3	¥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%

Notes:

- Eighteenth Fiscal Period: September 1, 2014 — February 28, 2015
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
- 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 14th fiscal period.
- DHI implemented a 2-for-1 split of investment units on March 1, 2015 as the effective date.
“Unitholders’ equity per unit” was calculated under the assumption that the split was implemented at the beginning of the 17th 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 February 28, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House Residential Investment Corporation as at February 28, 2015, 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.

May 18, 2015
Tokyo, Japan

Ernst & Young Shinnihori LLC

Daiwa House Residential Investment Corporation

Balance Sheets

As of August 31, 2014 and February 28, 2015

	As of August 31, 2014	As of February 28, 2015	
	<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)	¥ 7,223,749	¥ 6,842,747	\$ 57,371
Rental receivables	58,551	42,318	354
Prepaid expenses	301,620	319,725	2,680
Other current assets	331	18,756	157
Allowance for doubtful accounts	(3,486)	(2,878)	(24)
Total current assets	<u>7,580,767</u>	<u>7,220,669</u>	<u>60,540</u>
Property and equipment:			
Land	21,905,716	21,908,825	183,690
Construction in progress	4,500	—	—
Buildings and structures	28,638,792	28,688,636	240,535
Machinery and equipment	433,836	444,169	3,724
Tools, furniture and fixtures	658,393	663,919	5,566
Land in trust	82,363,377	83,507,233	700,152
Construction in progress in trust	1,712	—	—
Buildings and structures in trust	102,388,789	103,827,874	870,528
Machinery and equipment in trust	1,553,115	1,564,730	13,119
Tools, furniture and fixtures in trust	364,796	402,057	3,370
Less – accumulated depreciation	(13,673,798)	(15,345,303)	(128,660)
Net property and equipment	<u>224,639,232</u>	<u>225,662,142</u>	<u>1,892,027</u>
Investments and other assets:			
Long-term prepaid expenses	514,536	470,317	3,943
Guarantee deposits	10,195	10,195	85
Leasehold rights in trust	3,372,314	3,355,090	28,130
Software	1,669	2,360	19
Trademark rights	4,609	4,090	34
Lease and guarantee deposits in trust	1,956,916	1,956,916	16,407
Total investments and other assets	<u>5,860,242</u>	<u>5,798,969</u>	<u>48,620</u>
Deferred assets:			
Investment corporation bond issuance costs	11,768	49,008	410
Total deferred assets	<u>11,768</u>	<u>49,008</u>	<u>410</u>
Total assets	<u>¥ 238,092,010</u>	<u>¥ 238,730,791</u>	<u>\$ 2,001,599</u>

	As of August 31, 2014	As of February 28, 2015	
	<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	¥ 566,801	¥ 515,817	\$ 4,324
Short-term loans	—	800,000	6,707
Current portion of long-term loans	—	10,500,000	88,035
Accrued expenses	505,231	505,315	4,236
Consumption taxes payable	14,650	22,707	190
Rent received in advance	870,782	865,272	7,254
Deposits received	256,950	233,793	1,960
Current portion of rehabilitation obligations	14,861,887	—	—
Total current liabilities	17,076,304	13,442,905	112,709
Long-term liabilities:			
Investment corporation bonds	3,000,000	9,000,000	75,459
Long-term loans	103,805,000	102,163,000	856,569
Tenant leasehold and security deposits	315,200	310,390	2,602
Tenant leasehold and security deposits in trust	1,866,878	1,948,212	16,334
Asset retirement obligations	405,813	410,420	3,441
Total long-term liabilities	109,392,892	113,832,022	954,406
Total liabilities	126,469,197	127,274,928	1,067,116
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000			
Units issued and outstanding: 373,870	61,703,224	61,703,224	517,340
Capital surplus	28,241,587	28,241,587	236,787
Reserve for distribution	18,596,590	18,430,566	154,528
Retained earnings	3,081,411	3,080,483	25,827
Total unitholders' equity	111,622,813	111,455,862	934,483
Total net assets	111,622,813	111,455,862	934,483
Total liabilities and net assets	¥ 238,092,010	¥ 238,730,791	\$ 2,001,599

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Income and Retained Earnings

For the period from March 1, 2014 to August 31, 2014
and for the period from September 1, 2014 to February 28, 2015

	From March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:			
Rental revenues	¥ 8,578,251	¥ 8,693,579	\$ 72,889
Total operating revenues	8,578,251	8,693,579	72,889
Operating expenses:			
Real estate rental expenses	3,769,653	3,875,698	32,495
Asset management fees	572,099	580,268	4,865
Asset custodian and consignment fees	21,484	21,409	179
Administrative service and consignment fees	59,302	56,723	475
Directors' remuneration	6,600	6,600	55
Bad debts expenses	—	514	4
Provision of allowance for doubtful accounts	453	2,623	21
Other operating expenses	242,398	267,951	2,246
Total operating expenses	4,671,991	4,811,789	40,343
Operating income	3,906,259	3,881,789	32,546
Non-operating income (expenses):			
Interest income	486	467	3
Interest expense	(645,306)	(621,771)	(5,213)
Fixed asset tax settlement	1,074	—	—
Gain on adjustment of account payable	567	—	—
Gain on exclusion of distribution payable	4,273	3,878	32
Interest expenses on investment corporation bonds	(17,076)	(19,709)	(165)
Amortization of investment corporation bond issuance costs	(2,353)	(3,244)	(27)
Financing related expenses	(159,798)	(158,733)	(1,330)
Other, net	(6,111)	(1,587)	(13)
Total non-operating income (expenses)	(824,243)	(800,700)	(6,713)
Ordinary income	3,082,016	3,081,088	25,832
Income before income taxes	3,082,016	3,081,088	25,832
Income taxes:			
Current	605	605	5
Total income taxes	605	605	5
Net income	3,081,411	3,080,483	25,827
Retained earnings at end of period	¥ 3,081,411	¥ 3,080,483	\$ 25,827

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Changes in Net Assets

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						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	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 September 1, 2014 to February 28, 2015

For the period from September 1, 2014 to February 28, 2015							
	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, 2014	373,870	¥61,703,224	¥28,241,587	¥18,596,590	¥3,081,411	¥111,622,813	¥111,622,813
Changes during the fiscal period:							
Reversal of reserve for distribution	—	—	—	(166,023)	166,023	—	—
Dividends from retained earnings	—	—	—	—	(3,247,434)	(3,247,434)	(3,247,434)
Net income	—	—	—	—	3,080,483	3,080,483	3,080,483
Total changes during the fiscal period	—	—	—	(166,023)	(927)	(166,950)	(166,950)
Balance as of February 28, 2015	373,870	¥61,703,224	¥28,241,587	¥18,430,566	¥3,080,483	¥111,455,862	¥111,455,862

For the period from September 1, 2014 to February 28, 2015

	For the period from September 1, 2014 to February 28, 2015						
	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
	(Thousands of U.S. dollars)						
Balance as of September 1, 2014	373,870	\$517,340	\$236,787	\$155,920	\$ 25,835	\$935,883	\$935,883
Changes during the fiscal period:							
Reversal of reserve for distribution	—	—	—	(1,391)	1,391	—	—
Dividends from retained earnings	—	—	—	—	(27,227)	(27,227)	(27,227)
Net income	—	—	—	—	25,827	25,827	25,827
Total changes during the fiscal period	—	—	—	(1,391)	(7)	(1,399)	(1,399)
Balance as of February 28, 2015	373,870	\$517,340	\$236,787	\$154,528	\$25,827	\$934,483	\$934,483

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Cash Flows

For the period from March 1, 2014 to August 31, 2014
and for the period from September 1, 2014 to February 28, 2015

	From March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015	
	<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	¥ 3,082,016	¥ 3,081,088	\$ 25,832
Depreciation and amortization	1,663,841	1,689,906	14,168
Amortization of investment corporation bond issuance costs	2,353	3,244	27
Loss on retirement of noncurrent assets	1,647	3,070	25
Amortization of trademark rights	546	518	4
Amortization of software	87	221	1
Interest income	(486)	(467)	(3)
Interest expense	662,382	641,481	5,378
Change in rental receivables	(15,362)	16,233	136
Change in advance payments	2,226	(18,104)	(151)
Change in trade payables	128,327	(63,931)	(536)
Change in other payables	14,344	(5,517)	(46)
Change in accrued consumption taxes	(3,981)	8,057	67
Change in accrued expenses	35,416	1,749	14
Change in deposits received	(973)	6,593	55
Change in rent received in advance	25,934	(5,510)	(46)
Change in long-term prepaid expenses	133,667	44,219	370
Change in allowance for doubtful accounts	73	(607)	(5)
Change in lease and guarantee deposits in trust	(544,716)	—	—
Other	(65,644)	(75,412)	(632)
Subtotal	5,121,700	5,326,832	44,661
Interest received	486	467	3
Interest paid	(655,111)	(643,147)	(5,392)
Income taxes paid	(546)	(600)	(5)
Net cash provided by operating activities	4,466,528	4,683,551	39,268
Cash flows from investing activities			
Purchases of property and equipment	(1,109,402)	(54,810)	(459)
Purchases of property and equipment in trust	(3,839,180)	(2,626,247)	(22,019)
Purchases of intangible fixed assets	(1,757)	(911)	(7)
Purchases of intangible fixed assets in trust	(853,266)	—	—
Proceeds from tenant leasehold and security deposits	45,766	30,727	257
Payment of tenant leasehold and security deposits	(27,577)	(22,162)	(185)
Proceeds from tenant leasehold and security deposits in trust	266,276	202,242	1,695
Payment of tenant leasehold and security deposits in trust	(112,638)	(102,444)	(858)
Net cash used in investing activities	(5,631,780)	(2,573,607)	(21,577)
Cash flows from financing activities			
Proceeds from short-term loans	—	1,600,000	13,414
Repayment of short-term loans	—	(800,000)	(6,707)
Proceeds from long-term loans	—	8,858,000	74,268
Proceeds from issuance of investment corporation bonds	—	5,959,515	49,966
Repayment of rehabilitation obligations	—	(14,861,887)	(124,607)
Dividend payment	(3,243,774)	(3,246,573)	(27,220)
Net cash provided by (used in) financing activities	(3,243,774)	(2,490,945)	(20,884)
Net increase (decrease) in cash and cash equivalents	(4,409,025)	(381,001)	(3,194)
Cash and cash equivalents at beginning of period	11,632,775	7,223,749	60,566
Cash and cash equivalents at end of period	¥ 7,223,749	¥ 6,842,747	\$ 57,371

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Notes to Financial Statements

For the period from March 1, 2014 to August 31, 2014
and for the period from September 1, 2014 to February 28, 2015

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 ¥119.27 = U.S.\$1.00, the rate of exchange prevailing on February 27, 2015. 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) Revenue recognition

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

(f) Taxes on property and equipment

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

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

(g) Income taxes

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

(h) Allowance for doubtful accounts

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

(i) Consumption taxes

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

(j) Trust beneficiary interests

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

(k) Derivatives and hedge accounting

(1) Derivatives and hedge accounting

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of evaluating hedge effectiveness

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

3. Cash and Cash Equivalents

A reconciliation of cash and bank deposits in the accompanying balance sheets at August 31, 2014 and February 28, 2015 with cash and cash equivalents in the accompanying statements of cash flows is as follows:

	As of August 31, 2014 <i>(Thousands of yen)</i>	As of February 28, 2015 <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥ 3,331,562	¥ 3,058,232	\$ 25,641
Cash in trust and deposits in trust	3,892,186	3,784,515	31,730
Cash and cash equivalents	<u>¥ 7,223,749</u>	<u>¥ 6,842,747</u>	<u>\$ 57,371</u>

4. Lease Transactions

Operating lease transactions as lessor at August 31, 2014 and February 28, 2015 are as follows:

	As of August 31, 2014 <i>(Thousands of yen)</i>	As of February 28, 2015 <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Future lease receivable equivalents			
Due within one year	¥ 455,826	¥ 570,191	\$ 4,780
Due after one year	120,380	115,940	972
Total	<u>¥ 576,206</u>	<u>¥ 686,131</u>	<u>\$ 5,752</u>

5. Short-Term Loans and Long-Term Loans

Short-term loans, current portion of long-term loans and long-term loans as of August 31, 2014 and February 28, 2015 consisted of the following:

Lender	As of August 31, 2014 <i>(Thousands of yen)</i>	As of February 28, 2015 <i>(Thousands of yen)</i>	As of February 28, 2015 <i>(Thousands of U.S. dollars)</i>	Average interest rate (%) (1)	Due on	Use of funds	Note
Short-term loans:							
The Bank of Tokyo	—	¥200,000	\$1,676				
-Mitsubishi UFJ, Ltd.	—	200,000	1,676	0.64	September 25, 2015	(2)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	—	200,000	1,676				
Sumitomo Mitsui Banking Corporation	—	200,000	1,676				
Mizuho Bank, Ltd.	—	200,000	1,676				
Subtotal	—	800,000	6,707				
Current portion of long-term loans:							
Sumitomo Mitsui Banking Corporation	—	¥1,800,000	\$15,091				
Sumitomo Mitsui Trust Bank, Limited.	—	1,800,000	15,091				
Mizuho Bank, Ltd.	—	1,800,000	15,091	1.40	December 28, 2015	(3)	Unsecured without warranty
The Bank of Tokyo	—	1,800,000	15,091				
-Mitsubishi UFJ, Ltd.	—	1,800,000	15,091				
Mitsubishi UFJ Trust and Banking Co., Ltd.	—	1,400,000	11,738				
Resona Bank, Ltd.	—	1,400,000	11,738				
Shinsei Bank, Limited.	—	500,000	4,192				
Subtotal	—	10,500,000	88,035				
Long-term loans:							
Sumitomo Mitsui Banking Corporation	¥1,800,000	—	—				
Sumitomo Mitsui Trust Bank, Limited.	1,800,000	—	—				
Mizuho Bank, Ltd.	1,800,000	—	—				
The Bank of Tokyo	1,800,000	—	—	1.40	December 28, 2015	(3)	Unsecured without warranty
-Mitsubishi UFJ, Ltd.	1,800,000	—	—				
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000	—	—				
Resona Bank, Ltd.	1,400,000	—	—				
Shinsei Bank, Limited.	500,000	—	—				
Sumitomo Mitsui Trust Bank, Limited.	5,200,000	5,200,000	\$43,598				
Sumitomo Mitsui Banking Corporation	5,200,000	5,200,000	43,598				
Mizuho Bank, Ltd.	5,200,000	5,200,000	43,598	1.10	September 30, 2016	(4)	Unsecured without warranty
The Bank of Tokyo	5,200,000	5,200,000	43,598				
-Mitsubishi UFJ, Ltd.	5,200,000	5,200,000	43,598				
Aozora Bank, Ltd.	4,500,000	4,500,000	37,729				
Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000	3,000,000	25,153				
Resona Bank, Ltd.	2,500,000	2,500,000	20,960				
Shinsei Bank, Limited.	1,000,000	1,000,000	8,384				
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	25,153				
Aozora Bank, Ltd.	1,500,000	1,500,000	12,576	1.03	March 31, 2017	(5)	Unsecured without warranty
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000	1,500,000	12,576				
Shinkin Central Bank	1,000,000	1,000,000	8,384				
Mizuho Bank, Ltd.	3,000,000	3,000,000	25,153	1.03	March 31, 2017	(5)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	3,000,000	3,000,000	25,153				
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	8,384				
The Bank of Tokyo	4,000,000	4,000,000	33,537	1.07	March 27, 2019	(5)	Unsecured without warranty
-Mitsubishi UFJ, Ltd.	4,000,000	4,000,000	33,537				

Resona Bank, Ltd.	1,095,000	1,095,000	9,180	0.80	March 31, 2017	(6)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	3,480,000	3,480,000	29,177				
Sumitomo Mitsui Banking Corporation	3,480,000	3,480,000	29,177	0.70	July 31, 2017	(6)	Unsecured without warranty
Mizuho Bank, Ltd.	3,480,000	3,480,000	29,177				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,960,000	1,960,000	16,433				
Sumitomo Mitsui Trust Bank, Limited.	2,000,000	2,000,000	16,768				
Aozora Bank, Ltd.	2,000,000	2,000,000	16,768				
The Norinchukin Bank	1,000,000	1,000,000	8,384				
The Chiba Bank, Ltd.	600,000	600,000	5,030	0.44	March 31, 2016	(7)	Unsecured without warranty
Sumitomo Mitsui Banking Corporation	500,000	500,000	4,192				
Mizuho Bank, Ltd.	500,000	500,000	4,192				
The Shizuoka Bank, Ltd.	500,000	500,000	4,192				
The Bank of Fukuoka	500,000	500,000	4,192				
Sumitomo Mitsui Trust Bank, Limited.	4,430,000	4,430,000	37,142				
Sumitomo Mitsui Banking Corporation	3,260,000	3,260,000	27,332				
Aozora Bank, Ltd.	2,700,000	2,700,000	22,637				
Mizuho Bank, Ltd.	1,930,000	1,930,000	16,181	0.96	January 31, 2020	(7)	Unsecured without warranty
Mizuho Trust & Banking Co., Ltd.	1,830,000	1,830,000	15,343				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000	1,350,000	11,318				
The Norinchukin Bank	1,000,000	1,000,000	8,384				
Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000	910,000	7,629				
Development Bank of Japan Inc.	1,500,000	1,500,000	12,576	0.96	January 31, 2020	(7)	Unsecured without warranty
The Norinchukin Bank	3,500,000	3,500,000	29,345	0.90	January 31, 2021	(7)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	–	1,599,000	13,406				
The Norinchukin Bank	–	1,510,000	12,660				
Aozora Bank, Ltd.	–	1,169,000	9,801				
Sumitomo Mitsui Banking Corporation	–	936,000	7,847				
Mizuho Bank, Ltd.	–	603,000	5,055	0.43	January 31, 2022	(7)	Unsecured without warranty
Mizuho Trust & Banking Co., Ltd.	–	454,000	3,806				
Mitsubishi UFJ Trust and Banking Co., Ltd.	–	226,000	1,894				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	–	211,000	1,769				
The Chiba Bank, Ltd.	–	150,000	1,257				
Development Bank of Japan Inc.	–	2,000,000	16,768	0.88	January 31, 2024	(7)	Unsecured without warranty
Subtotal	103,805,000	102,163,000	856,569				
Total	¥103,805,000	¥113,463,000	\$951,312				

- (1) The average interest rate for each loan has been rounded to the second decimal place.
- (2) Acquisition of trust beneficiary rights in real estate and related expenses.
- (3) Purchase of rehabilitation obligations (others), retirement of rehabilitation obligations (investment corporation bonds), and repayment of part of rehabilitation obligations (loans).
- (4) Repayment of existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- (5) Purchase of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (6) Repayment of existing loans (refinance fund).
- (7) 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 August 31, 2014	
	<i>(Thousands of 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 February 28, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Total amount of commitment line	¥ 10,000,000	\$ 83,843
Outstanding loans at end of the period	800,000	6,707
Amount unutilized at end of the period	¥ 9,200,000	\$ 77,135

7. Details of Rental Revenues and Expenses

	From March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Real estate rental revenues:			
Rental income	¥ 7,723,250	¥ 7,872,555	\$ 66,006
Common service fees	267,505	276,337	2,316
Subtotal	7,990,756	8,148,893	68,323
Other rental revenues:			
Facility charges	251,554	256,430	2,149
Incidental revenues	45,497	45,153	378
Other rental business revenues	290,442	243,101	2,038
Subtotal	587,494	544,685	4,566
Total rental revenues	8,578,251	8,693,579	72,889
Real estate rental expenses:			
Management fees	856,198	857,325	7,188
Utilities	138,447	139,291	1,167
Taxes and public dues	464,435	464,344	3,893
Repairs	116,586	180,677	1,514
Insurance premiums	12,484	12,538	105
Restoration costs	214,597	220,468	1,848
Custodian fees	44,339	44,685	374
Depreciation and amortization	1,663,841	1,689,906	14,168
Other operating expenses	258,722	266,460	2,234
Total real estate rental expenses	3,769,653	3,875,698	32,495
Rental income	¥ 4,808,597	¥ 4,817,880	\$ 40,394

7. Details of Rental Revenues and Expenses (continued)

Transactions with major unitholders

	From March 1, 2014 to August 31, 2014 <i>(Thousands of yen)</i>	
Business transaction		
Operating revenues	¥ 39,060	
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	4,360,000	
	From September 1, 2014 to February 28, 2015 <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
Business transaction		
Operating revenues	¥ 82,809	\$ 694
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	1,100,000	9,222

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 August 31, 2014 and February 28, 2015 are as follows.

	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 long-term loans	—	—	—
(4) Current portion of rehabilitation obligations	14,861,887	14,861,887	—
(5) Investment corporation bonds	3,000,000	3,008,334	¥(8,334)
(6) Long-term loans	103,805,000	104,347,357	(542,357)
(7) Rehabilitation obligations	—	—	—
(8) Derivatives	—	—	—

	As of February 28, 2015		
	<i>(Thousands of yen)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 6,842,747	¥ 6,842,747	—
(2) Short-term loans	800,000	800,000	—
(3) Current portion of long-term loans	10,500,000	10,535,178	¥ (35,178)
(4) Current portion of rehabilitation obligations	—	—	—
(5) Investment corporation bonds	9,000,000	8,968,829	31,170
(6) Long-term loans	102,163,000	102,726,786	(563,786)
(7) Rehabilitation obligations	—	—	—
(8) Derivatives	—	—	—

	As of February 28, 2015		
	<i>(Thousands of U.S. dollars)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	\$ 57,371	\$ 57,371	—
(2) Short-term loans	6,707	6,707	—
(3) Current portion of long-term loans	88,035	88,330	\$ (294)
(4) Current portion of rehabilitation obligations	—	—	—
(5) Investment corporation bonds	75,459	75,197	261
(6) Long-term loans	856,569	861,296	(4,726)
(7) Rehabilitation obligations	—	—	—
(8) 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 (4) Current portion of rehabilitation obligations

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

(5) 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.

(3) Current portion of long-term loans, (6) Long-term loans and (7) 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.

(8) Derivatives

Please refer to “9. Derivative Transactions” below.

(Note 2) Amount of redemption (scheduled) for monetary claims after August 31, 2014 and February 28, 2015 are as follows.

	As of August 31, 2014	As of February 28, 2015	
	<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)	¥7,223,749	¥6,842,747	\$57,371
Total	¥7,223,749	¥6,842,747	\$57,371

8. Financial Instruments (continued)

(Note 3) Repayments (scheduled) for short-term loans, investment corporation bonds, long-term loans and rehabilitation obligations after August 31, 2014 and February 28, 2015 are as follows.

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 long-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 February 28, 2015						
<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	¥800,000	—	—	—	—	—
Current portion of long-term loans	10,500,000	—	—	—	—	—
Current portion of rehabilitation obligations	—	—	—	—	—	—
Investment corporation bonds	—	—	¥3,000,000	—	—	¥6,000,000
Long-term loans	—	¥39,400,000	27,495,000	—	¥22,910,000	12,358,000
Rehabilitation obligations	—	—	—	—	—	—
Total	¥11,300,000	¥39,400,000	¥30,495,000	—	¥22,910,000	¥18,358,000

As of February 28, 2015						
<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	\$6,707	—	—	—	—	—
Current portion of long-term loans	88,035	—	—	—	—	—
Current portion of rehabilitation obligations	—	—	—	—	—	—
Investment corporation bonds	—	—	\$25,153	—	—	\$50,306
Long-term loans	—	\$330,342	230,527	—	\$192,085	103,613
Rehabilitation obligations	—	—	—	—	—	—
Total	\$94,743	\$330,342	\$255,680	—	\$192,085	\$153,919

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 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 February 28, 2015

(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	¥79,110,000	(Note)	—
Total	¥89,610,000	¥79,110,000	—	—

As of February 28, 2015

(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	\$751,320	\$663,284	(Note)	—
Total	\$751,320	\$663,284	—	—

(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 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 September 1, 2014 to February 28, 2015
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥405,813
Accretion expense	4,607
Balance at end of the period	¥410,420
	From September 1, 2014 to February 28, 2015
	<i>(Thousands of U.S. dollars)</i>
Balance at beginning of the period	\$3,402
Accretion expense	38
Balance at end of the period	\$3,441

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 August 31, 2014	As of February 28, 2015	
	<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	¥223,867,408	¥228,005,334	\$1,911,673
Change during the period	4,137,926	1,011,898	8,484
Balance at end of the period	228,005,334	229,017,233	1,920,157
Fair value at end of the period	243,264,000	250,346,000	2,098,985

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

(Note 2) The change during the period ended August 31, 2014 includes an increase of (¥5,652,811 thousand) primarily due to the acquisition of Royal Parks Wakabadai and Morino Tonari and a decrease primarily due to depreciation and amortization.

The change during the period ended February 28, 2015 includes an increase of (¥2,424,635 thousand) (\$20,328 thousand) primarily due to the acquisition of Castalia Meguro Tairamachi and Aburatsubo Marina HILLS 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 August 31, 2014 and February 28, 2015, 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 August 31, 2014 and February 28, 2015, information about geographic areas has been omitted.

(b) Property and equipment

Since over 90% of total property and equipment on the balance sheet as of August 31, 2014 and February 28, 2015 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 August 31, 2014 and February 28, 2015, information about major customers has been omitted.

13. Deferred Income Taxes

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

	As of August 31, 2014 <i>(Thousands of yen)</i>
Deferred tax assets - current:	
Allowance for doubtful accounts	—
Others	¥19,421
Subtotal-Deferred tax assets - current	19,421
Valuation reserve	¥19,421
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
Valuation difference from the time of merger (Land, Buildings)	1,751,470
Loss carryforward assumed at the time of merger	15,209,408
Asset retirement obligations	138,625
Others	17,223
Subtotal	17,118,882
Deferred tax liabilities - non-current:	
Valuation difference from the time of merger (Land, Buildings)	1,904,843
Asset retirement costs (associated with asset retirement obligations)	128,585
Subtotal	2,033,428
Valuation reserve	¥15,085,454
Total deferred tax assets - non-current	—
Net deferred tax assets - non-current	—

13. Deferred Income Taxes (continued)

	As of February 28, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets - current:		
Allowance for doubtful accounts	¥447	\$3
Others	19,819	166
Subtotal-Deferred tax assets - current	20,266	169
Valuation reserve	¥20,266	\$169
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.)	¥1,912	\$16
Valuation difference from the time of merger (Land, Buildings)	1,721,421	14,432
Loss carryforward assumed at the time of merger	15,204,956	127,483
Asset retirement obligations	140,158	1,175
Others	23,100	193
Subtotal	17,091,549	143,301
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	1,887,194	15,822
Asset retirement costs (associated with asset retirement obligations)	128,547	1,077
Subtotal	2,015,742	16,900
Valuation reserve	¥15,075,807	\$126,400
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 March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015
Statutory tax rate	36.59%	34.16%
(Adjustment)		
Tax-deductible dividends paid	(36.48)	(34.03)
Other	(0.09)	(0.11)
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 March 1, 2014 to August 31, 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				
Major unitholder	DAIWA HOUSE INDUSTRY Co., Ltd.	Osaka City, Osaka	¥161,699	Construction industry	10.09	—	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥4,360,000	—	—

(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.

(b) For the period from September 1, 2014 to February 28, 2015

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 (\$1,355)	Construction industry	10.09	—	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥1,100,000 (\$9,222)	—	—

(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 March 1, 2014 to August 31, 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	¥ 597,699	Accrued expenses	¥ 362,895
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	751,526	Accrued operating expenses payable	119,320

(b) For the period from September 1, 2014 to February 28, 2015

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	¥ 593,988 (\$4,980)	Accrued expenses	¥ 364,684 (\$3,057)
	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100 (\$0)	Real estate property management	—	—	Property lease and management	Property lease and management compensation payment	811,415 (6,803)	Accrued operating expenses payable	198,428 (1,663)

(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 August 31, 2014	As of / For the six months ended February 28, 2015	
	<i>(yen)</i>	<i>(yen)</i>	<i>(U.S. dollars)</i>
Net assets per unit	¥ 149,280	¥ 149,056	\$1,249
Net income per unit	¥ 4,120	¥ 4,119	\$34

Net income per unit is calculated by dividing net income by the average number of 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.

DHI implemented a 2-for-1 split of its investment units with February 28, 2015 (February 27, 2015, in effect) as the record date and March 1, 2015 as the effective date.

“Net assets per unit” and “Net income per unit” were calculated under the assumption that the split was implemented at the beginning of the fiscal period ended August 31, 2014.

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

	From March 1, 2014 to August 31, 2014	From September 1, 2014 to February 28, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net income	¥ 3,081,411	¥ 3,080,483	\$25,827
Amount not attributable to common unitholders	—	—	—
Net income attributable to common units	¥ 3,081,411	¥ 3,080,483	\$25,827
Average number of investment units during the period (in units)	747,740	747,740	747,740

16. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand (\$419 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

17. Significant Subsequent Events

(a) 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 per unit, aggregating to ¥3,247,434,820, 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 (¥8,686 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 and the reversal of reserve for distribution of ¥166,023,606.

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 September 1, 2014 to February 28, 2015

1. Cash dividends

On April 9, 2015, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥8,691 (\$72) per unit, aggregating to ¥3,249,304,170 (\$27,243,264), to unitholders of record as of February 28, 2015.

(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, ¥3,249,304,170 (\$27,243,264) (¥8,691 per unit) (\$72 per unit) was set as the amount for distribution of dividends.

The amount is the total of the current period's unappropriated income of ¥3,080,483,901 (\$25,827,818) and the reversal of reserve for distribution of ¥168,820,269 (\$1,415,446).

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. Split of investment units

DHI implemented a 2-for-1 split of its investment units with February 28, 2015 (February 27, 2015, in effect) as the record date and March 1, 2015 as the effective date.

(a) Purpose of split

In light of the introduction of the “Nippon (Japan) Individual Savings Account (NISA)” on January 1, 2014, DHI implemented a split of its investment units for the purpose of creating an environment favorable to investors for investment, by lowering the market price of the investment units, and thereby expanding the investor base and enhancing the liquidity of the investment units of DHI.

(b) Method of split

With February 28, 2015 (February 27, 2015, in effect) as the record date, DHI implemented a 2-for-1 split of the DHI investment units held by unitholders stated or recorded in the final unitholders registry as of that date.

(c) Increase in number of investment units through split

- ① Number of DHI investment units issued and outstanding before split: 373,870 units
- ② Increase in number of investment units through split: 373,870 units
- ③ Number of DHI investment units issued and outstanding after split: 747,740 units
- ④ Total number of investment units authorized after split: 4,000,000 units

“Net assets per unit” and “Net income per unit” calculated under the assumption that the split was implemented at the beginning of the fiscal period ended August 31, 2014 are as follows.

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

Net assets per unit: ¥ 149,280 (\$1,251)

Net income per unit: ¥ 4,120 (\$34)

For the fiscal period from September 1, 2014 to February 28, 2015

Net assets per unit: ¥ 149,056 (\$1,249)

Net income per unit: ¥ 4,119 (\$34)

3. Acquisition of properties

DHI acquired the following assets on May 1, 2015.

Property Name	Royal Parks SEASIR
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥4,350,000 (\$36,471)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	March 9, 2015
Acquisition Date	May 1, 2015
Property Name	Castalia Honkomagome
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,520,000 (\$12,744)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	March 9, 2015
Acquisition Date	May 1, 2015
Property Name	Pacific Royal Court Minatomirai Urban Tower
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥9,100,000 (\$76,297)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	March 9, 2015
Acquisition Date	May 1, 2015
Property Name	L-Place Shinkoyasu
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,720,000 (\$14,421)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	March 9, 2015
Acquisition Date	May 1, 2015
Property Name	Royal Parks Musashikosugi
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥1,060,000 (\$8,887)
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	March 9, 2015
Acquisition Date	May 1, 2015

(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.

4. Debt financing

DHI undertook the following debt financing on May 1, 2015.

Lenders	Sumitomo Mitsui Trust Bank, Limited (Note), Sumitomo Mitsui Banking Corporation, The Norinchukin Bank, Aozora Bank, Ltd., Mizuho Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Trust & Banking Co., Ltd., Nippon Life Insurance Company, Development Bank of Japan Inc., Mitsubishi UFJ Trust and Banking Corporation, The Shizuoka Bank, Ltd. and The Chiba Bank, Ltd.
Loan Amount (Millions of yen) (Millions of U.S. dollars)	¥10,000 (\$83)
Interest Rate	Basic interest rate (Japanese Bankers Association 1 month yen TIBOR + 0.30%)
Loan Date	May 1, 2015
Repayment Date	April 28, 2022
Repayment Method	Principal repayment in full on the maturity date
Collateral / Guarantee	Unsecured, Unguaranteed
Lender	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Loan Amount (Millions of yen) (Millions of U.S. dollars)	¥3,250 (\$27)
Interest Rate	Basic interest rate (Japanese Bankers Association 1 month yen TIBOR + 0.175%)
Loan Date	May 1, 2015
Repayment Date	April 28, 2022
Repayment Method	Principal repayment in full on the maturity date
Collateral / Guarantee	Unsecured, Unguaranteed
Lender	Mizuho Bank, Ltd.
Loan Amount (Millions of yen) (Millions of U.S. dollars)	¥3,250 (\$27)
Interest Rate	Basic interest rate (Japanese Bankers Association 1 month yen TIBOR + 0.175%)
Loan Date	May 1, 2015
Repayment Date	April 28, 2022
Repayment Method	Principal repayment in full on the maturity date
Collateral / Guarantee	Unsecured, Unguaranteed
Lender	Sumitomo Mitsui Trust Bank, Limited (Note)
Loan Amount (Millions of yen) (Millions of U.S. dollars)	¥1,750 (\$14)
Interest Rate	Basic interest rate (Japanese Bankers Association 1 month yen TIBOR + 0.175%)
Loan Date	May 1, 2015
Repayment Date	April 28, 2022
Repayment Method	Principal repayment in full on the maturity date
Collateral / Guarantee	Unsecured, Unguaranteed

Lender	Sumitomo Mitsui Banking Corporation
Loan Amount (Millions of yen) (Millions of U.S. dollars)	¥1,750 (\$14)
Interest Rate	Basic interest rate (Japanese Bankers Association 1 month yen TIBOR + 0.175%)
Loan Date	May 1, 2015
Repayment Date	April 28, 2022
Repayment Method	Principal repayment in full on the maturity date
Collateral / Guarantee	Unsecured, Unguaranteed
Total Loan Amount (Millions of yen) (Millions of U.S. dollars)	¥20,000 (\$167)

(Note) Sumitomo Mitsui Trust Bank, Limited 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.

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 February 28, 2015

(Thousands of yen)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	¥89,610,000	¥79,110,000	—
Total		¥89,610,000	¥79,110,000	—

(Thousands of U.S. dollars)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	\$751,320	\$663,284	—
Total		\$751,320	\$663,284	—

(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 February 28, 2015

(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	¥ 28,390,345	¥ 48,760	¥ 94	¥28,439,011	¥2,744,202	¥290,447	¥25,694,808
	Structures	248,446	1,178	—	249,625	25,085	2,824	224,539
	Machinery and equipment	433,836	10,333	—	444,169	75,853	8,035	368,315
	Tools, furniture and fixtures	658,393	5,525	—	663,919	227,502	22,522	436,417
	Land	21,905,716	3,109	—	21,908,825	—	—	21,908,825
	Construction in progress	4,500	13,929	18,429	—	—	—	—
	Buildings in trust	101,534,823	1,423,910	4,152	102,954,580	11,487,262	1,257,927	91,467,318
	Structures in trust	853,966	19,327	—	873,293	115,786	17,805	757,506
	Machinery and equipment in trust	1,553,115	11,614	—	1,564,730	506,683	54,586	1,058,046
	Tools, furniture and fixtures in trust	364,796	37,260	—	402,057	162,926	18,831	239,130
	Land in trust	82,363,377	1,143,855	—	83,507,233	—	—	83,507,233
	Construction in progress in trust	1,712	75,153	76,866	—	—	—	—
	Total	¥ 238,313,030	¥ 2,793,958	¥99,542	¥241,007,446	¥15,345,303	¥1,672,980	¥225,662,142
Intangible fixed assets	Leasehold rights in trust	¥ 3,422,634	—	—	¥3,422,634	¥67,544	¥17,224	¥3,355,090
	Software	1,757	¥ 911	—	2,669	309	221	2,360
	Trademark rights	8,738	—	—	8,738	4,648	518	4,090
	Total	¥ 3,433,131	¥ 911	—	¥3,434,042	¥72,501	¥17,964	¥3,361,541

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	\$238,034	\$408	\$0	\$238,442	\$ 23,008	\$2,435	\$215,433
	Structures	2,083	9	–	2,092	210	23	1,882
	Machinery and equipment	3,637	86	–	3,724	635	67	3,088
	Tools, furniture and fixtures	5,520	46	–	5,566	1,907	188	3,659
	Land	183,664	26	–	183,691	–	–	183,691
	Construction in progress	37	116	154	–	–	–	–
	Buildings in trust	851,302	11,938	34	863,206	96,313	10,546	766,892
	Structures in trust	7,159	162	–	7,321	970	149	6,351
	Machinery and equipment in trust	13,021	97	–	13,119	4,248	457	8,871
	Tools, furniture and fixtures in trust	3,058	312	–	3,370	1,366	157	2,004
	Land in trust	690,562	9,590	–	700,152	–	–	700,152
	Construction in progress in trust	14	630	644	–	–	–	–
	Total	\$1,998,097	\$23,425	\$834	\$2,020,687	\$128,660	\$14,026	\$1,892,027
Intangible fixed assets	Leasehold rights in trust	\$28,696	–	–	\$28,696	\$566	\$144	\$28,130
	Software	14	\$7	–	22	2	1	19
	Trademark rights	73	–	–	73	38	4	34
	Total	\$28,784	\$7	–	\$28,792	\$607	\$150	\$28,184

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

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

(Thousands of yen)

Meguro-ku, Tokyo	Castalia Meguro Tairamachi	Building in trust etc.	¥ 386,141
Miura City, Kanagawa	Aburatsubo Marina HILLS	Building in trust etc.	¥ 894,638

(Thousands of U.S. dollars)

Meguro-ku, Tokyo	Castalia Meguro Tairamachi	Building in trust etc.	\$ 3,237
Miura City, Kanagawa	Aburatsubo Marina HILLS	Building in trust etc.	\$ 7,500

2. Increase in land in trust (increase by acquisition and disposition etc.)

(Thousands of yen)

Meguro-ku, Tokyo	Castalia Meguro Tairamachi	Land in trust	¥ 858,418
Miura City, Kanagawa	Aburatsubo Marina HILLS	Land in trust	¥ 285,437

(Thousands of U.S. dollars)

Meguro-ku, Tokyo	Castalia Meguro Tairamachi	Land in trust	\$ 7,197
Miura City, Kanagawa	Aburatsubo Marina HILLS	Land in trust	\$ 2,393

19. Other Supplementary Information (continued)

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 No. 1 Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	¥3,000,000	—	¥3,000,000	1.12%	March 9, 2017	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation No. 2 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	—	—	3,000,000	0.35%	Jan. 22, 2021	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation No. 3 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	—	—	3,000,000	0.67%	Jan. 22, 2025	(Note 3)	Unsecured
Total	—	¥3,000,000	—	¥9,000,000	—	—	—	—

(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 No. 1 Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	\$25,153	—	\$25,153	1.12%	March 9, 2017	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation No. 2 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	—	—	25,153	0.35%	Jan. 22, 2021	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation No. 3 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	—	—	25,153	0.67%	Jan. 22, 2025	(Note 3)	Unsecured
Total	—	\$25,153	—	\$75,459	—	—	—	—

(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.

(Note 3) To be used to redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 4) Scheduled payment per year for the investment corporation bonds within a period of 5 years subsequent to February 28, 2015 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	—	\$25,153	—	—
Total	—	\$25,153	—	—

(Note 5) Please refer to the following 7) Detailed Schedule of Rehabilitation Obligations as of February 28, 2015.

19. Other Supplementary Information (continued)

6) Detailed Schedule of Loans as of February 28, 2015

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Short-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	¥200,000 (\$1,676)	¥200,000 (\$1,676)	—	0.64%	August 31, 2015	(Note 11)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	—	200,000 (1,676)	200,000 (1,676)	—				
	Sumitomo Mitsui Banking Corporation	—	200,000 (1,676)	200,000 (1,676)	—				
	Mizuho Bank, Ltd.	—	200,000 (1,676)	200,000 (1,676)	—				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	200,000 (1,676)	—	¥200,000 (\$1,676)	0.64%	September 25, 2015	(Note 11)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	—	200,000 (1,676)	—	200,000 (1,676)				
	Sumitomo Mitsui Banking Corporation	—	200,000 (1,676)	—	200,000 (1,676)				
	Mizuho Bank, Ltd.	—	200,000 (1,676)	—	200,000 (1,676)				
	Subtotal	—	1,600,000 (13,414)	800,000 (6,707)	800,000 (6,707)	—	—	—	—
Current portion of long-term loans	Sumitomo Mitsui Banking Corporation	—	1,800,000 (15,091)	—	1,800,000 (15,091)	1.40% (Note 2)	December 28, 2015	(Note 12)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	—	1,800,000 (15,091)	—	1,800,000 (15,091)				
	Mizuho Bank, Ltd.	—	1,800,000 (15,091)	—	1,800,000 (15,091)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	1,800,000 (15,091)	—	1,800,000 (15,091)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	—	1,400,000 (11,738)	—	1,400,000 (11,738)				
	Resona Bank, Ltd.	—	1,400,000 (11,738)	—	1,400,000 (11,738)				
	Shinsei Bank, Limited.	—	500,000 (4,192)	—	500,000 (4,192)				
	Subtotal	—	10,500,000 (88,035)	—	10,500,000 (88,035)	—	—	—	—
Long-term loans	Sumitomo Mitsui Banking Corporation	¥1,800,000 (\$15,091)	—	1,800,000 (15,091)	—	1.40% (Note 2)	December 28, 2015	(Note 12)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,800,000 (15,091)	—	1,800,000 (15,091)	—				
	Mizuho Bank, Ltd.	1,800,000 (15,091)	—	1,800,000 (15,091)	—				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (15,091)	—	1,800,000 (15,091)	—				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (11,738)	—	1,400,000 (11,738)	—				
	Resona Bank, Ltd.	1,400,000 (11,738)	—	1,400,000 (11,738)	—				
	Shinsei Bank, Limited.	500,000 (4,192)	—	500,000 (4,192)	—				

Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	5,200,000 (43,598)	—	—	5,200,000 (43,598)	1.10% (Note 3)	September 30, 2016	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	5,200,000 (43,598)	—	—	5,200,000 (43,598)				
	Mizuho Bank, Ltd.	5,200,000 (43,598)	—	—	5,200,000 (43,598)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,200,000 (43,598)	—	—	5,200,000 (43,598)				
	Aozora Bank, Ltd.	4,500,000 (37,729)	—	—	4,500,000 (37,729)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000 (25,153)	—	—	3,000,000 (25,153)				
	Resona Bank, Ltd.	2,500,000 (20,960)	—	—	2,500,000 (20,960)				
	Shinsei Bank, Limited.	1,000,000 (8,384)	—	—	1,000,000 (8,384)				
	Sumitomo Mitsui Banking Corporation	3,000,000 (25,153)	—	—	3,000,000 (25,153)	1.03% (Note 4)	March 31, 2017	(Note 14)	Unsecured without warranty
	Aozora Bank, Ltd.	1,500,000 (12,576)	—	—	1,500,000 (12,576)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000 (12,576)	—	—	1,500,000 (12,576)				
	Shinkin Central Bank	1,000,000 (8,384)	—	—	1,000,000 (8,384)				
	Mizuho Bank, Ltd.	3,000,000 (25,153)	—	—	3,000,000 (25,153)	1.03% (Note 4)	March 31, 2017	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,000,000 (25,153)	—	—	3,000,000 (25,153)				
	Mizuho Trust & Banking Co., Ltd.	1,000,000 (8,384)	—	—	1,000,000 (8,384)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000 (33,537)	—	—	4,000,000 (33,537)	1.07% (Note 5)	March 27, 2019	(Note 14)	Unsecured without warranty
	Resona Bank, Ltd.	1,095,000 (9,180)	—	—	1,095,000 (9,180)	0.80%	March 31, 2017	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,480,000 (29,177)	—	—	3,480,000 (29,177)	0.70% (Note 6)	July 31, 2017	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,480,000 (29,177)	—	—	3,480,000 (29,177)				
	Mizuho Bank, Ltd.	3,480,000 (29,177)	—	—	3,480,000 (29,177)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,960,000 (16,433)	—	—	1,960,000 (16,433)				
	Sumitomo Mitsui Trust Bank, Limited.	2,000,000 (16,768)	—	—	2,000,000 (16,768)	0.44%	March 31, 2016	(Note 16)	Unsecured without warranty
	Aozora Bank, Ltd.	2,000,000 (16,768)	—	—	2,000,000 (16,768)				
	The Norinchukin Bank	1,000,000 (8,384)	—	—	1,000,000 (8,384)				
	The Chiba Bank, Ltd.	600,000 (5,030)	—	—	600,000 (5,030)				
	Sumitomo Mitsui Banking Corporation	500,000 (4,192)	—	—	500,000 (4,192)				
	Mizuho Bank, Ltd.	500,000 (4,192)	—	—	500,000 (4,192)				
	The Shizuoka Bank, Ltd.	500,000 (4,192)	—	—	500,000 (4,192)				
	The Bank of Fukuoka	500,000 (4,192)	—	—	500,000 (4,192)				

19. Other Supplementary Information (continued)

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 Trust Bank, Limited.	4,430,000 (37,142)	—	—	4,430,000 (37,142)	0.96% (Note 7)	January 31, 2020	(Note 16)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,260,000 (27,332)	—	—	3,260,000 (27,332)				
	Aozora Bank, Ltd.	2,700,000 (22,637)	—	—	2,700,000 (22,637)				
	Mizuho Bank, Ltd.	1,930,000 (16,181)	—	—	1,930,000 (16,181)				
	Mizuho Trust & Banking Co., Ltd.	1,830,000 (15,343)	—	—	1,830,000 (15,343)				
	The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000 (11,318)	—	—	1,350,000 (11,318)				
	The Norinchukin Bank	1,000,000 (8,384)	—	—	1,000,000 (8,384)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000 (7,629)	—	—	910,000 (7,629)				
	Development Bank of Japan Inc.	1,500,000 (12,576)	—	—	1,500,000 (12,576)	0.96% (Note 8)	January 31, 2020	(Note 16)	Unsecured without warranty
	The Norinchukin Bank	3,500,000 (29,345)	—	—	3,500,000 (29,345)	0.90% (Note 9)	January 31, 2021	(Note 16)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	—	1,599,000 (13,406)	—	1,599,000 (13,406)	0.43%	January 31, 2022	(Note 16)	Unsecured without warranty
	The Norinchukin Bank	—	1,510,000 (12,660)	—	1,510,000 (12,660)				
	Aozora Bank, Ltd.	—	1,169,000 (9,801)	—	1,169,000 (9,801)				
	Sumitomo Mitsui Banking Corporation	—	936,000 (7,847)	—	936,000 (7,847)				
	Mizuho Bank, Ltd.	—	603,000 (5,055)	—	603,000 (5,055)				
	Mizuho Trust & Banking Co., Ltd.	—	454,000 (3,806)	—	454,000 (3,806)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	—	226,000 (1,894)	—	226,000 (1,894)				
	The Bank of Tokyo -Mitsubishi UFJ, Ltd.	—	211,000 (1,769)	—	211,000 (1,769)				
	The Chiba Bank, Ltd.	—	150,000 (1,257)	—	150,000 (1,257)				
	Development Bank of Japan Inc.	—	2,000,000 (16,768)	—	2,000,000 (16,768)	0.88% (Note 10)	January 31, 2024	(Note 16)	Unsecured without warranty
	Subtotal	103,805,000 (870,336)	8,858,000 (74,268)	10,500,000 (88,035)	102,163,000 (856,569)	—	—	—	—
Total		¥103,805,000 (\$870,336)	¥20,958,000 (\$175,718)	¥11,300,000 (\$94,743)	¥113,463,000 (\$951,312)	—	—	—	—

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) This loan carries a fixed interest rate.
- (Note 11) To be used to purchase of real estate trust beneficiary rights and related expenses.
- (Note 12) To be used to purchase rehabilitation obligations (others), purchase rehabilitation obligations (investment corporation bonds) and repayment of part of rehabilitation obligations (loans).
- (Note 13) To be used to refinance existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- (Note 14) To be used to purchase rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (Note 15) To be used to repayment of existing loans (refinance fund).
- (Note 16) To be used to redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (Note 17) Payment schedule for long-term loans over five years subsequent to February 28, 2015 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	¥39,400,000	¥27,495,000	—	¥22,910,000

(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	\$330,342	\$230,527	—	\$192,085

19. Other Supplementary Information (continued)

7) Detailed Schedule of Rehabilitation Obligations as of February 28, 2015

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 (\$26,982)	—	¥3,218,197 (\$26,982)	—	1.73% (Note 4)	January 30, 2015	(Note 5)	Unsecured without warranty
	The Norinchukin Bank		3,039,249 (25,482)	—	3,039,249 (25,482)	—				
	Aozora Bank, Ltd.		2,353,296 (19,730)	—	2,353,296 (19,730)	—				
	Sumitomo Mitsui Banking Corporation		1,883,981 (15,795)	—	1,883,981 (15,795)	—				
	Mizuho Bank, Ltd.		1,215,563 (10,191)	—	1,215,563 (10,191)	—				
	Mizuho Trust & Banking Co., Ltd.		914,765 (7,669)	—	914,765 (7,669)	—				
	Development Bank of Japan Inc.		516,699 (4,332)	—	516,699 (4,332)	—				
	Mitsubishi UFJ Trust and Banking Corporation		455,846 (3,821)	—	455,846 (3,821)	—				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		425,564 (3,568)	—	425,564 (3,568)	—				
	The Chiba Bank, Ltd.		303,898 (2,547)	—	303,898 (2,547)	—				
	Subtotal	—	14,327,064 (120,122)	—	14,327,064 (120,122)	—	—	—	—	—
Current portion of rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 2)	January 5, 2010 (Note 3)	534,823 (4,484)	—	534,823 (4,484)	—	1.73% (Note 4)	January 30, 2015	(Note 6)	Unsecured without warranty
	Subtotal	—	534,823 (4,484)	—	534,823 (4,484)	—	—	—	—	—
Total rehabilitation obligations		—	¥14,861,887 (\$124,607)	—	¥14,861,887 (\$124,607)	—	—	—	—	—

(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) Fixed interest rate has been applied 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.