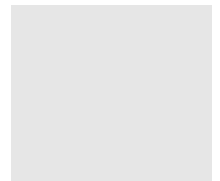




Semi-Annual Report

for the **24th**
Fiscal Period

From September 1, 2017 to February 28, 2018



Connecting Hearts



CONTENTS

Overview of the 24th Fiscal Period	3	I. Asset Management Report	16
Financial Highlights for the 24th Fiscal Period.....	4	II. Balance Sheets.....	50
External Growth	6	III. Statements of Income and Retained Earnings.....	52
Internal Growth	10	IV. Statements of Changes in Net Assets	53
Financial Conditions.....	11	V. Statements of Cash Flows	54
Sustainability Initiatives.....	12	VI. Notes to Financial Statements.....	55
Major Portfolio Properties.....	13	VII. Independent Auditor's Report	78
Portfolio Map	14	Investor Information	79

Overview of the 24th Fiscal Period (From September 1, 2017 to February 28, 2018)

We would like to report on the financial results and give an overview of operations of Daiwa House REIT Investment Corporation (hereinafter referred to as "DHR") in the 24th fiscal period (the fiscal period ended February 28, 2018).

Regarding financial results for the current fiscal period, while we did not record a gain on sale of real estate properties as we did in the 23rd fiscal period (the fiscal period ended August 31, 2017) following the replacement of assets owned, due to strong occupancy trends in owned assets and full-period revenue contributions of properties acquired in the 23rd fiscal period, etc., we recorded operating revenues of ¥19,700 million, operating income of ¥8,012 million and net income of ¥7,142 million.

To calculate distribution, DHR reversed ¥1,982 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up net income, while at the same time, ¥346 million of refunded consumption taxes relating to properties that DHR had acquired in prior periods was accumulated in voluntary reserve as reserve for distribution. As a result, total distributions amounted to ¥8,777 million, for distributions per unit of ¥5,194, exceeding the forecast by ¥144.

DHR's portfolio as of the end of the current fiscal period consisted of 199 properties with an asset size of ¥577.7 billion (total acquisition price).

We continued to ensure high levels of occupancy for owned assets, with the occupancy rate at the end of the current fiscal period rising 0.1 percentage points from the previous fiscal period to 99.3%.

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

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



Jiro Kawanishi
Executive Director
Daiwa House REIT Investment Corporation



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

Distributions Per Unit 24th Fiscal Period

(From September 1, 2017 to February 28, 2018)
Distribution payments start date is May 14, 2018.

¥5,194

Forecast distributions per unit (Note)

25th Fiscal Period

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

¥4,950

26th Fiscal Period

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

¥5,250

(Note) Forecast distributions refer to the forecast as of April 18, 2018, and actual distributions per unit may vary from this figure. These forecasts do not guarantee the amount of distributions.

Financial Highlights for the 24th Fiscal Period

Statements of Income (Summary)

(Yen in millions)			
	Fiscal period ended August 31, 2017	Fiscal period ended February 28, 2018	
	Results	Results	Change
Operating revenues	21,015	19,700	(1,315)
Rental revenues	19,479	19,700	220
Gain on sale of real estate properties	1,536	–	(1,536)
Operating expenses	11,623	11,687	64
Rental expenses	7,906	7,947	41
Rental expenses (excluding depreciation)	4,193	4,196	3
Depreciation	3,713	3,750	37
Other operating expenses	3,716	3,740	23
Amortization of goodwill	1,982	1,982	–
Operating income	9,392	8,012	(1,379)
Non-operating income	29	357	327
Non-operating expenses	1,448	1,223	(224)
Interest expenses and borrowing related expenses	1,216	1,221	5
Ordinary income	7,974	7,146	(827)
Extraordinary losses	5	3	(2)
Net income	7,968	7,142	(825)
Reversal of reserve for temporary difference adjustments	1,980	1,982	1
Reversal (accumulation) of reserve for distribution	(1,559)	(346)	1,213
Total distributions	8,389	8,777	388
Distributions per unit	¥4,964	¥5,194	¥230

Rental revenues

Revenue contributions for the full period for the properties acquired in the fiscal period ended August 31, 2017 (17 properties)

Gain on sale of real estate properties

No property sale in the fiscal period ended February 28, 2018

Non-operating expenses

Investment unit issuance expenses recorded in the fiscal period ended August 31, 2017

Reserve for distribution

Accumulation of gain on sale of real estate properties in the fiscal period ended August 31, 2017 and refunded consumption taxes in the fiscal period ended February 28, 2018

Balance Sheets (Summary)

(Yen in millions)			
	As of August 31, 2017	As of February 28, 2018	Change
Total assets	682,359	681,192	(1,166)
Current assets	38,119	41,739	3,620
Non-current assets	644,154	639,374	(4,779)
Investment properties	557,708	554,956	(2,751)
Intangible assets	80,788	78,765	(2,022)
Goodwill	75,324	73,342	(1,982)
Total liabilities	305,038	304,891	(146)
Current liabilities	21,274	5,516	(15,758)
Interest-bearing debt	16,000	–	(16,000)
Non-current liabilities	283,763	299,375	15,612
Interest-bearing debt	266,268	282,268	16,000
Net assets	377,321	376,300	(1,020)
Reserve for temporary difference adjustments	14,748	12,767	(1,980)
Reserve for distribution	57	1,617	1,559
LTV (including goodwill)	41.4%	41.4%	0.0 points
LTV (excluding goodwill)	46.5%	46.4%	(0.1) points
Number of investment units issued	1,690,000 units	1,690,000 units	– units
Net assets per unit	¥223,267	¥222,663	¥(604)

Current assets

Increase in cash and deposits
+¥5,664 million

Investment properties

Capital expenditures
+¥1,109 million
Depreciation
–¥3,750 million

Interest-bearing debt

In November 2017, DHR refinanced loans of ¥16,000 million (10-year borrowing period)

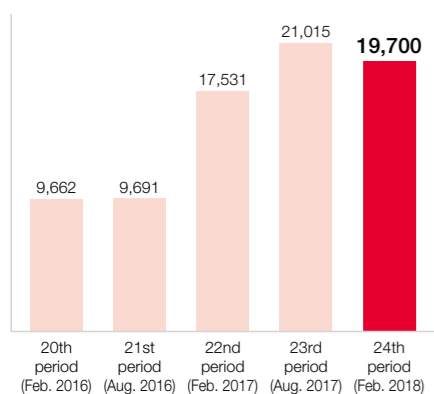
Reserve for temporary difference adjustments

Amount equivalent to amortization of goodwill reversed

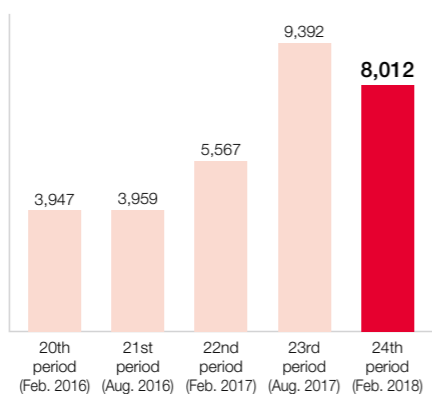
Reserve for distribution

Accumulation of gain on sale of real estate properties recorded in the fiscal period ended August 31, 2017

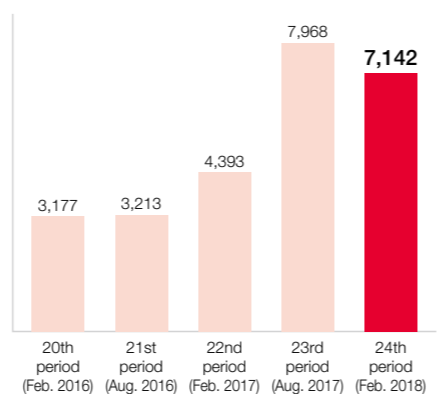
Operating revenues (Yen in millions)



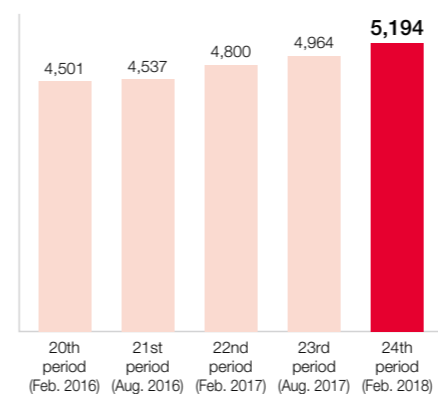
Operating income (Yen in millions)



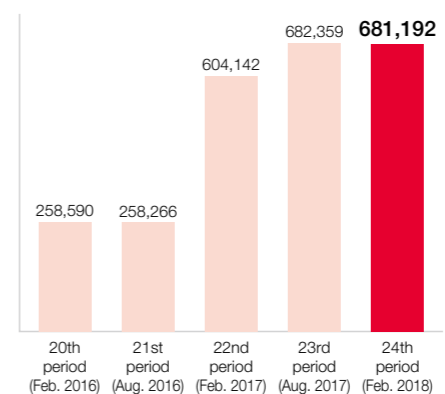
Net income (Yen in millions)



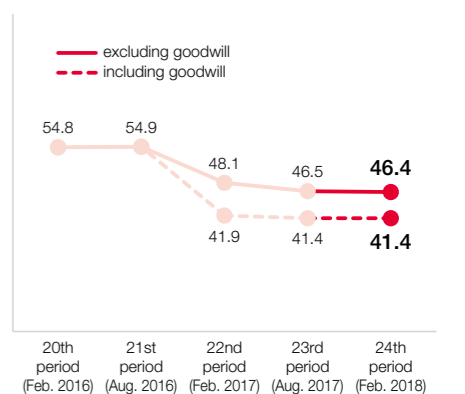
Distributions per unit (Yen)



Total assets (Yen in millions)



LTV (%)



External Growth

Public Equity Offering (February 2018)

In February 2018, it was resolved to issue 237,000 new investment units through public offering, and the net proceeds amounted to ¥55.0 billion.

By raising capital through public offering and new borrowings, DHR acquired 16 properties from the Daiwa House Group’s pipeline (12 logistics properties, 3 retail properties, and 1 hotel property) for a total acquisition price of ¥96.9 billion.

Overview of Public Equity Offering

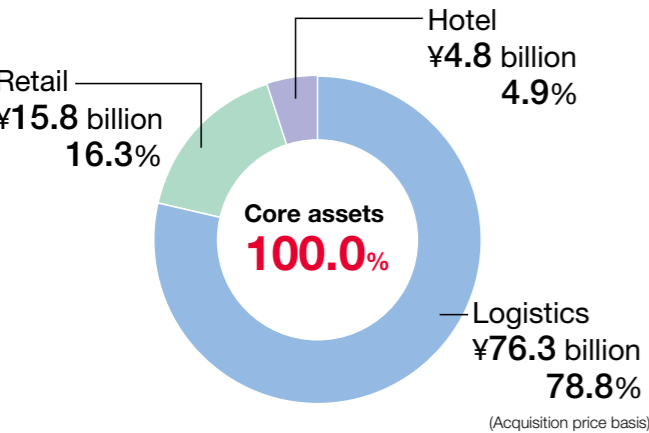
Issuance resolution date	February 28, 2018	Pricing date	March 12, 2018
Number of new investment units issued	237,000 units	Number of investment units issued after public offering	1,927,000 units
Issue price (offer price)	¥239,806 per unit	Issue value (amount paid in)	¥232,465 per unit
Total issue value (total amount paid in)	¥55,094 million		

Overview of Newly Acquired Assets (acquired in March and April 2018)

Total acquisition price	¥96.9 billion	Occupancy rate	100.0%
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Total appraisal value	¥99.9 billion	Appraisal NOI yield	5.3%
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By asset class	Average age of property	5.5 years
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Properties acquired from the Daiwa House Group’s pipeline	16 properties / 16 properties
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Properties developed by the Daiwa House Group	16 properties / 16 properties
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Newly Acquired Assets (acquired in March and April 2018)


LM-002 DPL Fukuoka Kasuya	Logistics (multi-tenant type)	
Location	Kasuya District, Fukuoka	
Acquisition price	¥13,300 million	


LB-056 D Project Tosu III	Logistics (BTS type)	
Location	Tosu City, Saga	
Acquisition price	¥9,200 million	


RM-009 FOLEO Otsu Ichiriyama	Retail (mall type)	
Location	Otsu City, Shiga	
Acquisition price	¥8,100 million	

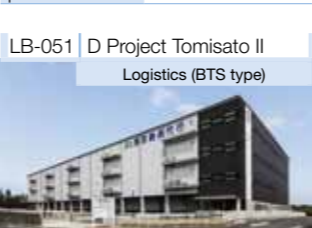
HO-001 Daiwa Roynet Hotel Yokohama Kannai	Hotel	
Location	Yokohama City, Kanagawa	
Acquisition price	¥4,800 million	


LB-047 D Project Kawagoe IV	Logistics (BTS type)	
Location	Kawagoe City, Saitama	
Acquisition price	¥5,600 million	


LB-048 D Project Kuki VII	Logistics (BTS type)	
Location	Kuki City, Saitama	
Acquisition price	¥1,040 million	


LB-049 D Project Chibakita	Logistics (BTS type)	
Location	Chiba City, Chiba	
Acquisition price	¥7,640 million	

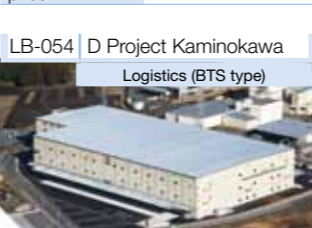
LB-050 D Project Matsudo II	Logistics (BTS type)	
Location	Matsudo City, Chiba	
Acquisition price	¥8,200 million	

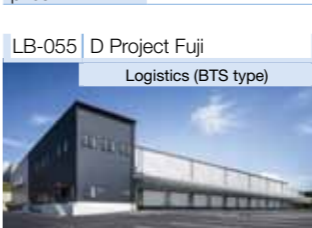
LB-051 D Project Tomisato II	Logistics (BTS type)	
Location	Tomisato City, Chiba	
Acquisition price	¥6,900 million	


LB-009 D Project Inuyama (Additional acquisition)	Logistics (BTS type)	
Location	Inuyama City, Aichi	
Acquisition price	¥2,100 million	

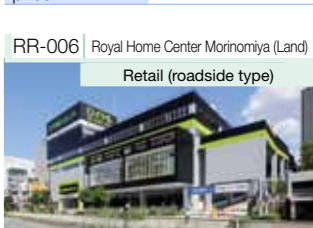
LB-052 D Project Osaka Hirabayashi	Logistics (BTS type)	
Location	Osaka City, Osaka	
Acquisition price	¥3,600 million	

LB-053 D Project Sendai Izumi II	Logistics (BTS type)	
Location	Sendai City, Miyagi	
Acquisition price	¥7,300 million	

LB-054 D Project Kaminokawa	Logistics (BTS type)	
Location	Kawachi District, Tochigi	
Acquisition price	¥7,900 million	

LB-055 D Project Fuji	Logistics (BTS type)	
Location	Fuji City, Shizuoka	
Acquisition price	¥3,600 million	

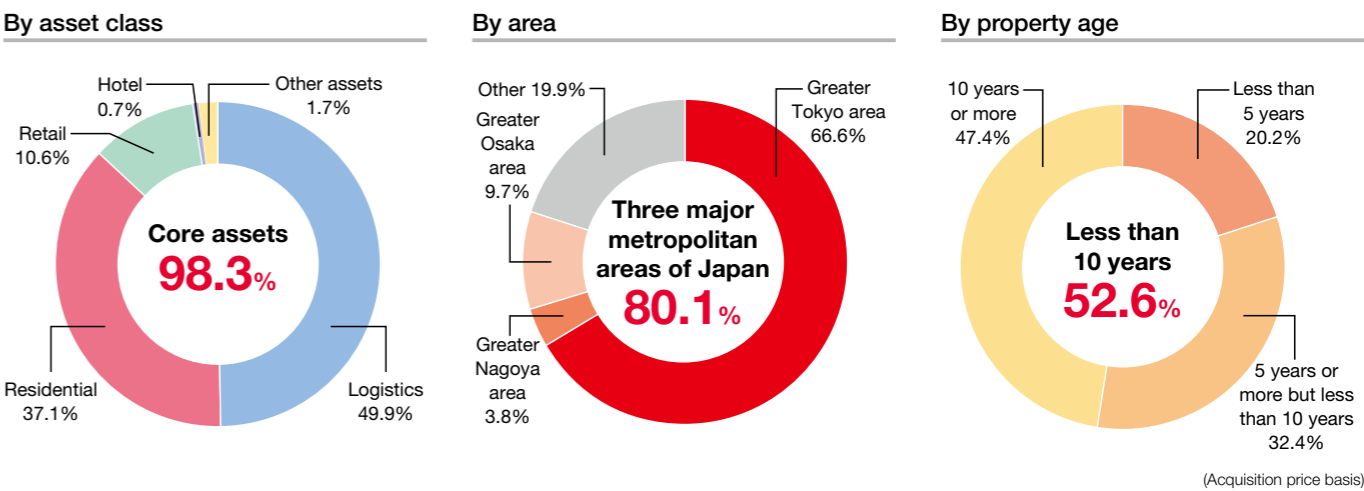
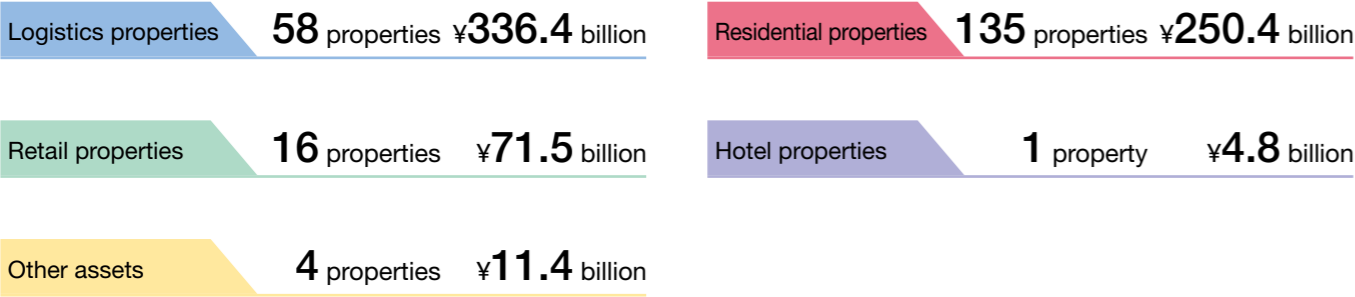
RM-010 FOLEO Hakata	Retail (mall type)	
Location	Fukuoka City, Fukuoka	
Acquisition price	¥3,200 million	

RR-006 Royal Home Center Morinomiya (Land)	Retail (roadside type)	
Location	Osaka City, Osaka	
Acquisition price	¥4,500 million	

External Growth

Asset Size (acquisition price basis / as of April 10, 2018)

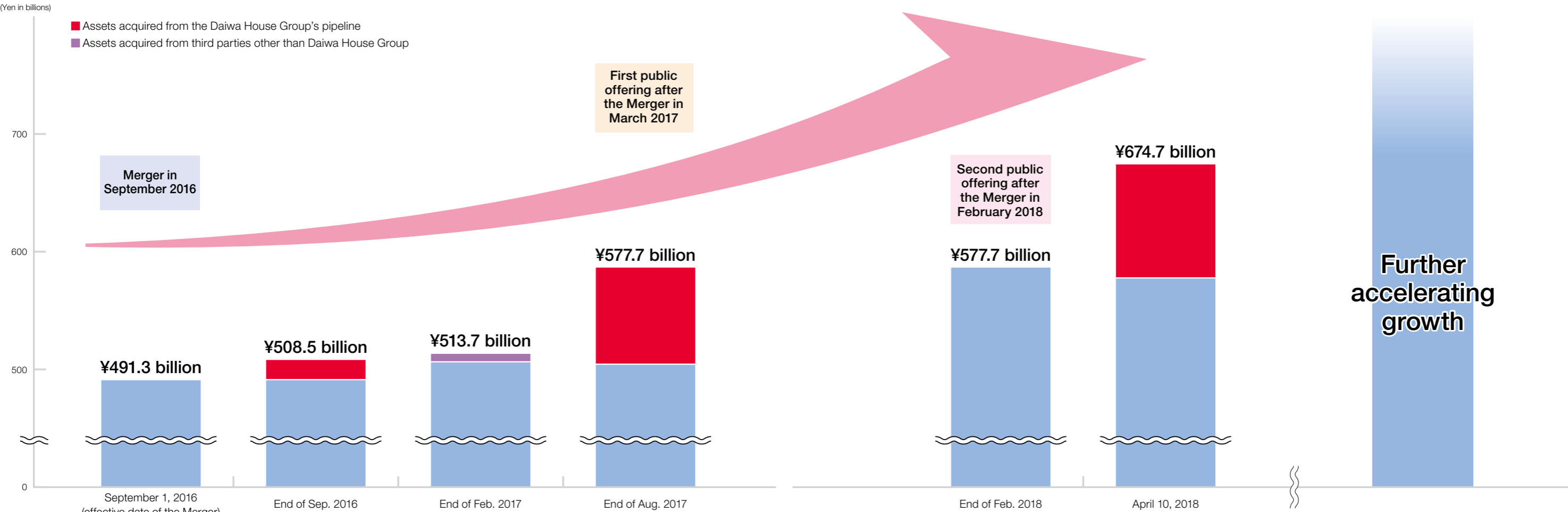
214 properties ¥674.7 billion



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

Since the merger in September 2016 (hereinafter referred to as the "Merger"), DHR has acquired 40 properties with a total acquisition price of ¥193.1 billion, achieving rapid external growth.

Looking ahead, DHR will continue making steady external growth towards its medium-term target of ¥800 billion in assets.



Total acquisition price since the Merger

¥193.1 billion

Asset size growth rate since the Merger

+37.3%

Increase in asset size after the Merger ¥183.4 billion (acquisition price basis)

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

97.1%

(Acquisition price basis)

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

96.3%

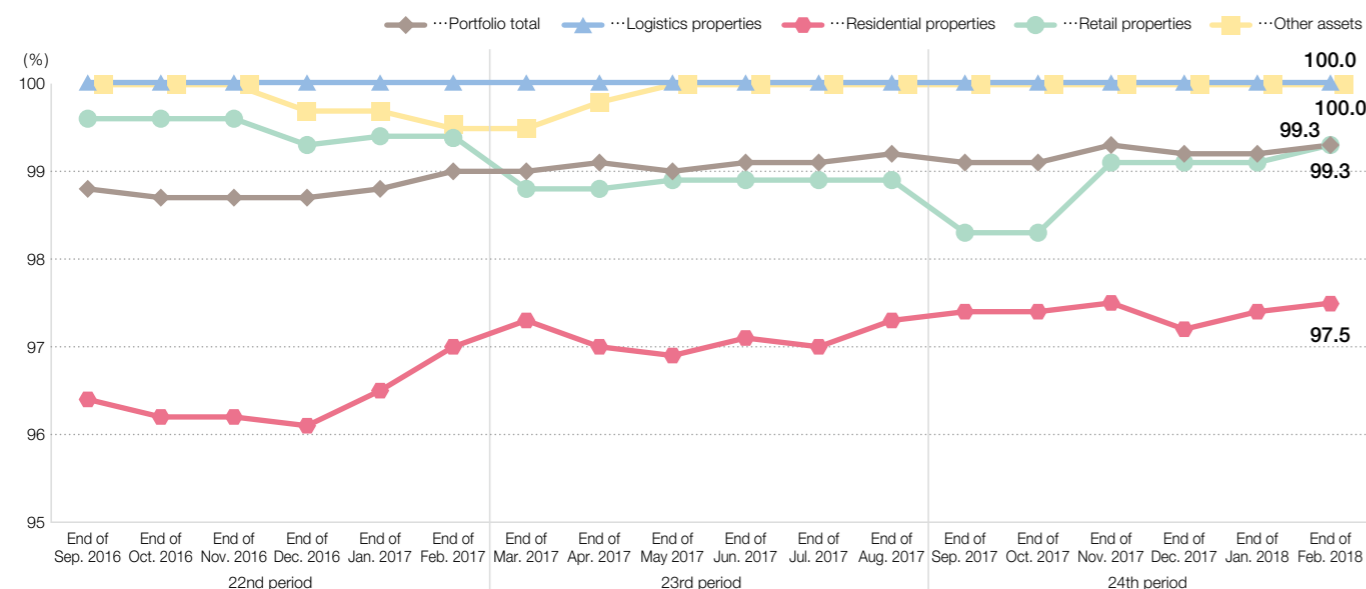
(Acquisition price basis)

Internal Growth

Trend of Occupancy Rate

As of February 28, 2018, the occupancy rate was 99.3%, as we continued to maintain stable operations.

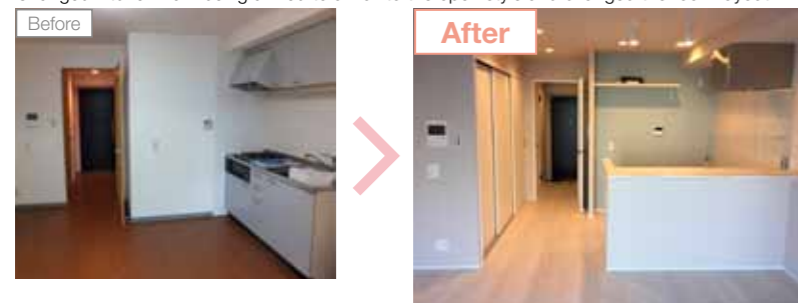
We worked to maintain the competitiveness of our properties by implementing value enhancement projects based on the characteristics of each property and by changing tenants.



Initiatives to Increase Attractiveness

Residential properties: Value enhancement projects

Changed kitchen from being affixed to a wall to the open style and changed the room layout



Removed part of the wall and changed the kitchen layout



Changed the unit bath



Retail property: FOLEO Hirakata

Carried out large-scale renewal construction



Financial Conditions

Financial Policy

DHR is working to improve the stability of its financial base by maintaining and expanding its strong lender formation through initiatives geared toward diversifying methods of raising capital through issuance of investment corporation bonds, and by promoting use of long-term fixed rates on interest-bearing debt and staggering repayment dates. DHR will continue its policy of stable financial operation by maintaining the ongoing conservative LTV level target of between 40% and 50%.

Interest-bearing Debt (as of April 13, 2018)

We refinanced ¥16.0 billion in November 2017 and newly borrowed ¥32.0 billion in March and April 2018.

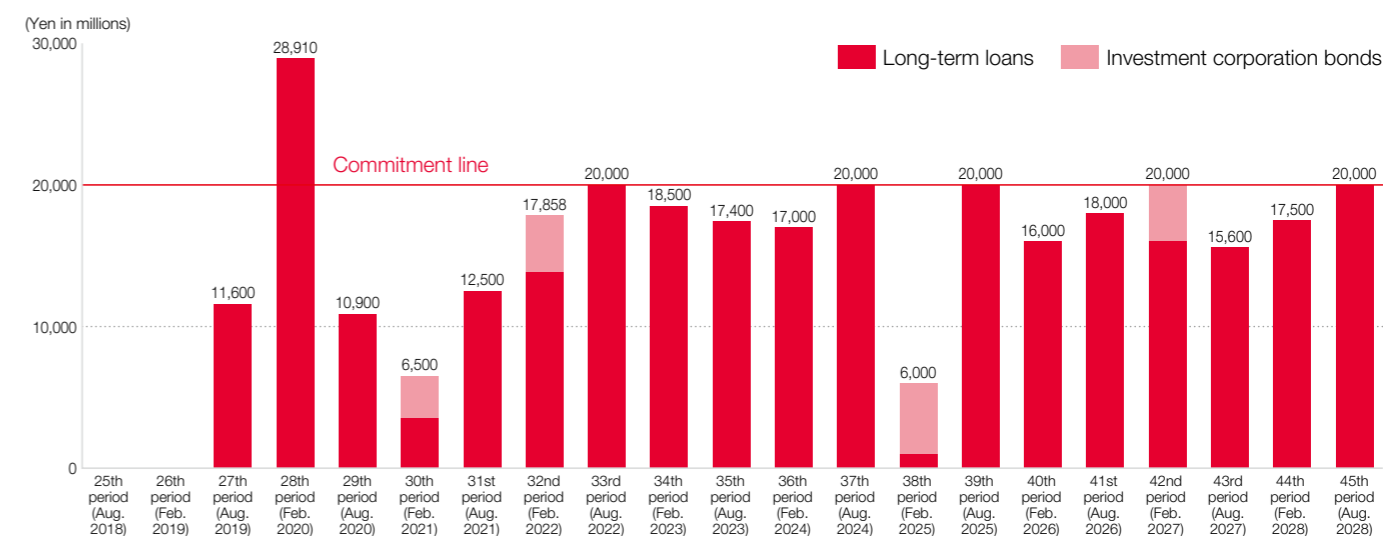
Total interest-bearing debt	¥314,268 million
Total loans	¥298,268 million
Total investment corporation bonds	¥16,000 million
LTV (including goodwill)	40.9%
LTV (excluding goodwill)	45.2%
Long-term interest-bearing debt ratio	96.3%
Fixed interest ratio	94.4%
Average interest rate	0.75%
Average remaining maturity	5.7 years
Commitment line	¥20,000 million

Breakdown by Lender (as of April 16, 2018)

Lender	Loan balance (Yen in millions)	Ratio (%)
MUFG Bank, Ltd.	57,904	19.4
Sumitomo Mitsui Trust Bank, Limited	53,559	18.0
Sumitomo Mitsui Banking Corporation	53,550	18.0
Mizuho Bank, Ltd.	46,550	15.6
Development Bank of Japan Inc.	16,400	5.5
Aozora Bank, Ltd.	13,561	4.5
The Norinchukin Bank	12,610	4.2
Resona Bank, Limited	10,500	3.5
Mizuho Trust & Banking Co., Ltd.	6,908	2.3
Nippon Life Insurance Company	4,500	1.5
Shinsei Bank, Limited	4,000	1.3
Shinkin Central Bank	3,500	1.2
Mitsui Sumitomo Insurance Company, Limited	3,000	1.0
The Bank of Fukuoka, Ltd.	2,500	0.8
The Chiba Bank, Ltd.	1,965	0.7
The 77 Bank, Ltd.	1,500	0.5
The Nishi-Nippon City Bank, Ltd.	1,500	0.5
The Shizuoka Bank, Ltd.	1,260	0.4
The Iyo Bank, Ltd.	1,000	0.3
The Bank of Kyoto, Ltd.	1,000	0.3
The Chugoku Bank, Limited	1,000	0.3
Total loans	298,268	100.0

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

Diversifying Debt Maturities (as of April 13, 2018)



Rating/Outlook (as of February 28, 2018)

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

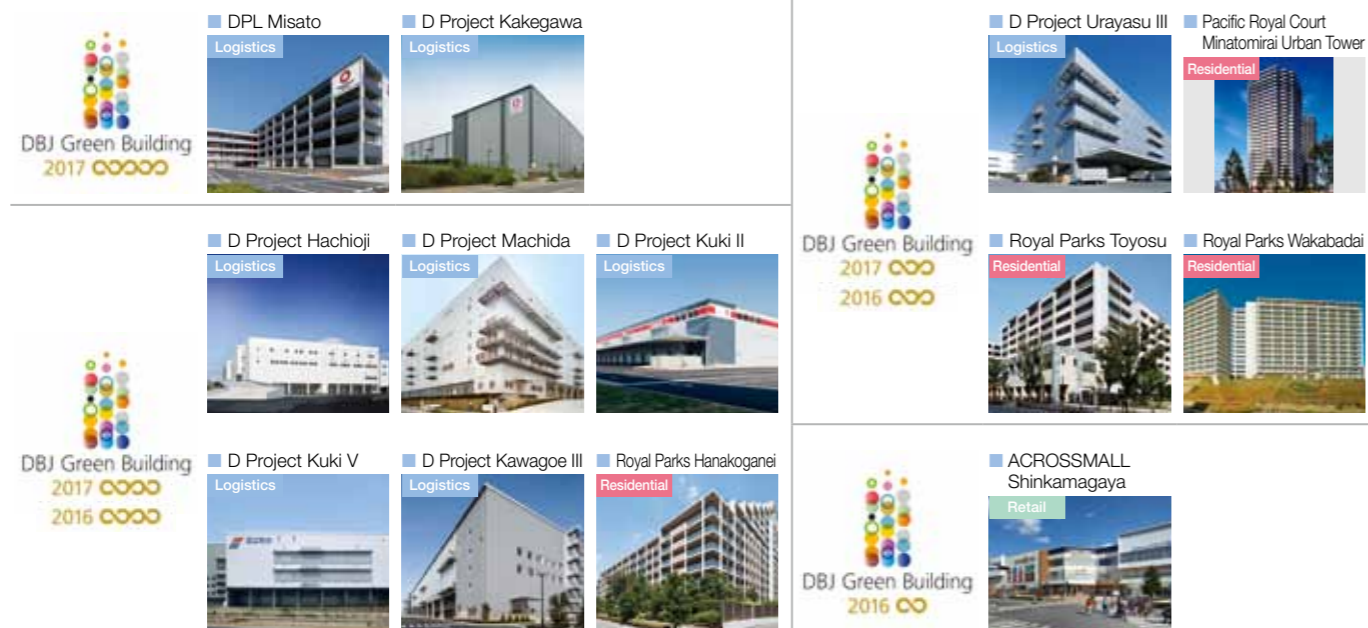
Sustainability Policy

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

Daiwa House Asset Management Co., Ltd. shares Daiwa House Group's basic approach as DHR's asset manager, and considers that including consideration for environment, society, and governance (hereinafter referred to as "ESG") in its real estate investment management operations contributes to DHR's basic policy of ensuring stable revenue and steady growth of assets over the long term. Therefore, we have established the following "Sustainability Policy" to guide our real estate investment and management.

1. Prevention of global warming
2. Harmony with the natural environment (preservation of biodiversity)
3. Conservation of natural resources (reducing waste, protecting water resources)
4. Prevention of chemical pollution
5. Establishment of an internal framework and initiatives for employees
6. Building of trust relationships with external stakeholders
7. Promotion of communication through information disclosure
8. Compliance with laws and regulations, and risk management

DBJ Green Building Certification* Awarded



* DBJ Green Building Certification is designed to promote real estate properties that demonstrate environmentally friendly building features, security measures, disaster prevention measures and take into account societal demands from various stakeholders surrounding the properties. Properties with excellence that meet the demands of the times are selected based on a scoring model developed by Development Bank of Japan Inc. (DBJ).

Environmental Measures

- Aiming to increase the environmentally friendly building features of owned assets through cooperation with tenants, we introduced "Green Leases*" from the standpoint of both operational improvement and energy efficiency retrofit.
- We promoted both the installment of LED lights and the introduction of solar power generation systems.

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



Participating in GRESB Real Estate Assessment

- The Global Real Estate Sustainability Benchmark (GRESB) is an annual benchmark assessment that evaluates environmental, social, and governance (ESG) performance in the real estate sector.
- We began participating in the assessment in 2017.



Major Portfolio Properties

Logistics properties

LB-024 | DPL Inuyama



Logistics properties

LB-025 | D Project Fukuoka Hakozaki



Logistics properties

LB-038 | D Project Tomisato



Retail properties

RM-003 | QiZ GATE URAWA



Residential properties

RE-002 | Castalia Azabujuban Shichimenzaka



Residential properties

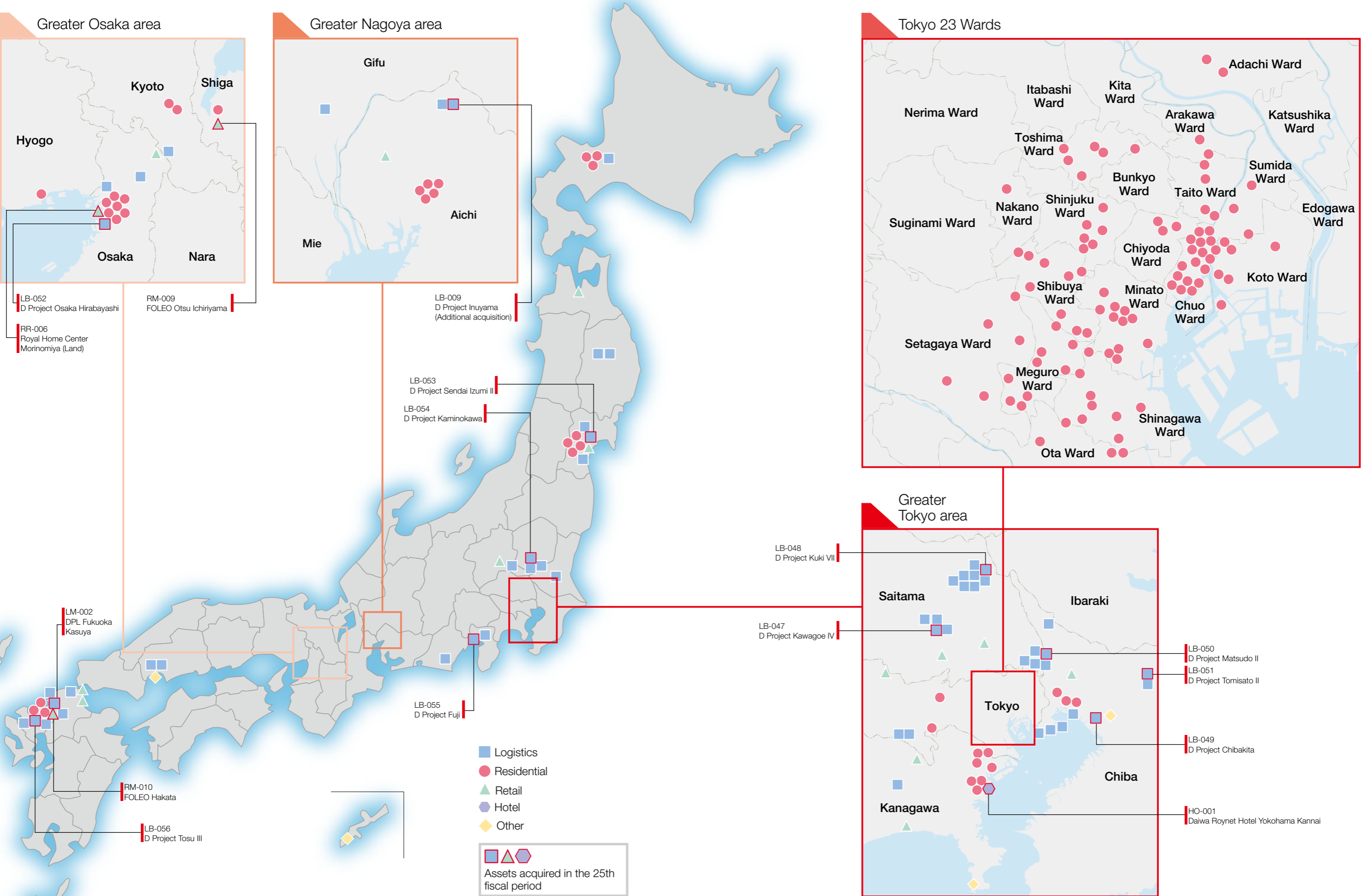
RE-142 | Royal Parks Umejima



Other assets

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





I. Asset Management Report

1. Summary of Asset Management

(1) Historical Operating Results

		20th period February 2016	21st period August 2016	22nd period February 2017	23rd period August 2017	24th period February 2018
Operating revenues (Note 1)	Yen in millions	9,662	9,691	17,531	21,015	19,700
Of which, real estate rental revenues	Yen in millions	9,662	9,691	17,531	19,479	19,700
Operating expenses	Yen in millions	5,715	5,731	11,963	11,623	11,687
Of which, real estate rental expenses	Yen in millions	4,688	4,746	7,493	7,906	7,947
Operating income	Yen in millions	3,947	3,959	5,567	9,392	8,012
Ordinary income	Yen in millions	3,177	3,214	4,474	7,974	7,146
Net income	Yen in millions	3,177	3,213	4,393	7,968	7,142
Total assets	Yen in millions	258,590	258,266	604,142	682,359	681,192
Period-on-period changes	%	0.1	(0.1)	133.9	12.9	(0.2)
Net assets	Yen in millions	111,194	111,042	330,304	377,321	376,300
Period-on-period changes	%	(0.1)	(0.1)	197.5	14.2	(0.3)
Unitholders' capital	Yen in millions	61,703	61,703	61,703	108,136	108,136
Total number of investment units issued	Units	747,740	747,740	1,519,280	1,690,000	1,690,000
Net assets per unit	Yen	148,707	148,504	217,408	223,267	222,663
Total distributions	Yen in millions	3,365	3,392	7,292	8,389	8,777
Distributions per unit	Yen	4,501	4,537	4,800	4,964	5,194
Of which, earnings distributions per unit	Yen	4,501	4,537	4,800	4,964	5,194
Of which, distributions in excess of earnings per unit	Yen	—	—	—	—	—
Ordinary income to total assets ratio (Note 2)	%	1.2	1.2	1.0	1.2	1.0
Annualized	%	2.5	2.5	2.1	2.5	2.1
Return on equity (Note 3)	%	2.9	2.9	2.0	2.3	1.9
Annualized	%	5.7	5.7	4.0	4.5	3.8
Equity ratio	%	43.0	43.0	54.7	55.3	55.2
Period-on-period changes	%	(0.1)	(0.0)	11.7	0.6	(0.1)
Payout ratio	%	106.0	105.6	166.0	104.0	122.9
<Other Reference Information>						
Rental NOI (Note 4)	Yen in millions	6,986	6,977	13,398	15,286	15,503
FFO per unit (Note 5)	Yen	6,948	7,024	6,469	7,184	7,625
FFO multiple (Note 6)	Times	16.9	20.9	22.4	18.9	16.7
Debt service coverage ratio (Note 7)	Times	9.6	10.2	12.2	15.4	14.4
Interest-bearing debt	Yen in millions	141,663	141,663	253,163	282,268	282,268
Interest-bearing debt to total assets ratio (Note 8)	%	54.8	54.9	41.9	41.4	41.4

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

(2) Asset Management during the Period

i) Transition of DHR

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

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

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

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

(Note) The Daiwa House Group comprises Daiwa House, which is the parent company, 267 consolidated subsidiaries, 2 non-consolidated subsidiaries, 30 equity-method affiliates and 4 non-equity-method affiliates as of December 31, 2017. The Asset Manager is a member of the group. The same shall apply hereinafter.

ii) Performance for the Current Fiscal Period

Concerning actual performance of owned assets in the current fiscal period, DHR's occupancy rate at the end of the fiscal period was 99.3%, and a high level of rental revenues was maintained. As a result, operating revenues amounted to ¥19,700 million, ¥159 million higher than the forecast of results disclosed in the financial results report for the fiscal period ended August 31, 2017 (referred to as the “forecast of results” in “ii) Performance for the Current Fiscal Period”).

Regarding rental expenses, on the other hand, DHR brought forward part of the repairs and maintenance expenses, etc. that had been scheduled for the next fiscal period onward in view of reducing the future cost burden. Nevertheless, DHR's efforts to reduce general and administrative expenses and other costs led to operating income of ¥8,012 million, up ¥220 million from the forecast of results, and net income of ¥7,142 million, up ¥590 million from the forecast of results.

iii) Overview of Financing

DHR arranged refinancing for the full amount of ¥16,000 million in loans due on November 29, 2017. At the time of this loan, DHR started new transactions with five regional banks, as it worked to expand its strong lender formation.

As a result, the balance of interest-bearing debt outstanding as of the end of the current fiscal period amounted to ¥282,268 million (loan balance: ¥266,268 million, investment corporation bond balance: ¥16,000 million), the same amount as in the previous fiscal period. As of the end of the current fiscal period, its LTV (including goodwill) (Note 1) was 41.4%, and its LTV (excluding goodwill) (Note 2) was 46.4%.

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

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

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

iv) Difference between Real Estate Appraisal Value and Book Value

The total appraisal value of assets held at the end of the current fiscal period was ¥623,686 million, and the amount of unrealized gain (Note) on the portfolio, which is the difference compared to the book value was ¥63,322 million.

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

v) Overview of Financial Results

As a result of the abovementioned investment management activities, in the current fiscal period, DHR posted operating revenues of ¥19,700 million, operating income of ¥8,012 million, ordinary income of ¥7,146 million, and net income of ¥7,142 million (¥4,226 per investment unit).

Furthermore, based on its distribution policy, DHR reversed ¥1,982 million (¥1,172 per investment unit) as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up net income, while at the same time, ¥346 million (¥205 per investment unit) recorded as refunded consumption taxes relating to properties that DHR acquired in prior periods was accumulated as reserve for distribution. As a result, total distributions amounted to ¥8,777 million (¥5,194 per investment unit).

(3) Summary of Capital Increase

Changes in DHR's total number of investment units issued and unitholders' capital for the most recent five years until February 28, 2018 are as follows:

Date	Event	Total number of investment units issued (Units)		Unitholders' capital (Yen in millions)		Remarks
		Change	Balance	Change	Balance	
March 1, 2013	Split of investment units	160,535	321,070	—	41,602	(Note 1)
March 18, 2013	Capital increase through public offering	28,000	349,070	10,455	52,058	(Note 2)
April 17, 2013	Capital increase through third-party allotment	2,800	351,870	1,045	53,104	(Note 3)
October 28, 2013	Capital increase through public offering	20,000	371,870	7,817	60,921	(Note 4)
November 19, 2013	Capital increase through third-party allotment	2,000	373,870	781	61,703	(Note 5)
March 1, 2015	Split of investment units	373,870	747,740	—	61,703	(Note 6)
September 1, 2016	Delivery by allotment due to merger	771,540	1,519,280	—	61,703	(Note 7)
March 21, 2017	Capital increase through public offering	156,720	1,676,000	42,625	104,328	(Note 8)
April 14, 2017	Capital increase through third-party allotment	14,000	1,690,000	3,807	108,136	(Note 9)

(Notes) 1. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2013.
2. Investment units were issued by public offering with an issue price of ¥388,100 per unit (paid-in amount: ¥373,428) in order to raise funds for the acquisition of new properties, etc.
3. Additional investment units were issued with a paid-in amount of ¥373,428 per unit in order to raise funds for the acquisition of new properties, etc.
4. Investment units were issued by public offering with an issue price of ¥404,137 per unit (paid-in amount: ¥390,873) in order to raise funds for repayments of short-term loans for the acquisition of new properties, etc.
5. Additional investment units were issued with a paid-in amount of ¥390,873 per unit in order to raise funds for repayments of short-term loans for the acquisition of new properties, etc.
6. A 2-for-1 split of investment units was implemented with an effective date of March 1, 2015.
7. At the time of the Merger, which became effective as of September 1, 2016, DHR allotted 2.2 units of DHR per unit of the former DHR, and as a result, 771,540 new investment units were issued.
8. Investment units were issued by public offering with an issue price of ¥280,868 per unit (paid-in amount: ¥271,983) in order to raise funds for the acquisition of new properties, etc.
9. Additional investment units were issued with a paid-in amount of ¥271,983 per unit in order to raise funds for the acquisition of new properties, etc.

[Changes in market price of investment securities]

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

	20th period	21st period	22nd period	23rd period	24th period
Fiscal period ended	February 2016	August 2016	February 2017	August 2017	February 2018
Highest	¥255,300	¥308,000	¥298,400	¥289,800	¥277,100
Lowest	¥212,700	¥232,100	¥274,800	¥248,500	¥250,800
Beginning of period	¥224,100	¥236,300	¥284,400	¥289,800	¥268,500
End of period	¥235,000	¥291,800	¥292,000	¥268,800	¥257,100

(4) Distributions

As indicated in “(5) Future Operating Policies and Issues to Be Addressed, ii) Future Operating Policies and Issues to Be Addressed, (b) Distribution Policy” below, DHR established the policy on how to use the voluntary reserve and implemented its distribution policy by utilizing the voluntary reserve. For the current fiscal period, DHR reversed ¥1,982 million as the amount equivalent to amortization of goodwill from reserve for temporary difference adjustments to top up unappropriated retained earnings of ¥7,142 million, while at the same time, ¥346 million recorded as refunded consumption taxes relating to properties that DHR acquired in prior periods was accumulated as reserve for distribution. Consequently, total distributions amounted to ¥8,777 million, for distributions per unit of ¥5,194.

	20th period From September 1, 2015 to February 29, 2016	21st period From March 1, 2016 to August 31, 2016	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018
Unappropriated retained earnings	¥3,177,139,345	¥3,213,554,837	¥4,393,259,342	¥7,968,070,160	¥7,142,344,597
Amount retained as voluntary reserve (Note)	¥17,884,290,972	¥17,705,349,429	¥14,806,064,771	¥14,384,974,831	¥12,749,459,528
Total distributions	¥3,365,577,740	¥3,392,496,380	¥7,292,544,000	¥8,389,160,000	¥8,777,860,000
Distributions per unit	¥4,501	¥4,537	¥4,800	¥4,964	¥5,194
Of the above, total earnings distributions	¥3,365,577,740	¥3,392,496,380	¥7,292,544,000	¥8,389,160,000	¥8,777,860,000
Earnings distributions per unit	¥4,501	¥4,537	¥4,800	¥4,964	¥5,194
Of the above, total capital refunds	—	—	—	—	—
Capital refunds per unit	—	—	—	—	—
Of total capital refunds, total distributions from the allowance for temporary difference adjustments	—	—	—	—	—
Of capital refunds per unit, temporary-difference- adjustment- allowance distributions per unit	—	—	—	—	—
Of total capital refunds, total distributions deemed as distributions from capital refunds for tax purposes	—	—	—	—	—
Of capital refunds per unit, distributions deemed as distributions from capital refunds for tax purposes per unit	—	—	—	—	—

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

(5) Future Operating Policies and Issues to Be Addressed

i) Investment Environment

During the current fiscal period, the Japanese economy continued on a gradual expansionary trend. According to the quarterly Financial Statements Statistics of Corporations by Industry, corporate earnings and capital expenditure for October to December 2017 showed sales rising 2.3% from the previous quarter, for the sixth consecutive quarterly increase. While ordinary income fell from the previous quarter (down 1.7%), operating income, which indicates income from core business, was up 2.4% from the previous quarter, rising for the sixth straight quarter just like sales, and capital expenditure saw a recovery centered on the manufacturing industry, rising 3.1% from the previous quarter for the second-straight quarterly increase. According to the GDP growth rate for October to December 2017 (the 2nd preliminary), real GDP was up by 0.4% (1.6% annualized), which was positive growth for eight consecutive quarters, meaning that the Japanese economy remained firm though growth slowed down slightly compared to the previous quarter. As for consumer spending, consumption is on a rise on account of steady improvements in the employment and personal income environments, and it is expected to grow gently in the future. Furthermore, looking toward the future, while the Japanese economy is expected to continue its gradual expansion, amidst expectations for overall stability in the economies of the United States and major European countries, changes in the policy rates of foreign countries and in exchange rates, concerns over a slowdown in the Chinese economy due to the promotion of structural reforms, and the rise in geopolitical risk surrounding conditions in North Korea, etc. could affect the Japanese economy going forward, and these trends require sufficient attention.

In Japan's real estate market, according to the Land Value LOOK Report for the fourth quarter of 2017 (October 1, 2017 to January 1, 2018) released by the Ministry of Land, Infrastructure, Transport and Tourism in February 2018, among the 100 intensively used districts of major cities, land value rose in 89 districts (compared with 86 districts in the third quarter of 2017), stayed flat in 11 districts (compared with 14 districts in the third quarter of 2017), and dropped in 0 districts (compared with 0 districts in the third quarter of 2017). Therefore, the districts maintaining rising prices were roughly 90%. The main reason that the percentage of districts with rising prices maintained such a high level was a continuing strong real estate investment sentiment reflecting improvements in the employment and personal income environments and favorable financing environment owing to monetary easing, etc. on the back of a continuing favorable office market condition particularly in the three major metropolitan areas, cities becoming more vibrant due to ongoing redevelopment projects, and continuing high-level demand of visitors to Japan for consumption and accommodation.

In Japan's stock market in 2017, while the Nikkei Average trended strongly, rising 19.1% over the year, in the J-REIT market, concern over increasing domestic long-term interest rates from overseas monetary policy as well as investment units for J-REIT investment trusts experiencing net selling in and after April, etc. led the Tokyo Stock Exchange REIT Index to decline 10.4% in the year (1,662.92 points at the end of 2017). Entering 2018, the Tokyo Stock Exchange REIT Index had risen to 1,768.07 points on January 24, but the index has been volatile since then due to rising US long-term interest rates, totaling 1,700.96 points at the end of the current fiscal period on February 28, 2018.

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

ii) Future Operating Policies and Issues to Be Addressed

(a) Growth Strategy

DHR now targets a broader range of investments due to its shift to a diversified REIT portfolio as a result of the Merger (thereby enhancing external growth potential). Consequently, DHR has achieved swift expansion of its asset size, having acquired 40 new properties over the roughly one and a half years since the Merger (at a total acquisition price (Note 1) of ¥193.1 billion). Also, DHR made acquisitions of a multi-use complex consisting of hotel and offices, in addition to existing built-to-suit (BTS) logistics properties (Note 2), residential properties, and retail properties since the Merger, and subsequently also acquired its first multi-tenant logistics property (Note 3) in April 2017, and its first hotel property in April 2018. DHR believes that acquiring various types of assets will enable it to diversify its portfolio and generate income more consistently.

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

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

(Notes) 1. "Acquisition prices" are the purchase prices stipulated in the respective purchase agreements of assets owned by DHR (not including expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, or leasehold guarantee deposits, etc.), except as otherwise noted. However, the acquisition prices of properties previously owned by NCR have been presented as the appraisal values as of February 28, 2010, which were the prices received at the time of the merger with NCR, and the acquisition prices of properties previously owned by the former DHR have been presented as the appraisal values as of August 31, 2016, which were the prices received at the time of the merger with the former DHR. The "total acquisition price" has been rounded down to the nearest unit. The same shall apply hereinafter.
2. "Built-to-suit (BTS) logistics properties" are logistics properties that have been customized to tenant needs, while maintaining general versatility to accommodate successor tenants in the future. The same shall apply hereinafter.
3. "Multi-tenant logistics properties" are logistics properties that have been situated on sites suitable to the logistics needs of various businesses, and that offer facility size, grade, and equipment optimal to such sites. The same shall apply hereinafter.

(b) Distribution Policy

As of the end of the current fiscal period, DHR had a total of ¥35,062 million in tax loss carryforwards (Note 1), ¥12,767 million in reserve for temporary difference adjustments (before reversal for the current fiscal period; the amount after reversal is ¥10,785 million), and ¥1,617 million in reserve for distribution (before accumulation for the current fiscal period; the amount after accumulation is ¥1,964 million).

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

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

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

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

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

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

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

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

iii) Financial Strategy

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

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

(6) Significant Events after Balance Sheet Date

A. Issuance of New Investment Units

At the board of directors meetings held on February 28, 2018, and on March 12, 2018, it was resolved to issue new investment units, as follows. The payment for the new investment units issued through public offering was completed on March 19, 2018, while the payment for the new investment units issued through third-party allotment was completed on April 13, 2018.

As a result, unitholders' capital amounts to ¥163,230 million, and the total number of investment units issued is 1,927,000 units.

(a) Issuance of New Investment Units (Public Offering)

Number of new investment units issued: 222,000 units (Japan: 150,900 units; Overseas: 71,100 units)

Issue price: ¥239,806 per unit

Total issue price: ¥53,236,932,000

Amount paid in (issue value): ¥232,465 per unit

Total amount paid in (issue value): ¥51,607,230,000

Payment date: March 19, 2018

(b) Issuance of New Investment Units through Third-Party Allotment

Number of new investment units issued: 15,000 units

Amount paid in (issue value): ¥232,465 per unit

Total amount paid in (issue value): ¥3,486,975,000

Payment date: April 13, 2018

Allottee: Nomura Securities Co., Ltd.

B. Acquisition of Assets
DHR acquired the following properties.

Asset name	DPL Fukuoka Kasuya
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥13,300,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018
Asset name	D Project Inuyama (Additional acquisition)
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥2,100,000 thousand
Seller (Note 2)	DH Fund Five Godo Kaisha
Acquisition date	April 10, 2018
Asset name	D Project Kawagoe IV
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥5,600,000 thousand
Seller (Note 2)	DH Fund Five Godo Kaisha
Acquisition date	April 10, 2018
Asset name	D Project Kuki VII
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥1,040,000 thousand
Seller (Note 2)	DH Fund Five Godo Kaisha
Acquisition date	April 10, 2018
Asset name	D Project Chibakita
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥7,640,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018
Asset name	D Project Matsudo II
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥8,200,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018
Asset name	D Project Tomisato II
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥6,900,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018
Asset name	D Project Osaka Hirabayashi
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥3,600,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018

Asset name	D Project Sendai Izumi II
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥7,300,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018
Asset name	D Project Kaminokawa
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥7,900,000 thousand
Seller (Note 2)	DH Fund Five Godo Kaisha
Acquisition date	April 10, 2018
Asset name	D Project Fuji
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥3,600,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 10, 2018
Asset name	D Project Tosu III
Asset type	Trust beneficiary interest in real estate
Asset class	Logistics properties
Acquisition price (Note 1)	¥9,200,000 thousand
Seller (Note 2)	DH Fund Five Godo Kaisha
Acquisition date	April 10, 2018
Asset name	FOLEO Otsu Ichiriyama
Asset type	Trust beneficiary interest in real estate
Asset class	Retail properties
Acquisition price (Note 1)	¥8,100,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 3, 2018
Asset name	FOLEO Hakata
Asset type	Trust beneficiary interest in real estate
Asset class	Retail properties
Acquisition price (Note 1)	¥3,200,000 thousand
Seller (Note 2)	Daiwa House Industry Co., Ltd.
Acquisition date	April 3, 2018
Asset name	Royal Home Center Morinomiya (Land)
Asset type	Trust beneficiary interest in real estate
Asset class	Retail properties
Acquisition price (Note 1)	¥4,500,000 thousand
Seller (Note 2)	Royal Home Center Co., Ltd.
Acquisition date	March 27, 2018
Asset name	Daiwa Roynet Hotel Yokohama Kannai
Asset type	Trust beneficiary interest in real estate
Asset class	Hotel properties
Acquisition price (Note 1)	¥4,800,000 thousand
Seller (Note 2)	Fujita Corporation
Acquisition date	April 3, 2018

(Notes) 1. This figure does not include expenses pertaining to acquisitions, settlement money such as taxes and public dues, consumption taxes, etc.
2. Daiwa House, which is the seller of DPL Fukuoka Kasuya, D Project Chibakita, D Project Matsudo II, D Project Tomisato II, D Project Osaka Hirabayashi, D Project Sendai Izumi II, D Project Fuji, FOLEO Otsu Ichiriyama and FOLEO Hakata, Royal Home Center Co., Ltd., which is the seller of Royal Home Center Morinomiya (Land), and Fujita Corporation, which is the seller of Daiwa Roynet Hotel Yokohama Kannai are each classified as an interested party, etc. as defined in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter referred to as the "Investment Trusts Act"). As such, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.
DH Fund Five Godo Kaisha, which is the seller of D Project Inuyama (Additional acquisition), D Project Kawagoe IV, D Project Kuki VII, D Project Kaminokawa and D Project Tosu III, is a special purpose company (Tokutei Mokuteki Kaisha) set up with the aim of acquiring, holding and disposing of trust beneficiary interests in real estate partially invested in by Daiwa House, which is the parent company of the Asset Manager, and is accordingly classified as an interested party as stipulated in the Asset Manager's regulations on transactions with interested parties, but is not an interested party, etc. under the Investment Trusts Act. As such, the Asset Manager has gone through the necessary discussion and resolution procedures in accordance with its regulations on transactions with interested parties.

C. Debt Financing
DHR conducted debt financing for acquiring the properties mentioned in “B. Acquisition of Assets” above, on March 27, 2018 and April 10, 2018, as follows.

Lender	Borrowing amount (Yen in millions)	Interest rate	Borrowing date	Repayment date	Method of repayment	Collateral
Mitsui Sumitomo Insurance Company, Limited	1,000	0.44125% (Fixed interest rate)	March 27, 2018	March 31, 2023	Bullet repayment	Unsecured and non-guaranteed
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note)	1,500	0.74587% (Fixed interest rate)	March 27, 2018	September 30, 2027	Bullet repayment	Unsecured and non-guaranteed
Nippon Life Insurance Company	1,000	0.42894% (Fixed interest rate)	April 10, 2018	September 9, 2022	Bullet repayment	Unsecured and non-guaranteed
Development Bank of Japan Inc.	2,000	0.64630% (Fixed interest rate)	April 10, 2018	April 30, 2026	Bullet repayment	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited; Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; The Bank of Fukuoka, Ltd.; The Chiba Bank, Ltd.; The 77 Bank, Ltd.; The Nishi-Nippon City Bank, Ltd.; The Shizuoka Bank, Ltd.; The Iyo Bank, Ltd.; The Bank of Kyoto, Ltd.; The Chugoku Bank, Limited	6,500	0.42160% (Fixed interest rate)	April 10, 2018	April 28, 2022	Bullet repayment	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited; Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; Aozora Bank, Ltd.; The Norinchukin Bank; Shinsei Bank, Limited; Shinkin Central Bank	5,000	0.52004% (Fixed interest rate)	April 10, 2018	April 30, 2024	Bullet repayment	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited; Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; Aozora Bank, Ltd.; The Norinchukin Bank; Resona Bank, Limited; Shinsei Bank, Limited; Shinkin Central Bank	5,000	0.60388% (Fixed interest rate)	April 10, 2018	April 30, 2025	Bullet repayment	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited; Sumitomo Mitsui Banking Corporation; Mizuho Bank, Ltd.; Mizuho Trust & Banking Co., Ltd.; Resona Bank, Limited	10,000	0.89458% (Fixed interest rate)	April 10, 2018	April 28, 2028	Bullet repayment	Unsecured and non-guaranteed

(Note) On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name, and is now MUFG Bank, Ltd.

2. Overview of the Investment Corporation

(1) Status of Investment Units

	20th period As of February 29, 2016	21st period As of August 31, 2016	22nd period As of February 28, 2017	23rd period As of August 31, 2017	24th period As of February 28, 2018
Total number of authorized investment units	4,000,000	4,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued	747,740	747,740	1,519,280 (Note)	1,690,000	1,690,000
Unitholders' capital (Yen in thousands)	61,703,224	61,703,224	61,703,224	108,136,162	108,136,162
Number of unitholders	7,073	6,431	10,851	13,779	13,461

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

(2) Matters concerning Investment Units

The major unitholders as of February 28, 2018 are as follows:

Name	Number of investment units held (Units)	Percentage of investment units held against the total number of investment units issued (%) (Note)
Japan Trustee Services Bank, Ltd. (Trust account)	337,676	20.0
The Master Trust Bank of Japan, Ltd. (Trust account)	209,664	12.4
Daiwa House Industry Co., Ltd.	185,200	11.0
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	65,159	3.9
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	55,165	3.3
State Street Bank - West Client - Treaty 505234	42,793	2.5
State Street Bank - West Pension Fund Clients - Exempt 505233	31,517	1.9
State Street Bank and Trust Company 505012	22,843	1.4
Nomura Bank (Luxembourg) S.A.	21,872	1.3
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	21,041	1.2
Total	992,930	58.8

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

(3) Officers

The following table provides information about the officers.

Title and post	Name	Major concurrent position	Total compensation per title during the 24th period (Yen in thousands)
Executive Director	Jiro Kawanishi	—	2,400
Supervisory Directors	Tetsuya Iwasaki	Certified Public Accountant and Enrolled Agent, Citia Certified Public Accountant Firm Outside Director, Uoriki Co., Ltd.	2,100
	Hiroshi Ishikawa	Attorney, Ohhara Law Office Outside Director, Japan Medical Dynamic Marketing, INC.	2,100
Accounting Auditor	Ernst & Young ShinNihon LLC	—	18,500

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

(4) Asset Manager, Custodian and General Administrators

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

(Note) On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name, and is now MUFG Bank, Ltd.

3. Portfolio of DHR

(1) Composition of Assets

The following table provides information about the composition of assets.

Type of assets	Asset class	Area (Note 1)	23rd period August 31, 2017		24th period February 28, 2018		
			Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	Total amount held (Yen in millions) (Note 2)	Percentage to total assets (%) (Note 3)	
Real estate	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	25,203	3.7	25,093	3.7
			Greater Nagoya area	926	0.1	919	0.1
			Greater Osaka area	13,611	2.0	13,507	2.0
		Other	5,450	0.8	5,403	0.8	
	Subtotal		45,191	6.6	44,924	6.6	
Trust beneficiary interests in real estate	Logistics properties	Three major metropolitan areas of Japan	Greater Tokyo area	179,252	26.3	178,673	26.2
			Greater Nagoya area	13,564	2.0	13,496	2.0
			Greater Osaka area	19,646	2.9	19,539	2.9
		Other	46,640	6.8	46,358	6.8	
	Residential properties	Three major metropolitan areas of Japan	Greater Tokyo area	171,063	25.1	170,044	25.0
			Greater Nagoya area	6,236	0.6	6,173	0.9
			Greater Osaka area	9,214	1.4	9,108	1.3
		Other	5,276	1.0	5,189	0.8	
	Retail properties	Three major metropolitan areas of Japan	Greater Tokyo area	27,039	4.0	26,953	4.0
			Greater Nagoya area	2,390	0.4	2,390	0.4
			Greater Osaka area	4,518	0.7	4,553	0.7
		Other	21,757	3.2	21,677	3.2	
	Other assets	Three major metropolitan areas of Japan	Greater Tokyo area	1,981	0.3	1,960	0.3
		Other	9,394	1.4	9,332	1.4	
	Subtotal		517,976	75.9	515,452	75.7	
Deposits and other assets		119,191	17.5	120,816	17.7		
Total assets		682,359	100.0	681,192	100.0		

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

2. “Total amount held” represents the amounts recorded on the balance sheets as of the last day of each fiscal period (August 31, 2017 and February 28, 2018), which are rounded down to the nearest million yen. For real estate properties and trust beneficiary interest in real estate (may be referred to as “real estate in trust” or “trust beneficiary interest in real estate”), the amounts are their acquisition prices (including expenses associated with the acquisition) less accumulated depreciation.

3. “Percentage to total assets” is rounded to the first decimal place.

(2) Principal Assets Held

The overview of principal assets held by DHR as of February 28, 2018 (top ten properties in terms of book value at the end of the period) is as follows:

Property name	Book value (Yen in millions) (Note 1)	Leasable area (m ²) (Note 2)	Leased area (m ²) (Note 3)	Occupancy rate (%) (Note 4)	Rate to total real estate rental revenues (%) (Note 5)	Primary use
D Project Urayasu II	25,758	72,320.01	72,320.01	100.0	(Note 6)	Logistics
DPL Misato	16,802	55,864.47	55,864.47	100.0	(Note 6)	Logistics
D Project Hachioji	15,402	62,394.17	62,394.17	100.0	(Note 6)	Logistics
D Project Nishiyodogawa	10,117	39,584.80	39,584.80	100.0	(Note 6)	Logistics
D Project Urayasu I	9,197	36,515.81	36,515.81	100.0	(Note 6)	Logistics
D Project Machida	9,184	50,490.39	50,490.39	100.0	(Note 6)	Logistics
Pacific Royal Court Minatomirai Urban Tower	8,793	26,294.49	26,294.49	100.0	2.6	Residential
D Project Inuyama	8,530	43,723.70	43,723.70	100.0	(Note 6)	Logistics
D Project Urayasu III	8,500	39,441.32	39,441.32	100.0	(Note 6)	Logistics
D Project Kuki V	8,189	47,320.89	47,320.89	100.0	(Note 6)	Logistics
Total	120,476	473,950.05	473,950.05	100.0	18.1	—

- (Notes)
- "Book value" is the amount recorded on the balance sheets as of February 28, 2018 (in case of real estate or real estate in trust, "Book value" is the acquisition prices (including expenses associated with the acquisition) less accumulated depreciation), which were rounded down to the nearest million yen.
 - "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of February 28, 2018.
 - "Leased area" represents the leased area in the leasable area as indicated in the lease agreement in relation to each real estate or each real estate in trust as of February 28, 2018. However, in the case of a pass-through type master lease agreement entered into with the master lease company, the leased area to end-tenants, as indicated in the sublease agreement for each real estate or each real estate in trust as of February 28, 2018, is provided. As some lease agreements for each real estate or each real estate in trust may indicate leased area that includes portions not included in the gross floor area, the leased area may exceed the gross floor area. In particular at logistics properties, when eaves are included in the leased area, the leased area may significantly exceed the gross floor area.
 - "Occupancy rate" represents the ratio of leased area to total leasable area of each real estate or each real estate in trust as of February 28, 2018, and it is rounded to the first decimal place.
 - "Rate to total real estate rental revenues" is the rental revenue from each real estate and each real estate in trust expressed as a percentage of the total rental revenue from the entire portfolio, rounded to the first decimal place.
 - Undisclosed as consent has not been obtained from the lessee.

(3) Description of Portfolio

The overview of portfolio assets held by DHR as of February 28, 2018 (real estate and real estate in trust, etc.) is as follows:

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Machida	2-1-6, Oyamagaoka, Machida City, Tokyo	Real estate in trust	50,490.39	9,420	9,184
	D Project Hachioji	3-21-1, Minami-Osawa, Hachioji City, Tokyo	Real estate in trust	62,394.17	16,200	15,402
	D Project Aikawa-Machi	4020-12, Aza Sakuradai, Nakatsu, Aikawa-machi, Aiko District, Kanagawa	Real estate in trust	14,240.84	4,410	3,835
	D Project Shin-Misato	Lala City, Shin-Misato, Misato City, Saitama (Note 5)	Real estate in trust	11,289.91	5,750	5,647
	D Project Urayasu I	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	36,515.81	9,490	9,197
	D Project Urayasu II	11-5, Chidori, Urayasu City, Chiba	Real estate in trust	72,320.01	26,600	25,758
	D Project Akanehama	3-2-8, Akanehama, Narashino City, Chiba	Real estate in trust	11,663.39	3,010	2,914
	D Project Noda	1-1, Aza Tamei, Futatsuka, Noda City, Chiba	Real estate in trust	29,232.53	6,440	6,143
	D Project Inuyama	5-5, Takanebora, Inuyama City, Aichi	Real estate in trust	43,723.70	9,010	8,530
	D Project Gifu	449-9, Nanba Azamura-Higashi, Wanouchi-cho, Anpachi District, Gifu	Real estate in trust	7,669.91	1,120	1,091
	D Project Neyagawa	2-24-12, Shimeno, Neyagawa City, Osaka	Real estate in trust	11,151.51	6,200	5,907
	D Project Sapporo Minami	5-7-2, Wattsu Chuo, Kitahiroshima City, Hokkaido	Real estate in trust	6,749.10	848	804
	D Project Morioka	3-18, Kazabayashi, Ogama, Takizawa City, Iwate	Real estate in trust	9,558.32	1,210	1,172
	D Project Sendai Minami	3-2-39, Kuko-Minami, Iwanuma City, Miyagi	Real estate in trust	11,052.27	1,550	1,511
	D Project Tsuchiura	20-29, Aza Harayama, Hongo, Tsuchiura City, Ibaraki	Real estate in trust	17,448.86	3,440	3,316
	D Project Gotenba	2271-10, Aza Odori, Jinba, Gotenba City, Shizuoka	Real estate in trust	6,737.53	1,150	1,119
	D Project Nishi-Hiroshima	2-3-11, Tomo-Minami, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	5,093.51	1,210	1,192
	D Project Fukuoka Umi	384-15, Aza Noguchi, Oaza Ino, Umi-machi, Kasuya District, Fukuoka	Real estate in trust	24,729.56	4,290	4,163
	D Project Tosu	1624, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	17,858.01	5,900	5,603
	D Project Kuki I	6004-2, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	22,708.72	4,090	3,838
	D Project Kuki II	6201-1, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	50,490.00	8,560	7,951
	D Project Kawagoe I	3-2-3, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	16,150.88	3,710	3,483

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Logistics properties	D Project Kawagoe II	3-2-4, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	19,872.00	5,140	4,781
	DPL Inuyama	1-8, Aza Nakahiratsuka, Oaza Haguroshinden, Inuyama City, Aichi	Real estate in trust	21,628.50	4,080	3,874
	D Project Fukuoka Hakozaki	5-2-1, Hakozakifuto, Higashi Ward, Fukuoka City, Fukuoka	Real estate in trust	34,710.80	4,520	4,269
	D Project Kuki III	6004-1, Aza Taikoda, Shobu-cho Shobu, Kuki City, Saitama	Real estate in trust	26,937.41	8,110	7,495
	D Project Kuki IV	6201-5, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	26,460.00	5,800	5,442
	D Project Kuki V	6201-6, Aza Kazarimen, Shobu-cho Sanga, Kuki City, Saitama	Real estate in trust	47,320.89	8,760	8,189
	D Project Kuki VI	48-3, Kiyoku-cho, Kuki, Saitama	Real estate in trust	29,244.66	5,420	5,035
	D Project Yashio	50-1, Oaza Shin-machi, Yashio City, Saitama	Real estate in trust	21,965.04	6,640	6,327
	D Project Nishiyodogawa	2-7-48, Nakashima, Nishiyodogawa Ward, Osaka City, Osaka	Real estate in trust	39,584.80	10,600	10,117
	D Project Matsudo	700-3, Aza Nishonoda, Kamihongo, Matsudo City, Chiba	Real estate in trust	26,776.67	7,610	7,278
	D Project Hibiki Nada	3-1-5, Hibiki-machi, Wakamatsu Ward, Kitakyushu City, Fukuoka	Real estate in trust	23,933.75	2,120	2,043
	D Project Morioka II	3-15, Ogama-kazabayashi, Takizawa City, Iwate	Real estate in trust	4,481.00	1,320	1,266
	D Project Kawagoe III	2-8-55, Yoshinodai, Kawagoe City, Saitama	Real estate in trust	39,572.32	7,460	7,181
	D Project Kazo	2-16-1, Okuwa, Kazo City, Saitama	Real estate in trust	18,371.10	3,420	3,292
	D Project Urayasu III	12-1, Chidori, Urayasu City, Chiba	Real estate in trust	39,441.32	9,320	8,500
	D Project Tomisato	7-2, Misawa, Tomisato City, Chiba	Real estate in trust	36,113.25	5,080	4,977
	D Project Kyotanabe	3-50-1, Kannabidai, Kyotanabe City, Kyoto	Real estate in trust	10,965.68	3,620	3,514
	D Project Sendai Izumi	2-9-1, Akedori, Izumi Ward, Sendai City, Miyagi	Real estate in trust	10,764.05	1,580	1,509
	D Project Oyama	2333-34, Aza Atago, Oaza Hari, Oyama City, Tochigi	Real estate in trust	14,106.91	2,020	1,994
	D Project Sano	570-9, Nishiura-cho, Sano City, Tochigi	Real estate in trust	15,668.44	1,790	1,775
	D Project Tatebayashi	110-8, Aza Uchiya, Shimosagawada-cho, Tatebayashi City, Gunma	Real estate in trust	13,521.56	3,140	3,088
	D Project Kakegawa	653-14, Aza Oyabu, Sakagawa, Kakegawa City, Shizuoka	Real estate in trust	39,341.44	6,140	6,020
	D Project Hiroshima Seifu	2-2-1, Tomonishi, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	19,004.72	3,990	3,812
	D Project Tosu II	1621, Aza Hasuhara, Himekata-machi, Tosu City, Saga	Real estate in trust	13,012.50	1,840	1,695
	DPL Misato	1-3-5, Inter-Minami, Misato City, Saitama	Real estate in trust	55,864.47	17,400	16,802
	Logistics properties – Subtotal			1,187,932.21	270,528	258,055
Residential properties	Qiz Ebisu	4-3-1, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	5,230.39	8,520	7,215
	Castalia Azabujuban Shichimenzaka	2-7-5, Azabujuban, Minato Ward, Tokyo	Real estate in trust	3,492.93	4,220	4,150
	Castalia Shibakoen	3-32-10, Shiba, Minato Ward, Tokyo	Real estate in trust	2,707.51	2,220	2,442
	Castalia Ginza	1-14-13, Ginza, Chuo Ward, Tokyo	Real estate in trust	2,226.42	2,220	2,340
	Castalia Hiroo	3-13-3, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	1,621.59	1,830	2,080
	Castalia Nihonbashi	11-2, Nihonbashi Kabuto-cho, Chuo Ward, Tokyo	Real estate in trust	1,458.73	1,170	1,065
	Castalia Hacchobori	3-27-5, Hacchobori, Chuo Ward, Tokyo	Real estate in trust	2,969.57	2,260	2,102
	Castalia Azabujuban	2-10-1, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,400.00	2,680	2,782
	Castalia Azabujuban II	2-21-2, Azabujuban, Minato Ward, Tokyo	Real estate in trust	2,094.58	2,510	2,517
	Castalia Shinjuku Natsumezaaka	10-1, Kikui-cho, Shinjuku Ward, Tokyo	Real estate in trust	1,917.62	1,610	1,763
	Castalia Ginza II	1-23-4, Ginza, Chuo Ward, Tokyo	Real estate in trust	1,817.56	1,730	1,656
	Castalia Shibuya Sakuragaoka	29-21, Sakuragaoka-cho, Shibuya Ward, Tokyo	Real estate in trust	1,123.80	1,110	1,335
	Castalia Nishi Azabu Kasumicho	1-3-12, Nishi Azabu, Minato Ward, Tokyo	Real estate in trust	2,779.77	2,340	2,321
	Castalia Ochanomizu	3-24-1, Kanda-Ogawamachi, Chiyoda Ward, Tokyo	Real estate in trust	2,559.21	2,150	1,702
	Castalia Sangubashi	4-52-12, Yoyogi, Shibuya Ward, Tokyo	Real estate in trust	1,898.47	1,470	1,464
	Castalia Suitengu	2-8-13, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,940.94	1,400	1,229
	Castalia Suitengu II	1-38-16, Nihonbashi Kakigaracho, Chuo Ward, Tokyo	Real estate in trust	1,858.34	1,260	1,096
	Castalia Shintomicho	3-10-10, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,444.52	1,030	912
	Castalia Shintomicho II	2-6-4, Irifune, Chuo Ward, Tokyo	Real estate in trust	1,244.54	915	811
	Castalia Harajuku	3-55-3, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	1,225.26	911	857
	Castalia Yoyogi Uehara	1-17-16, Uehara, Shibuya Ward, Tokyo	Real estate in trust	811.95	716	646
	Castalia Sendagaya	2-9-10, Sendagaya, Shibuya Ward, Tokyo	Real estate in trust	803.03	630	556
	Castalia Shinjuku 7 chome	7-17-16, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	957.60	533	440
	Castalia Ningyocho	7-15, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,747.90	1,230	896
	Castalia Ningyocho II	8-12, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	1,826.80	1,360	995
	Castalia Shin-Ochanomizu	2-3-3, Kanda Awaji-cho, Chiyoda Ward, Tokyo	Real estate in trust	1,308.38	1,090	854
	Castalia Higashi Nihonbashi II	12-11, Nihonbashi Tomisawacho, Chuo Ward, Tokyo	Real estate in trust	2,117.46	1,680	1,258
	Castalia Jinbocho	2-40-8, Kanda-Jinbocho, Chiyoda Ward, Tokyo	Real estate in trust	1,628.80	1,450	1,080
	Castalia Shintomicho III	2-8-8, Irifune, Chuo Ward, Tokyo	Real estate in trust	972.51	759	614
	Castalia Shinjuku Gyoen	2-14-4, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	3,594.16	3,100	2,611

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Castalia Takanawadai	3-4-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,147.44	1,030	815
	Castalia Higashi Nihonbashi III	3-5-6, Higashi-Nihonbashi, Chuo Ward, Tokyo	Real estate in trust	1,105.20	809	608
	Castalia Shinjuku Gyoen II	1-29-15, Shinjuku, Shinjuku Ward, Tokyo	Real estate in trust	668.79	511	472
	Castalia Shintomicho IV	3-10-8, Irfune, Chuo Ward, Tokyo	Real estate in trust	681.00	471	395
	Castalia Takanawadai II	3-5-6, Takanawa, Minato Ward, Tokyo	Real estate in trust	1,567.84	1,360	1,156
	Castalia Minami Azabu	2-2-27, Minami Azabu, Minato Ward, Tokyo	Real estate in trust	882.67	697	609
	Castalia Ginza III	8-18-2, Ginza, Chuo Ward, Tokyo	Real estate	3,494.42	2,970	2,724
	Castalia Kayabacho	2-1, Nihonbashi Koami-cho, Chuo Ward, Tokyo	Real estate	4,602.95	3,100	2,519
	Castalia Takanawa	2-17-12, Takanawa, Minato Ward, Tokyo	Real estate in trust	10,408.26	7,810	7,128
	Castalia Higashi Nihonbashi	9-14, Nihonbashi Yokoyama-cho, Chuo Ward, Tokyo	Real estate	6,442.28	4,010	3,248
	Castalia Shinjuku	2-6-11, Shinjuku, Shinjuku Ward, Tokyo	Real estate	3,150.80	3,370	2,841
	Castalia Ichigaya	14-4, YakuOji-machi, Ichigaya, Shinjuku Ward, Tokyo	Real estate in trust	1,546.34	1,340	873
	Shibaura Island Bloom Tower	4-20-2, 4-20-3, 4-20-4, Shibaura, Minato Ward, Tokyo	Real estate in trust	16,849.50	8,930	6,823
	Castalia Hatsudai	1-10-9, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	3,077.05	2,350	1,975
	Castalia Hatsudai II	1-33-7, Honmachi, Shibuya Ward, Tokyo	Real estate in trust	2,339.42	2,110	1,874
	Castalia Ebisu	3-15-6, Ebisu, Shibuya Ward, Tokyo	Real estate in trust	1,659.71	1,590	1,411
	Castalia Meguro Kamurozaka	4-31-23, Nishi Gotanda, Shinagawa Ward, Tokyo	Real estate in trust	4,967.97	4,350	4,041
	Castalia Toritsudaigaku	1-4-1, Midorigaoka, Meguro Ward, Tokyo	Real estate in trust	863.70	530	592
	Castalia Yukigaya	2-13-3, Higashi Yukigaya, Ota Ward, Tokyo	Real estate in trust	1,542.30	1,110	999
	Castalia Yutenji	2-14-21, Yutenji, Meguro Ward, Tokyo	Real estate in trust	1,380.35	1,300	1,341
	Castalia Otsuka	3-17-4, Minami Otsuka, Toshima Ward, Tokyo	Real estate in trust	1,871.70	1,640	1,326
	Castalia Kikukawa	2-1-12, Kikukawa, Sumida Ward, Tokyo	Real estate in trust	1,168.18	779	725
	Castalia Meguro	2-1-13, Meguro, Meguro Ward, Tokyo	Real estate in trust	1,414.73	1,020	856
	Castalia Otsuka II	2-32-20, Higashi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,784.50	1,250	984
	Castalia Jiyugaoka	1-20-1, Jiyugaoka, Meguro Ward, Tokyo	Real estate in trust	1,472.47	1,390	1,163
	Castalia Mejiro	2-8-16, Takada, Toshima Ward, Tokyo	Real estate in trust	1,658.90	1,080	933
	Castalia Ikebukuro	3-1-12, Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	3,644.35	2,810	2,450
	Castalia Kaname-cho	5-26-10 Nishi-Ikebukuro, Toshima Ward, Tokyo	Real estate in trust	1,624.06	1,230	1,060
	Castalia Tower Shinagawa Seaside	4-10-18, Higashi Shinagawa, Shinagawa Ward, Tokyo	Real estate in trust	12,732.35	8,740	6,793
	Castalia Yakumo	2-20-5, Yakumo, Meguro Ward, Tokyo	Real estate	1,276.91	776	831
	Castalia Togoshiekimae	1-7-16, Hiratsuka, Shinagawa Ward, Tokyo	Real estate	2,014.12	1,930	1,466
	Castalia Honjo Azumabashi	3-7-11, Honjo, Sumida Ward, Tokyo	Real estate in trust	2,255.88	1,120	992
	Castalia Kitazawa	1-15-5, Kitazawa, Setagaya Ward, Tokyo	Real estate in trust	1,220.16	817	759
	Castalia Monzennakacho	1-17-12, Fukuzumi, Koto Ward, Tokyo	Real estate in trust	887.94	548	479
	Castalia Kamiikedai	1-4-15, Kamiikedai, Ota Ward, Tokyo	Real estate in trust	414.45	213	181
	Castalia Morishita	1-16-12, Morishita, Koto Ward, Tokyo	Real estate in trust	1,383.90	1,020	801
	Castalia Wakabayashikoen	4-39-4, Wakabayashi, Setagaya Ward, Tokyo	Real estate in trust	1,425.43	849	746
	Castalia Asakusabashi	2-16-21, Yanagi-bashi, Taito Ward, Tokyo	Real estate in trust	1,537.84	945	735
	Castalia Iriya	3-1-28, Shitaya, Taito Ward, Tokyo	Real estate in trust	1,415.15	656	502
	Castalia Kita Ueno	1-15-5, Kita-Ueno, Taito Ward, Tokyo	Real estate in trust	4,197.66	2,720	2,404
	Castalia Morishita II	2-12-11, Shin-Ohashi, Koto Ward, Tokyo	Real estate	1,275.60	791	619
	Castalia Minowa	5-24-4, Negishi, Taito Ward, Tokyo	Real estate	2,406.41	1,550	1,299
	Castalia Oyamadai	7-14-13, Todoroki, Setagaya Ward, Tokyo	Real estate	857.32	598	500
	Castalia Nakano	2-12-13, Arai, Nakano Ward, Tokyo	Real estate	1,613.86	1,230	976
	Castalia Yoga	1-3-12, Tamagawadai, Setagaya Ward, Tokyo	Real estate	1,472.38	1,140	870
	Castalia Sumiyoshi	2-8-11, Sumiyoshi, Koto Ward, Tokyo	Real estate	1,362.60	1,010	850
	Castalia Monzennakacho II	2-2-9, Tomioka, Koto Ward, Tokyo	Real estate	3,038.98	2,670	1,995
	Castalia Oshiage	3-5-2, Mukoujima, Sumida Ward, Tokyo	Real estate	1,785.24	1,120	989
	Castalia Kuramae	3-9-4, Kuramae, Taito Ward, Tokyo	Real estate	1,994.93	1,470	1,144
	Castalia Nakanobu	4-7-11, Nakanobu, Shinagawa Ward, Tokyo	Real estate in trust	2,421.82	2,580	1,661
	Royal Parks Toyosu	3-5-21, Toyosu, Koto Ward, Tokyo	Real estate in trust	18,112.03	9,720	6,307
	Castalia Togoshi	5-2-1, Togoshi, Shinagawa Ward, Tokyo	Real estate in trust	2,629.59	2,510	1,604
	Castalia Ooimachi	4-2-11, Ooi, Shinagawa Ward, Tokyo	Real estate	1,413.75	1,450	1,163
	Castalia Omori	1-19-20, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,046.36	1,780	1,437
	Castalia Mishuku	1-3-39, Taishidou, Setagaya Ward, Tokyo	Real estate in trust	2,640.86	2,290	1,850
	Castalia Arakawa	2-3-1, Arakawa, Arakawa Ward, Tokyo	Real estate in trust	3,797.92	2,150	1,559
	Castalia Omori II	1-8-13, Omori kita, Ota Ward, Tokyo	Real estate in trust	2,818.70	2,900	2,279
	Castalia Nakameguro	1-18-7, Aobadai, Meguro Ward, Tokyo	Real estate in trust	3,166.71	4,380	3,776
	Castalia Meguro Chojyamaru	2-8-1, Kamiosaki, Shinagawa Ward, Tokyo	Real estate in trust	2,123.77	2,310	2,011
	Castalia Meguro Takaban	1-6-19, Takaban, Meguro Ward, Tokyo	Real estate in trust	1,961.52	1,840	1,754
	Castalia Omori III	5-21-11, Minami-ooi, Shinagawa Ward, Tokyo	Real estate in trust	2,004.80	1,690	1,486
	Morino Tonari	1-1-5, Koyamadai, Shinagawa Ward, Tokyo	Real estate	1,668.24	1,150	1,051
	Castalia Meguro Tairamachi	1-23-8, Tairamachi, Meguro Ward, Tokyo	Real estate in trust	1,278.52	1,260	1,210
	Royal Parks SEASIR	1-16-2, Sakae-chou, Nishiirai, Adachi Ward, Tokyo	Real estate in trust	17,269.74	5,000	4,236
	Castalia Honkomagome	6-21-2, Honkomagome, Bunkyo Ward, Tokyo	Real estate in trust	2,224.41	1,750	1,532

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Residential properties	Cosmo Heim Musashikosugi	2-8, Kizuki Ise-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	4,208.83	1,930	1,619
	Castalia Tsurumi	3-5-10, Tsurumi Chuo, Tsurumi Ward, Yokohama City, Kanagawa	Real estate in trust	1,452.09	734	596
	Castalia Funabashi	4-4-8, Honcho, Funabashi City, Chiba	Real estate in trust	1,552.01	788	705
	Castalia Nishi Funabashi	4-19-16, Nishi Funa, Funabashi City, Chiba	Real estate in trust	1,597.32	930	749
	Castalia NogeYama	1-8-1, Hinodecho, Naka Ward, Yokohama City, Kanagawa	Real estate in trust	744.90	328	300
	Castalia Ichikawa	1-24-3, Ichikawa, Ichikawa City, Chiba	Real estate in trust	876.89	533	409
	Royal Parks Hanakoganei	1-8-2, Hanakoganei, Kodaira City, Tokyo	Real estate in trust	18,153.57	6,190	4,832
	Castalia Musashikosugi	2-21, Imaikami-cho, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	2,179.80	1,840	1,653
	Royal Parks Wakabadai	2-1-1, Wakabadai, Inagi City, Tokyo	Real estate in trust	21,367.93	4,780	4,038
	Pacific Royal Court Minatomirai Urban Tower	5-3-3, Minatomirai, Nishi Ward, Yokohama City, Kanagawa	Real estate in trust	26,294.49	11,000	8,793
	L-Place Shinkoyasu	3-298-1, Koyasu-dori, Kanagawa Ward, Yokohama City, Kanagawa	Real estate in trust	3,009.74	2,010	1,734
	Royal Parks Musashikosugi	13-8, Shinjuku-kochi, Nakamaruko-aza, Nakahara Ward, Kawasaki City, Kanagawa	Real estate in trust	3,808.97	1,300	1,028
	Crest Kusatsu	5-3-27, Kasayama, Kusatsu City, Shiga	Real estate in trust	13,452.80	1,960	2,841
	Castalia Sakaisuji Honmachi	1-3-7, Kyutarochi, Chuo Ward, Osaka City, Osaka	Real estate in trust	3,471.39	1,730	1,328
	Castalia Shin-Umeda	6-8-21, Nakatsu, Kita Ward, Osaka City, Osaka	Real estate in trust	3,279.90	1,550	1,225
	Castalia Abeno	2-4-37, Abeno-Suji, Abeno Ward, Osaka City, Osaka	Real estate	10,920.75	5,050	4,034
	Castalia Sakae	4-16-10, Sakae, Naka Ward, Nagoya City, Aichi	Real estate	2,836.00	1,210	919
	Castalia Maruyama Urasando	21-1-47, Minami Nijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	1,522.89	515	367
	Castalia Maruyama Omotesando	21-2-1, Kita Ichijo Nishi, Chuo Ward, Sapporo City, Hokkaido	Real estate	6,100.31	2,050	1,559
	Castalia Higashi Hie	5-31, Hie-cho, Hakata Ward, Fukuoka City, Fukuoka	Real estate	3,061.60	1,020	850
	Castalia Tower Nagahoribashi	1-15-25, Shimanouchi, Chuo Ward, Osaka City, Osaka	Real estate	8,747.40	4,460	2,987
	Castalia Sannomiya	3-2-31, Isobedori, Chuo Ward, Kobe City, Hyogo	Real estate	3,071.60	1,490	1,083
	Castalia Kotodaikoen	3-10-24, Kokubun-cho, Aoba Ward, Sendai City, Miyagi	Real estate	1,684.10	557	422
	Castalia Ichibancho	1-6-27, 1-6-30, Ichibancho, Aoba Ward, Sendai City, Miyagi	Real estate	2,800.32	949	701
	Castalia Omachi	2-5-8, Omachi, Aoba Ward, Sendai City, Miyagi	Real estate	2,149.08	764	613
	Castalia Uemachidai	4-1-12, Uehonmachi Nishi, Chuo Ward, Osaka City, Osaka	Real estate	5,415.39	2,710	1,975
	Castalia Tower Higobashi	1-2-24, Tosabori, Nishi Ward, Osaka City, Osaka	Real estate	6,230.20	3,540	2,404
	Big Tower Minami Sanjo	2-15-1, Minami Sanjo Higashi, Chuo Ward, Sapporo City, Hokkaido	Real estate in trust	8,661.19	2,630	1,354
	Castalia Fushimi	1-8-49, Nishiki, Naka Ward, Nagoya City, Aichi	Real estate in trust	7,022.69	3,040	2,007
	Castalia Meieki Minami	1-12-22, Meiekiminami, Nakamura Ward, Nagoya City, Aichi	Real estate in trust	1,822.10	936	670
	Castalia Yakuin	2-3-13, Imaizumi, Chuo Ward, Fukuoka City, Fukuoka	Real estate	2,784.83	1,160	889
	Castalia Mibu	79, Mibu, Aiai-chou, Nakagyo Ward, Kyoto City, Kyoto	Real estate in trust	2,828.39	1,460	1,122
	Castalia Tsutsujigaoka	4-2-35, Shintera, Wakabayashi Ward, Sendai City, Miyagi	Real estate in trust	4,471.11	1,730	1,160
	Castalia Ohori Bay Tower	1-6-6, Minato, Chuo Ward, Fukuoka City, Fukuoka	Real estate in trust	11,089.75	3,580	2,674
	Royal Parks Namba	2-2-40, Minato machi, Naniwa Ward, Osaka City, Osaka	Real estate in trust	10,354.15	2,960	2,589
	Castalia Shigahondori	1-15-2, Wakabadori, Kita Ward, Nagoya City, Aichi	Real estate in trust	5,086.69	2,080	1,627
	Castalia Kyoto Nishioji	100-1, Shichijyo Goshonouchi Minamimachi, Shimogyo Ward, Kyoto City, Kyoto	Real estate	2,035.37	1,070	1,022
	Castalia Ningyocho III	1-2-3, Nihonbashi Ningyocho, Chuo Ward, Tokyo	Real estate in trust	2,897.06	2,300	2,019
	Royal Parks Umejima	5-25-33, Umeda, Adachi Ward, Tokyo	Real estate in trust	6,828.78	2,210	2,032
	Castalia Shinsakae II	1-29-21, Shinsakae, Naka Ward, Nagoya City, Aichi	Real estate in trust	4,425.46	1,940	1,867
	Residential properties – Subtotal			487,242.91	282,738	235,440
Retail properties	ACROSSMALL Shinkamagaya	2-12-1, Shin-Kamagaya, Kamagaya City, Chiba	Real estate in trust	41,742.84	7,910	7,614
	FOLEO Hirakata	1-20-10, Koyamichi, Hirakata City, Osaka	Real estate in trust	16,390.96	4,640	4,553
	QIZ GATE URAWA	3720, Aza Fudodani, Oaza Nakao, Midori Ward, Saitama City, Saitama	Real estate in trust	9,705.29	4,130	4,274
	UNICUS Takasaki	1150-5, Aza Nishikanai, Iizuka-machi, Takasaki City, Gunma	Real estate in trust	9,277.08	3,010	2,966
	ACROSSPLAZA Miyoshi (Land)	855-403, Aza Kitashinno, Oaza Fujikubo, Miyoshi-machi, Iruma District, Saitama	Real estate in trust	24,018.00	3,910	3,740
	DREAM TOWN ALI	3-1-1, Hamada, Aomori City, Aomori	Real estate in trust	22,196.81	8,180	7,989
Retail properties	ASOBOX (Land)	2-2-16, Nakatsuguchi, Kokura Kita Ward, Kitakyushu City, Fukuoka	Real estate in trust	11,207.90	1,840	1,617

I. Asset Management Report

Asset class	Property name	Location (Note 1)	Form of ownership	Leasable area (m ²) (Note 2)	Assessed value at the end of period (Yen in millions) (Note 3)	Book value (Yen in millions) (Note 4)
Retail properties	FOLEO Ome Imai	3-10-9, Imai, Ome City, Tokyo	Real estate in trust	8,637.91	3,920	3,805
	LIFE Sagamihara Wakamatsu	5-19-5, Wakamatsu, Minami Ward, Sagamihara City, Kanagawa	Real estate in trust	2,973.44	1,730	1,661
	FOLEO Sendai Miyanomori	4-14-5, Higashisendai, Miyagino Ward, Sendai City, Miyagi	Real estate in trust	19,845.72	7,240	6,896
	ACROSSPLAZA Inazawa (Land)	5-1-1, Otsuka Minami, Inazawa City, Aichi	Real estate in trust	31,981.70	2,450	2,390
	Sports Depo and GOLF5 Kokurahigashi IC Store	2-18-17, Kamikuzuhara, Kokuraminami Ward, Kitakyushu City, Fukuoka	Real estate in trust	8,899.89	2,330	2,207
	Hiratsuka Retail Property (Land)	1-2, Kuryozutsumi, Hiratsuka City, Kanagawa	Real estate in trust	28,002.92	6,630	5,857
		Retail properties – Subtotal		234,880.46	57,920	55,574
Other assets	Urban Living Inage	327-1, Sanno-cho, Inage Ward, Chiba City, Chiba	Real estate in trust	4,177.52	1,300	872
	Aburatsubo Marina HILLS	1523-1, Aza Shirasu, Misaki-machi Moroiso, Miura City, Kanagawa	Real estate in trust	3,901.14	1,290	1,088
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	1-1-12, Omoromachi, Naha City, Okinawa	Real estate in trust	13,480.00	7,970	7,479
	Sharp Hiroshima Building	2-13-4, Nishihara, Asaminami Ward, Hiroshima City, Hiroshima	Real estate in trust	3,064.89	1,940	1,853
		Other – Subtotal		24,623.55	12,500	11,293
	Total		1,934,679.13	623,686	560,363	

(Notes) 1. "Location" means displayed address of each real estate and real estate in trust. If a property does not have a displayed address, the address of the building in the register (when there is more than one address, any of them) is shown. For land properties, the address of the land in the register is shown as location.

2. "Leasable area" means the leasable area of the building (or land in the case of land properties) in relation to each real estate or each real estate in trust which DHR believes is leasable as indicated in the relevant lease agreement or drawing of the building in relation to each real estate or each real estate in trust as of February 28, 2018. In the cases of each co-owned real estate or quasi co-owned trust beneficiary interests, the leasable area of the entire real estate multiplied by the ratio of co-ownership of the real estate or quasi co-ownership of the trust beneficiary interests in real estate held by DHR is provided.

3. "Assessed value at the end of period" is the appraisal value as of February 28, 2018 provided by real estate appraisers (Daiwa Real Estate Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., Tanizawa Sogo Appraisal Co., Ltd., Japan Real Estate Institute and JLL Morii Valuation & Advisory K.K. (former corporate name: Morii Appraisal & Investment Consulting Inc.; the same shall apply hereinafter)) in accordance with the Articles of Incorporation of DHR as well as "Ordinance on Accountings of Investment Corporations." The amounts were rounded down to the nearest million yen. There is no special interest between DHR and each real estate appraiser.

4. "Book value" is the amount recorded on the balance sheets as of February 28, 2018 (in case of real estate or real estate in trust, "Book value" is the acquisition prices (including expenses associated with the acquisition) less accumulated depreciation), which was rounded down to the nearest million yen.

5. Undisclosed as consent has not been obtained from the lessee.

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

Asset class	Property name	23rd period (From March 1, 2017 to August 31, 2017)			24th period (From September 1, 2017 to February 28, 2018)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Logistics properties	D Project Machida	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hachioji	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Aikawa-Machi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Shin-Misato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Akanehama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Noda	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Neyagawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sapporo Minami	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Minami	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tsuchiura	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Gotenba	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishi-Hiroshima	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Umi	100.0	126,633	0.7	100.0	126,624	0.6
	D Project Tosu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki I	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe I	100.0	102,762	0.5	100.0	102,933	0.5
	D Project Kawagoe II	100.0	140,520	0.7	100.0	140,520	0.7
	DPL Inuyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Fukuoka Hakozaki	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki IV	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki V	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kuki VI	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Yashio	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Nishiyodogawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Matsudo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hibiki Nada	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Morioka II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kawagoe III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kazo	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Urayasu III	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tomisato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kyotanabe	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sendai Izumi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Oyama	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Sano	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tatebayashi	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Kakegawa	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Hiroshima Seifu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	D Project Tosu II	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	DPL Misato	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Logistics properties – Subtotal	100.0	7,090,088	36.4	100.0	7,542,075	38.3
Residential properties	Qiz Ebisu	95.5	233,954	1.2	97.6	232,268	1.2
	Castalia Azabujuban Shichimenzaka	99.2	119,608	0.6	97.0	118,603	0.6
	Castalia Shibakoen	98.6	69,830	0.4	97.6	70,862	0.4
	Castalia Ginza	96.9	66,720	0.3	98.2	68,895	0.3
	Castalia Hiroo	100.0	51,673	0.3	100.0	50,709	0.3
	Castalia Nihonbashi	96.4	38,338	0.2	100.0	38,968	0.2
	Castalia Hacchobori	98.2	66,719	0.3	92.8	65,262	0.3

Asset class	Property name	23rd period (From March 1, 2017 to August 31, 2017)			24th period (From September 1, 2017 to February 28, 2018)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Azabujuban	96.6	71,116	0.4	98.4	72,905	0.4
	Castalia Azabujuban II	98.5	65,850	0.3	98.6	67,981	0.3
	Castalia Shinjuku Natsumezaka	100.0	37,154	0.2	97.2	39,810	0.2
	Castalia Ginza II	97.4	51,205	0.3	96.9	50,721	0.3
	Castalia Shibuya Sakuragaoka	97.9	35,412	0.2	97.3	35,609	0.2
	Castalia Nishi Azabu Kasumicho	90.7	68,473	0.4	100.0	70,332	0.4
	Castalia Ochanomizu	94.4	59,164	0.3	100.0	61,201	0.3
	Castalia Sangubashi	100.0	44,050	0.2	84.6	42,460	0.2
	Castalia Suitengu	98.7	45,965	0.2	97.9	45,495	0.2
	Castalia Suitengu II	100.0	41,955	0.2	98.3	40,372	0.2
	Castalia Shintomicho	95.2	33,125	0.2	97.6	32,677	0.2
	Castalia Shintomicho II	100.0	29,307	0.2	100.0	29,247	0.1
	Castalia Harajuku	100.0	25,803	0.1	95.1	27,030	0.1
	Castalia Yoyogi Uehara	100.0	21,184	0.1	100.0	22,431	0.1
	Castalia Sendagaya	100.0	20,007	0.1	100.0	20,061	0.1
	Castalia Shinjuku 7 chome	100.0	19,221	0.1	100.0	19,853	0.1
	Castalia Ningyocho	100.0	37,412	0.2	100.0	37,480	0.2
	Castalia Ningyocho II	100.0	40,565	0.2	100.0	40,542	0.2
	Castalia Shin-Ochanomizu	100.0	32,994	0.2	100.0	32,303	0.2
	Castalia Higashi Nihonbashi II	100.0	51,499	0.3	100.0	51,852	0.3
	Castalia Jinbocho	100.0	43,197	0.2	98.4	42,798	0.2
	Castalia Shintomicho III	95.4	24,041	0.1	100.0	24,713	0.1
	Castalia Shinjuku Gyoen	100.0	83,827	0.4	100.0	83,844	0.4
	Castalia Takanawadai	100.0	29,784	0.2	100.0	29,583	0.2
	Castalia Higashi Nihonbashi III	100.0	24,357	0.1	100.0	24,336	0.1
	Castalia Shinjuku Gyoen II	100.0	16,141	0.1	100.0	16,101	0.1
	Castalia Shintomicho IV	100.0	15,983	0.1	100.0	15,668	0.1
	Castalia Takanawadai II	100.0	39,529	0.2	94.7	38,390	0.2
	Castalia Minami Azabu	100.0	21,533	0.1	100.0	21,879	0.1
	Castalia Ginza III	100.0	87,199	0.4	97.0	86,460	0.4
	Castalia Kayabacho	99.0	95,029	0.5	99.0	96,724	0.5
	Castalia Takanawa	97.6	248,987	1.3	98.0	251,189	1.3
	Castalia Higashi Nihonbashi	100.0	139,295	0.7	98.0	139,786	0.7
	Castalia Shinjuku	100.0	92,554	0.5	100.0	92,083	0.5
	Castalia Ichigaya	93.3	38,767	0.2	100.0	40,632	0.2
	Shibaura Island Bloom Tower	97.7	383,808	2.0	98.3	384,721	2.0
	Castalia Hatsudai	99.1	70,824	0.4	99.1	70,604	0.4
	Castalia Hatsudai II	100.0	59,452	0.3	97.5	59,796	0.3
	Castalia Ebisu	97.7	43,600	0.2	100.0	44,423	0.2
	Castalia Meguro Kamurozaka	97.6	127,248	0.7	95.9	130,141	0.7
	Castalia Toritsudaigaku	95.9	20,406	0.1	100.0	20,885	0.1
	Castalia Yukigaya	98.1	35,536	0.2	100.0	34,912	0.2
	Castalia Yutenji	100.0	37,267	0.2	100.0	38,501	0.2
	Castalia Otsuka	95.5	47,049	0.2	93.0	46,052	0.2
	Castalia Kikukawa	97.8	27,404	0.1	97.0	26,480	0.1
	Castalia Meguro	92.4	30,352	0.2	95.8	29,767	0.2
	Castalia Otsuka II	97.9	37,870	0.2	100.0	37,598	0.2
	Castalia Jiyugaoka	100.0	39,070	0.2	97.6	39,671	0.2
	Castalia Mejiro	100.0	34,253	0.2	96.7	33,877	0.2
	Castalia Ikebukuro	97.6	87,230	0.4	98.5	86,582	0.4
	Castalia Kaname-cho	100.0	39,569	0.2	97.3	40,464	0.2
	Castalia Tower Shinagawa Seaside	98.8	278,348	1.4	100.0	280,269	1.4
	Castalia Yakumo	84.9	24,005	0.1	100.0	25,483	0.1
	Castalia Togoshiekimae	100.0	50,724	0.3	100.0	50,544	0.3
	Castalia Honjo Azumabashi	100.0	38,122	0.2	100.0	37,530	0.2
	Castalia Kitazawa	87.0	25,234	0.1	93.8	25,597	0.1

Asset class	Property name	23rd period (From March 1, 2017 to August 31, 2017)			24th period (From September 1, 2017 to February 28, 2018)		
		Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
		(%) (Note 1)			(%) (Note 1)		
Residential properties	Castalia Monzennakacho	100.0	17,026	0.1	100.0	17,133	0.1
	Castalia Kamiikedai	100.0	8,068	0.0	100.0	7,692	0.0
	Castalia Morishita	95.6	32,387	0.2	100.0	32,871	0.2
	Castalia Wakabayashikoen	100.0	28,643	0.1	95.7	28,016	0.1
	Castalia Asakusabashi	100.0	32,407	0.2	98.0	32,719	0.2
	Castalia Iriya	100.0	22,938	0.1	100.0	22,958	0.1
	Castalia Kita Ueno	99.1	91,151	0.5	99.1	89,967	0.5
	Castalia Morishita II	95.0	28,370	0.1	95.0	27,423	0.1
	Castalia Minowa	95.8	49,298	0.3	99.0	50,242	0.3
	Castalia Oyamadai	100.0	17,955	0.1	92.1	18,091	0.1
	Castalia Nakano	97.7	36,361	0.2	95.0	36,792	0.2
	Castalia Yoga	94.9	33,099	0.2	98.3	34,869	0.2
	Castalia Sumiyoshi	98.4	33,196	0.2	100.0	32,191	0.2
	Castalia Monzennakacho II	100.0	70,249	0.4	100.0	69,477	0.4
	Castalia Oshiage	100.0	38,900	0.2	100.0	36,293	0.2
	Castalia Kuramae	100.0	43,839	0.2	100.0	43,834	0.2
	Castalia Nakanobu	93.5	72,547	0.4	98.9	72,150	0.4
	Royal Parks Toyosu	100.0	333,962	1.7	100.0	333,120	1.7
	Castalia Togoshi	95.8	75,104	0.4	98.3	74,724	0.4
	Castalia Ooimachi	100.0	37,888	0.2	72.3	36,094	0.2
	Castalia Omori	96.9	53,730	0.3	100.0	53,813	0.3
	Castalia Mishuku	98.5	68,160	0.3	94.5	68,694	0.3
	Castalia Arakawa	96.1	64,959	0.3	100.0	65,188	0.3
	Castalia Omori II	96.3	80,765	0.4	98.5	79,149	0.4
	Castalia Nakameguro	94.7	119,190	0.6	99.2	115,789	0.6
	Castalia Meguro Chojyamaru	97.2	58,763	0.3	92.0	62,812	0.3
	Castalia Meguro Takaban	98.4	51,211	0.3	95.2	53,966	0.3
	Castalia Omori III	97.5	48,937	0.3	95.8	49,336	0.3
	Morino Tonari	90.9	30,786	0.2	92.5	30,415	0.2
	Castalia Meguro Tairamachi	100.0	32,057	0.2	100.0	32,885	0.2
	Royal Parks SEASIR	100.0	245,679	1.3	100.0	245,180	1.2
	Castalia Honkomagome	100.0	49,820	0.3	98.3	51,598	0.3
	Cosmo Heim Musashikosugi	100.0	58,893	0.3	100.0	59,147	0.3
	Castalia Tsurumi	96.9	27,552	0.1	100.0	27,345	0.1
	Castalia Funabashi	97.8	31,314	0.2	98.9	30,364	0.2
	Castalia Nishi Funabashi	98.8	34,113	0.2	100.0	33,122	0.2
	Castalia Maihama (Note 4)	–	18,203	0.1	–	–	–
	Castalia Ichikawamyoden (Note 5)	–	26,420	0.1	–	–	–
	Castalia Urayasu (Note 6)	–	14,001	0.1	–	–	–
	Castalia Minamigyotoku (Note 6)	–	15,873	0.1	–	–	–
	Castalia Minamigyotoku II (Note 7)	–	41	0.0	–	–	–
	Castalia Nogeyama	100.0	14,063	0.1	96.7	15,078	0.1
	Castalia Ichikawa	100.0	19,711	0.1	100.0	19,681	0.1
	Royal Parks Hanakoganei	100.0	247,239	1.3	100.0	245,412	1.2
	Castalia Musashikosugi	95.4	57,302	0.3	100.0	57,472	0.3
	Royal Parks Wakabadai	100.0	257,795	1.3	100.0	259,516	1.3
	Pacific Royal Court Minatomirai Urban Tower	100.0	519,590	2.7	100.0	518,256	2.6
	L-Place Shinkoyasu	100.0	56,542	0.3	100.0	56,400	0.3
	Royal Parks Musashikosugi	100.0	68,239	0.4	100.0	68,352	0.3
	Castalia Shinsakae (Note 8)	–	49,176	0.3	–	–	–
	Aprile Tarumi (Note 9)	–	47,510	0.2	–	–	–
	Crest Kusatsu	99.4	130,242	0.7	94.6	132,148	0.7
	Castalia Sakaisuji Honmachi	99.1	62,765	0.3	96.5	61,627	0.3
	Castalia Shin-Umeda	99.2	56,360	0.3	98.4	54,990	0.3
	Castalia Abeno	99.4	176,593	0.9	100.0	179,359	0.9

Asset class	Property name	23rd period (From March 1, 2017 to August 31, 2017)			24th period (From September 1, 2017 to February 28, 2018)		
		Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)	Occupancy rate (as of the end of period) (%) (Note 1)	Rental revenues (during the period) (Yen in thousands)	Rate to total real estate rental revenues (%) (Note 2)
Residential properties	Castalia Sakae	93.2	46,226	0.2	97.2	45,329	0.2
	Castalia Nipponbashi Kouzu (Note 10)	—	126,711	0.7	—	—	—
	Castalia Maruyama Urasando	91.2	20,413	0.1	84.8	19,328	0.1
	Castalia Maruyama Omotesando	93.7	79,233	0.4	96.1	76,081	0.4
	Castalia Higashi Hie	100.0	43,955	0.2	100.0	43,514	0.2
	Castalia Tower Nagahoribashi	95.8	159,231	0.8	94.5	160,136	0.8
	Castalia Sannomiya	92.9	52,272	0.3	100.0	53,773	0.3
	Castalia Kotodaikoen	95.2	24,287	0.1	100.0	23,739	0.1
	Castalia Ichibancho	96.9	38,418	0.2	96.8	38,871	0.2
	Castalia Omachi	97.2	32,930	0.2	97.2	33,476	0.2
	Castalia Uemachidai	100.0	88,907	0.5	100.0	88,891	0.5
	Castalia Tower Higobashi	97.5	133,347	0.7	98.7	132,919	0.7
	Big Tower Minami Sanjo	93.8	111,238	0.6	98.8	109,820	0.6
	Castalia Fushimi	93.5	104,901	0.5	95.7	105,750	0.5
	Castalia Meieki Minami	95.8	32,252	0.2	95.6	32,357	0.2
	Castalia Yakuin	96.6	42,154	0.2	97.5	42,338	0.2
	Castalia Mibu	98.8	51,513	0.3	100.0	50,384	0.3
	Castalia Tsutsujigaoka	98.6	62,733	0.3	94.9	58,916	0.3
	Castalia Ohori Bay Tower	57.2	147,475	0.8	56.9	148,340	0.8
	Royal Parks Namba	100.0	137,148	0.7	100.0	136,225	0.7
	Castalia Shigahondori	93.6	74,027	0.4	96.4	74,632	0.4
	Castalia Kyoto Nishioji	100.0	33,662	0.2	100.0	33,843	0.2
	Castalia Ningyocho III	100.0	69,278	0.4	100.0	69,858	0.4
	Royal Parks Umejima	100.0	105,299	0.5	100.0	104,920	0.5
	Castalia Shinsakae II	100.0	47,147	0.2	100.0	60,160	0.3
	Residential properties – Subtotal	97.3	9,877,701	50.7	97.5	9,601,429	48.7
Retail properties	ACROSSMALL Shinkamagaya	100.0	275,700	1.4	100.0	275,700	1.4
	FOLEO Hirakata	94.7	267,171	1.4	95.9	259,538	1.3
	QiZ GATE URAWA	86.9	310,927	1.6	92.1	180,901	0.9
	UNICUS Takasaki	100.0	129,870	0.7	100.0	129,912	0.7
	ACROSSPLAZA Miyoshi (Land)	100.0	94,284	0.5	100.0	94,284	0.5
	DREAM TOWN ALi	98.5	400,184	2.1	99.2	402,779	2.0
	ASOBIX (Land)	100.0	760	0.0	100.0	47,076	0.2
	FOLEO Ome Imai	100.0	2,077	0.0	100.0	128,828	0.7
	LIFE Sagamihara Wakamatsu	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	FOLEO Sendai Miyanomori	100.0	238,500	1.2	100.0	238,500	1.2
	ACROSSPLAZA Inazawa (Land)	100.0	69,660	0.4	100.0	69,660	0.4
	Sports Depo and GOLF5 Kokurahigashi IC Store	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Hiratsuka Retail Property (Land)	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Retail properties – Subtotal	98.9	2,053,208	10.5	99.3	2,091,279	10.6
Other assets	Urban Living Inage	100.0	39,060	0.2	100.0	39,060	0.2
	Aburatsubo Marina HILLS	100.0	43,749	0.2	100.0	43,749	0.2
	Naha Shin-Toshin Center Building (Daiwa Roynet Hotel Naha-Omoromachi)	100.0	330,566	1.7	100.0	324,776	1.6
	Sharp Hiroshima Building	100.0	(Note 3)	(Note 3)	100.0	(Note 3)	(Note 3)
	Other – Subtotal	100.0	458,641	2.4	100.0	465,789	2.4
Total		99.2	19,479,640	100.0	99.3	19,700,575	100.0

(Notes) 1. "Occupancy rate (as of the end of period)" is the leased floor space expressed as a percentage of the leasable floor space of each real estate and each real estate in trust as of August 31, 2017 and February 28, 2018, rounded to the first decimal place.
2. "Rate to total real estate rental revenues" is the rental revenue from each real estate and each real estate in trust expressed as a percentage of total rental revenue from the entire portfolio, rounded to the first decimal place.
3. Undisclosed as consent has not been obtained from the lessee.
4. The sale of property was completed on July 25, 2017.
5. The sale of property was completed on July 31, 2017.
6. The sale of property was completed on July 27, 2017.
7. The sale of property was completed on February 23, 2017.
8. The sale of property was completed on August 1, 2017.
9. The sale of property was completed on August 4, 2017.
10. The sale of property was completed on July 28, 2017.

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

Not applicable.

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

Not applicable.

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

The following summarizes contracted amount and fair value of specified transactions of DHR as of February 28, 2018.

Category	Type	Contracted amount (Yen in thousands) (Note 1)		Fair value (Yen in thousands) (Note 2) (Note 3)
			Portion due after one year	
Transaction other than market transaction	Interest rate swap transaction			
	Receipt: floating interest rate	95,768,000	95,768,000	(1,461,292)
	Payment: fixed interest rate			
Total		95,768,000	95,768,000	(1,461,292)

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

(7) Status of Other Assets

Real estate and trust beneficiary interests in real estate are all listed in "(3) Description of Portfolio" presented earlier in this report. The following are other specified assets as of February 28, 2018.

(Yen in thousands)								
Type	Issue name	Total face value	Book value	Accrued interest	Prepaid accrued interest	Fair value	Valuation gain or loss	Remarks
Government bonds	30-year principal- stripped government bonds (Series 27)	10,000	9,325	—	—	8,981	(344)	Deposited as business security deposit
		10,000	9,325	—	—	8,981	(344)	

(8) Holding of Assets by Country and Region

Not applicable.

4. Capital Expenditures for Properties Held

(1) Schedule of Capital Expenditures

The following table shows major scheduled capital expenditures for planned renovation work, etc. for owned properties (real estate, real estate in trust, etc.) as of February 28, 2018. The estimated construction cost includes the portion charged to expenses.

Property name (Location)	Purpose	Scheduled period	Estimated construction cost (Yen in thousands)		
			Total amount	Payment during the period	Total amount paid
Castalia Azabujuban Shichimenzaka (Minato Ward, Tokyo)	Large-scale renovations	From April 2018 to August 2018	75,600	–	–
Castalia Arakawa (Arakawa Ward, Tokyo)	Large-scale renovations	From April 2018 to August 2018	75,384	–	–
Cosmo Heim Musashikosugi (Kawasaki City, Kanagawa)	Large-scale renovations	From April 2018 to August 2018	58,320	–	–
Castalia Tsutsujigaoka (Sendai City, Miyagi)	Large-scale renovations	From April 2018 to September 2018	65,880	–	–

(2) Capital Expenditures during the Period

For owned properties (real estate, real estate in trust, etc.), an overview of major construction work conducted during the current fiscal period that falls into DHR's capital expenditures is as follows. Capital expenditures during the current fiscal period were ¥1,109,966 thousand together with ¥608,962 thousand in repairs and maintenance expenses and ¥241,904 thousand in restoration costs classified as expenses for the current fiscal period, making a total of ¥1,960,833 thousand in construction work.

Property name (Location)	Purpose	Period	Construction cost (Yen in thousands)
D Project Hachioji (Hachioji City, Tokyo)	Repair work of exterior walls	From June 2017 to February 2018	242,400
D Project Aikawa-Machi (Aiko District, Kanagawa)	Installation of freezing and refrigeration facilities in the second floor	From August 2017 to October 2017	136,060
D Project Gifu (Anpachi District, Gifu)	Installment of LED lights	From January 2018 to January 2018	14,504
D Project Sapporo Minami (Kitahiroshima City, Hokkaido)	Installment of LED lights	From August 2017 to September 2017	8,214
D Project Sendai Minami (Iwanuma City, Miyagi)	Sealing work of exterior walls	From December 2017 to February 2018	17,385
Castalia Shibakoen (Minato Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From November 2017 to February 2018	45,998
Castalia Suitengu (Chuo Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From October 2017 to February 2018	26,494
Castalia Ningyocho (Chuo Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From October 2017 to February 2018	36,851
Castalia Ningyocho II (Chuo Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From November 2017 to February 2018	22,908
Castalia Shintomicho IV (Chuo Ward, Tokyo)	Replacement of long balcony flooring sheets	From October 2017 to January 2018	21,316
Castalia Yutenji (Meguro Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From August 2017 to January 2018	17,116
Castalia Monzennakacho (Koto Ward, Tokyo)	Painting renovation and sealing work of exterior walls	From October 2017 to January 2018	23,959

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

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

Operating period	20th period From September 1, 2015 to February 29, 2016	21st period From March 1, 2016 to August 31, 2016	22nd period From September 1, 2016 to February 28, 2017	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018
	(Yen in thousands)				
Balance of reserves at the beginning of period	561,360	575,440	589,520	1,298,495	1,439,455
Amount of reserves during period	14,080	14,080	708,974	140,960	39,080
Amount of reversal of reserves during period	–	–	–	–	8,000
Reserves carried forward	575,440	589,520	1,298,495	1,439,455	1,470,535

5. Expenses and Liabilities

(1) Expenses Incurred in Connection with Management of Assets

(Yen in thousands)

Item	23rd period From March 1, 2017 to August 31, 2017	24th period From September 1, 2017 to February 28, 2018
Asset management fees (Note)	1,254,120	1,300,091
Asset custody fees	29,053	29,357
Administrative service fees	74,188	80,903
Directors' remuneration	6,600	6,600
Other expenses	370,567	340,866
Total	1,734,529	1,757,819

(Note) As for the asset management fees for the 23rd period, in addition to the amount shown above, there was a management fee for property acquisition included in the cost of acquisition of individual investment properties, etc. of ¥183,277 thousand and a management fee for property sale of ¥39,602 thousand.

(2) Debt Financing

The status of loans per financial institution as of February 28, 2018 is as follows:

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
Current portion of long-term loans	Sumitomo Mitsui Banking Corporation		3,000,000	—					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		3,000,000	—					
	Sumitomo Mitsui Trust Bank, Limited	November 29, 2012	3,000,000	—	0.96% (Note 3)	November 29, 2017	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		3,000,000	—					
	Development Bank of Japan Inc.		3,000,000	—					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		1,000,000	—					
	Subtotal	—	16,000,000	—	—	—	—	—	—
Long-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	March 27, 2012	4,000,000	4,000,000	1.07% (Note 3)	March 27, 2019	Bullet repayment	(Note 5)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		3,260,000	3,260,000					
	Sumitomo Mitsui Trust Bank, Limited		4,430,000	4,430,000					
	Aozora Bank, Ltd.	January 31, 2013 and February 28, 2013	2,700,000	2,700,000	0.96% (Note 2)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,930,000	1,930,000					
	Mizuho Trust & Banking Co., Ltd.		1,830,000	1,830,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,350,000	1,350,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		910,000	910,000					
	Development Bank of Japan Inc.	January 31, 2013	1,500,000	1,500,000	0.96% (Note 3)	January 31, 2020	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	The Norinchukin Bank	January 31, 2014	3,500,000	3,500,000	0.90% (Note 2)	January 31, 2021	Bullet repayment	(Note 7)	Unsecured and non-guaranteed

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
	Sumitomo Mitsui Banking Corporation		936,000	936,000					
	Sumitomo Mitsui Trust Bank, Limited		1,599,000	1,599,000					
	The Norinchukin Bank		1,510,000	1,510,000					
	Aozora Bank, Ltd.		1,169,000	1,169,000					
	Mizuho Bank, Ltd.	January 30, 2015	603,000	603,000	0.61% (Note 2)	January 31, 2022	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		454,000	454,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		226,000	226,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		211,000	211,000					
	The Chiba Bank, Ltd.		150,000	150,000					
	Development Bank of Japan Inc.	January 30, 2015	2,000,000	2,000,000	0.88% (Note 3)	January 31, 2024	Bullet repayment	(Note 7)	Unsecured and non-guaranteed
Long-term loans	Sumitomo Mitsui Trust Bank, Limited		2,030,000	2,030,000					
	Sumitomo Mitsui Banking Corporation		1,354,500	1,354,500					
	The Norinchukin Bank		1,600,000	1,600,000					
	Aozora Bank, Ltd.		1,192,000	1,192,000					
	Mizuho Bank, Ltd.		1,017,000	1,017,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	May 1, 2015	616,000	616,000	0.66% (Note 2)	April 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Trust & Banking Co., Ltd.		524,000	524,000					
	Nippon Life Insurance Company		500,000	500,000					
	Development Bank of Japan Inc.		400,000	400,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		291,500	291,500					
	The Shizuoka Bank, Ltd.		260,000	260,000					
	The Chiba Bank, Ltd.		215,000	215,000					
	Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Mizuho Bank, Ltd.	December 28, 2015	1,800,000	1,800,000	0.59% (Note 2)	December 28, 2022	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,800,000	1,800,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		1,400,000	1,400,000					
	Resona Bank, Limited		1,400,000	1,400,000					
	Shinsei Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited		2,000,000	2,000,000					
	Aozora Bank, Ltd.		2,000,000	2,000,000					
	The Norinchukin Bank		1,000,000	1,000,000					
	The Chiba Bank, Ltd.	March 31, 2016	600,000	600,000	0.24%	March 29, 2019	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		500,000	500,000					
	Mizuho Bank, Ltd.		500,000	500,000					
	The Shizuoka Bank, Ltd.		500,000	500,000					
	The Bank of Fukuoka, Ltd.		500,000	500,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Banking Corporation	November 29, 2012	2,000,000	2,000,000	1.29% (Note 3)	November 29, 2019	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		2,000,000	2,000,000					
	Mizuho Bank, Ltd.		2,000,000	2,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		2,000,000	2,000,000					
	Development Bank of Japan Inc.		2,000,000	2,000,000					
	Sumitomo Mitsui Trust Bank, Limited	March 27, 2013	2,000,000	2,000,000	1.50% (Note 2)	March 27, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2014	500,000	500,000	1.05% (Note 2)	April 1, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		500,000	500,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	April 1, 2014	1,000,000	1,000,000	1.21% (Note 2)	April 1, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	April 1, 2014	1,000,000	1,000,000	1.52% (Note 2)	April 1, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	Development Bank of Japan Inc.		500,000	500,000					
	Sumitomo Mitsui Banking Corporation		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		500,000	500,000					
	Development Bank of Japan Inc.		500,000	500,000					
	Nippon Life Insurance Company	September 30, 2014	1,000,000	1,000,000	1.00% (Note 3)	September 29, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mitsui Sumitomo Insurance Company, Limited	April 1, 2015	1,000,000	1,000,000	0.57% (Note 3)	April 1, 2020	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.87% (Note 2)	October 3, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Norinchukin Bank		1,000,000	1,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Banking Corporation	April 1, 2015	1,000,000	1,000,000	0.99% (Note 2)	October 2, 2023	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Resona Bank, Limited		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	April 1, 2015	1,000,000	1,000,000	1.23% (Note 2)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	April 1, 2015	3,000,000	3,000,000	1.18% (Note 3)	October 1, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Development Bank of Japan Inc.	April 1, 2015	1,500,000	1,500,000	1.46% (Note 3)	April 1, 2027	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited	September 28, 2015	1,000,000	1,000,000	0.65% (Note 2)	September 28, 2022	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	September 28, 2015	1,000,000	1,000,000	0.73% (Note 3)	September 30, 2024	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Nippon Life Insurance Company		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		2,000,000	2,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,000,000	1,000,000					
	Resona Bank, Limited		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	0.71% (Note 2)	May 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	November 30, 2015	1,000,000	1,000,000	0.97% (Note 2)	May 30, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,000,000	1,000,000					
	Mizuho Bank, Ltd.		1,000,000	1,000,000					

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
Lender								
Sumitomo Mitsui Banking Corporation	November 30, 2015	1,000,000	1,000,000	1.09% (Note 2)	May 29, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,000,000	1,000,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Sumitomo Mitsui Banking Corporation	September 28, 2016	1,500,000	1,500,000	0.63% (Note 3)	September 29, 2025	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,500,000	1,500,000					
Mizuho Bank, Ltd.		1,500,000	1,500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,500,000	1,500,000					
Mitsubishi UFJ Trust and Banking Corporation (Note 10)		500,000	500,000					
Resona Bank, Limited		500,000	500,000					
Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
Shinsei Bank, Limited		500,000	500,000					
Shinkin Central Bank		500,000	500,000					
The Bank of Fukuoka, Ltd.		500,000	500,000					
Long-term loans	September 28, 2016	1,000,000	1,000,000	0.69% (Note 3)	September 28, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	September 30, 2016	1,700,000	1,700,000	0.19%	March 31, 2020	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
		1,700,000	1,700,000					
		1,700,000	1,700,000					
		1,700,000	1,700,000					
		1,000,000	1,000,000					
		800,000	800,000					
		500,000	500,000					
		500,000	500,000					
		300,000	300,000					
	September 30, 2016	1,700,000	1,700,000	0.41% (Note 3)	March 31, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
		1,700,000	1,700,000					
		1,700,000	1,700,000					
		1,700,000	1,700,000					
		1,500,000	1,500,000					
		1,000,000	1,000,000					
		800,000	800,000					
		300,000	300,000					

Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
Lender								
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)	September 30, 2016	1,800,000	1,800,000	0.48% (Note 3)	March 29, 2024	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Mizuho Bank, Ltd.		1,800,000	1,800,000					
Aozora Bank, Ltd.	November 29, 2016	1,500,000	1,500,000	0.87% (Note 3)	November 30, 2026	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
Mitsubishi UFJ Trust and Banking Corporation (Note 10)		1,000,000	1,000,000					
Resona Bank, Limited		900,000	900,000					
Shinsei Bank, Limited		400,000	400,000					
Sumitomo Mitsui Banking Corporation		3,000,000	3,000,000					
Mizuho Bank, Ltd.		3,000,000	3,000,000					
Sumitomo Mitsui Trust Bank, Limited		3,000,000	3,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		3,000,000	3,000,000					
Mitsubishi UFJ Trust and Banking Corporation (Note 10)		2,000,000	2,000,000					
Resona Bank, Limited		1,000,000	1,000,000					
Long-term loans	March 9, 2017	2,000,000	2,000,000	0.85% (Note 3)	March 31, 2027	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
	March 9, 2017	1,000,000	1,000,000	0.55% (Note 3)	March 29, 2024	Bullet repayment	(Note 8)	Unsecured and non-guaranteed
	March 31, 2017	4,000,000	4,000,000	0.57% (Note 3)	September 29, 2023	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
		4,000,000	4,000,000					
		1,000,000	1,000,000					
		1,000,000	1,000,000					
	March 31, 2017	4,000,000	4,000,000	0.70% (Note 3)	March 31, 2025	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
		2,500,000	2,500,000					
		2,000,000	2,000,000					
		1,500,000	1,500,000					
	April 11, 2017	1,000,000	1,000,000	0.40% (Note 3)	April 30, 2021	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
		2,200,000	2,200,000					
		1,600,000	1,600,000					
		1,600,000	1,600,000					
		1,600,000	1,600,000					
		1,500,000	1,500,000					
		1,000,000	1,000,000					
		1,000,000	1,000,000					

	Classification	Borrowing date	Balance at the beginning of period (Yen in thousands)	Balance at the end of period (Yen in thousands)	Average interest rate (Note 1)	Repayment due date	Method of repayment	Use	Note
	Lender								
Long-term loans	Sumitomo Mitsui Banking Corporation	April 11, 2017	1,800,000	1,800,000	0.76% (Note 3)	April 30, 2026	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	Mizuho Bank, Ltd.		1,200,000	1,200,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,200,000	1,200,000					
	Resona Bank, Limited		1,100,000	1,100,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		1,000,000	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Shinsei Bank, Limited		1,000,000	1,000,000					
	The Bank of Fukuoka, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		700,000	700,000					
	Sumitomo Mitsui Banking Corporation	April 11, 2017	2,100,000	2,100,000	1.02% (Note 3)	April 28, 2028	Bullet repayment	(Note 4)	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		3,100,000	3,100,000					
	Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
	Mizuho Bank, Ltd.		1,800,000	1,800,000					
	Mitsubishi UFJ Trust and Banking Corporation (Note 10)		600,000	600,000					
	Mizuho Trust & Banking Co., Ltd.		600,000	600,000					
	Sumitomo Mitsui Trust Bank, Limited	July 31, 2017	3,400,000	3,400,000	0.89% (Note 3)	July 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	Sumitomo Mitsui Banking Corporation		3,400,000	3,400,000					
	Mizuho Bank, Ltd.		3,400,000	3,400,000					
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		1,900,000	1,900,000					
	Sumitomo Mitsui Banking Corporation	November 29, 2017	—	2,500,000	0.90% (Note 3)	November 30, 2027	Bullet repayment	(Note 6)	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 9)		—	2,000,000					
	Development Bank of Japan Inc.		—	3,000,000					
	Sumitomo Mitsui Trust Bank, Limited		—	2,500,000					
	Mizuho Bank, Ltd.		—	2,500,000					
	The 77 Bank, Ltd.		—	1,000,000					
	The Nishi-Nippon City Bank, Ltd.		—	1,000,000					
	The Iyo Bank, Ltd.		—	500,000					
	The Bank of Kyoto, Ltd.		—	500,000					
	The Chugoku Bank, Limited		—	500,000					
	Subtotal	—	250,268,000	266,268,000	—	—	—	—	—
	Total	—	266,268,000	266,268,000	—	—	—	—	—

(Notes) 1. Average interest rates are loan interest rates (weighted average during the applicable term) of the corresponding lenders, and are rounded to the second decimal place.
2. DHR currently uses interest rate swaps to hedge interest rate fluctuation risk and, accordingly, the indicated interest rates are the figures reflecting the effect of the interest rate swaps.
3. This loan carries a fixed interest rate.
4. To be used to purchase trust beneficiary interests in real estate and related expenses.
5. To be used for purchase of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
6. To be used for repayment of existing loans (refinancing fund).
7. To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
8. To be used for redemption of investment corporation bonds.
9. On April 1, 2018, The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its corporate name, and is now MUFG Bank, Ltd.
10. Mitsubishi UFJ Trust and Banking Corporation entered into an absorption-type company split agreement, whereby MUFG Bank, Ltd. succeeds to the domestic corporate loan-related businesses of Mitsubishi UFJ Trust and Banking Corporation. Accordingly, positions, rights and obligations of Mitsubishi UFJ Trust and Banking Corporation were succeeded to by MUFG Bank, Ltd. on April 16, 2018.

(3) Investment Corporation Bonds

The status of investment corporation bonds issued as of February 28, 2018 is as follows:

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

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

(4) Short-Term Investment Corporation Bonds

Not applicable.

(5) Unit Acquisition Rights

Not applicable.

6. Status of Acquisition and Sale during the Period

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

Not applicable.

(2) Transaction of Other Assets

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

(3) Review on Value of Specified Assets

Not applicable.

(4) Transactions with Interested Parties, etc.

i) Status of Transactions

Not applicable for purchase and sale transactions, etc. with interested parties, etc. (Note) for the 24th period.

ii) Amount of Fees Paid

Classification	Total amount paid (A) (Yen in thousands)	Breakdown of transactions with interested parties, etc. (Note)		Rate to total amount paid (B/A) (%)
		Payment recipient	Amount paid (B) (Yen in thousands)	
Management fees	1,203,176	Daiwa Living Co., Ltd.	529,068	44.0
		Daiwa Information Service Co., Ltd.	158,223	13.2
		Daiwa Lease Co., Ltd	232	0.0
		Daiwa LifeNext Co., Ltd.	31,355	2.6
		Daiwa House Property Management Co., Ltd.	137,057	11.4
Repairs and maintenance expenses	608,962	Daiwa Living Co., Ltd.	255,893	42.0
		Daiwa Information Service Co., Ltd.	134,625	22.1
		Daiwa Lease Co., Ltd	377	0.1
		Daiwa LifeNext Co., Ltd.	7,977	1.3
		Daiwa House Property Management Co., Ltd.	79,973	13.1
		Daiwa Energy Co., Ltd.	1,280	0.2
Restoration costs	241,904	Daiwa Living Co., Ltd.	165,621	68.5
Other rental expenses	99,613	Daiwa Living Co., Ltd.	32,009	32.1
		Daiwa Information Service Co., Ltd.	15,977	16.0
		Daiwa LifeNext Co., Ltd.	15	0.0
		Daiwa House Property Management Co., Ltd.	92	0.1

(Note) "Interested parties, etc." are interested parties, etc., of the Asset Management Company with which DHR has concluded an asset management agreement as provided in Article 201, Paragraph 1 of the Investment Trust Act, Article 123 of the Order for Enforcement of the Investment Trust Act, Article 244-3 of Ordinance for Enforcement of Investment Trust Act and Article 26, Item 27 of The Investment Trusts Association, Japan's Rules on Management Reports, etc., of Investment Trusts and Investment Corporations.

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

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

7. Accounting

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

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

(2) Changes in Method to Calculate Depreciation Expenses

Not applicable.

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

Not applicable.

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

Not applicable.

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

Not applicable.

8. Other

(1) Notice

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

Date of the Board of Directors meeting	Item	Description
February 28, 2018	Conclusion of underwriting agreement for new investment units, etc.	Concerning issuance of new investment units, DHR resolved the conclusion of the underwriting agreement for new investment units, and entrusted Nomura Securities Co., Ltd., Daiwa Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., SMBC Nikko Securities Inc., and Mizuho Securities Co., Ltd. as underwriters for Japanese offering, and Morgan Stanley & Co. International plc, Daiwa Capital Markets Europe Limited, and Nomura International plc as joint lead managers for overseas offering, with relevant work for soliciting subscribers of new investment units.

(2) Treatment of Fractions in Amounts and Rates

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

II. Balance Sheets

Daiwa House REIT Investment Corporation
BALANCE SHEETS
As of August 31, 2017 and February 28, 2018

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Assets		
Current assets:		
Cash and bank deposits (Notes 3 and 4)	¥35,357,317	¥41,021,631
Operating accounts receivable	179,814	148,429
Prepaid expenses	544,374	571,664
Consumption taxes receivable	2,040,334	—
Other current assets	129	23
Allowance for doubtful accounts	(2,576)	(2,067)
Total current assets	38,119,394	41,739,681
Investment properties (Notes 8 and 9)	557,708,269	554,956,816
Other assets:		
Goodwill (Note 7)	75,324,610	73,342,383
Leasehold rights in trust (Note 9)	5,459,918	5,419,785
Lease and guarantee deposits in trust	3,414,720	3,414,720
Guarantee deposits	261	261
Long-term prepaid expenses	2,214,945	2,209,689
Investment corporation bond issuance costs	85,446	78,062
Investment securities (Note 5)	9,308	9,325
Software	1,155	862
Trademark rights	2,894	2,616
Other	42,488	42,488
Allowance for doubtful accounts	(24,058)	(24,058)
Total other assets	86,531,690	84,496,135
Total assets	¥682,359,354	¥681,192,633

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

Daiwa House REIT Investment Corporation
BALANCE SHEETS, CONTINUED
As of August 31, 2017 and February 28, 2018

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Liabilities		
Current liabilities:		
Operating accounts and other payable	¥1,256,909	¥1,160,397
Current portion of long-term loans (Notes 4, 6 and 15)	16,000,000	—
Accrued expenses	1,205,841	1,215,522
Accrued consumption taxes	—	234,231
Advances received	2,171,045	2,250,789
Unearned revenue	221,735	221,735
Deposits received	360,372	374,500
Other	58,852	58,852
Total current liabilities	21,274,756	5,516,029
Non-current liabilities:		
Investment corporation bonds (Notes 4 and 14)	16,000,000	16,000,000
Long-term loans (Notes 4, 6 and 15)	250,268,000	266,268,000
Long-term unearned revenue	1,150,578	1,040,622
Tenant leasehold and security deposits	274,822	265,204
Tenant leasehold and security deposits in trust	14,293,230	14,243,031
Provision for loss on litigation (Note 19)	85,849	89,514
Asset retirement obligations (Note 11)	434,255	439,186
Derivative liabilities (Notes 4 and 6)	1,256,574	1,030,085
Total non-current liabilities	283,763,311	299,375,644
Total liabilities	305,038,068	304,891,673
Net assets (Notes 12 and 13)		
Unitholders' equity:		
Unitholders' capital	108,136,162	108,136,162
Units authorized:		
8,000,000 units as of August 31, 2017 and February 28, 2018		
Units issued and outstanding:		
1,690,000 units as of August 31, 2017 and February 28, 2018		
Surplus		
Capital surplus	247,667,563	247,667,563
Voluntary reserve		
Reserve for temporary difference adjustments	14,748,347	12,767,357
Reserve for distribution	57,717	1,617,617
Total voluntary reserve	14,806,064	14,384,974
Unappropriated retained earnings	7,968,070	7,142,344
Total surplus	270,441,698	269,194,883
Total unitholders' equity	378,577,860	377,331,045
Valuation and translation adjustments		
Deferred gains or losses on hedges (Note 6)	(1,256,574)	(1,030,085)
Total valuation and translation adjustments	(1,256,574)	(1,030,085)
Total net assets	377,321,286	376,300,960
Total liabilities and net assets	¥682,359,354	¥681,192,633

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

III. Statements of Income and Retained Earnings

Daiwa House REIT Investment Corporation		
STATEMENTS OF INCOME AND RETAINED EARNINGS		
For the six-month periods ended August 31, 2017 and February 28, 2018		
	For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Operating revenues:		
Rental revenues (Note 10)	¥19,479,640	¥19,700,575
Gain on sale of investment properties (Note 18)	1,536,256	—
Total operating revenues	21,015,897	19,700,575
Operating expenses:		
Rental expenses (Note 10)	7,906,409	7,947,534
Asset management fees	1,254,120	1,300,091
Asset custody fees	29,053	29,357
Administrative service fees	74,188	80,903
Directors’ remuneration	6,600	6,600
Amortization of goodwill (Note 7)	1,982,226	1,982,226
Provision of allowance for doubtful accounts	1,309	—
Other operating expenses	369,257	340,866
Total operating expenses	11,623,165	11,687,580
Operating income	9,392,731	8,012,994
Non-operating revenues:		
Interest income	146	154
Gain on forfeiture of unclaimed distributions	4,441	4,552
Reversal of allowance for doubtful accounts	—	115
Refunded consumption taxes	23,643	346,623
Other non-operating revenues	1,531	6,019
Total non-operating revenues	29,762	357,464
Non-operating expenses:		
Interest expense	909,040	923,699
Interest expense on investment corporation bonds	41,157	39,240
Amortization of investment corporation bond issuance costs	7,384	7,384
Investment unit issuance expenses	229,991	—
Borrowing related expenses	258,437	250,747
Other non-operating expenses	2,105	2,771
Total non-operating expenses	1,448,116	1,223,844
Ordinary income	7,974,377	7,146,614
Extraordinary losses:		
Provision for loss on litigation (Note 19)	5,702	3,665
Total extraordinary losses	5,702	3,665
Income before income taxes	7,968,675	7,142,949
Income taxes-current (Note 17)	605	605
Net income	¥7,968,070	¥7,142,344
Unappropriated retained earnings	¥7,968,070	¥7,142,344

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

IV. Statements of Changes in Net Assets

Daiwa House REIT Investment Corporation									
STATEMENTS OF CHANGES IN NET ASSETS									
For the six-month periods ended August 31, 2017 and February 28, 2018									
	Unitholders' equity							Valuation and translation adjustments	
	Surplus								
	Voluntary reserve								
				Reserve for temporary difference adjustments	Reserve for distribution	Unappropriated retained earnings	Total unitholders' equity	Deferred gains or losses on hedges	Total net assets
	Number of units	Unitholders' capital	Capital surplus						
	(Units)								
	(Yen in thousands)								
Balance as of February 28, 2017	1,519,280	¥61,703,224	¥247,667,563	¥—	¥17,705,349	¥4,393,259	¥331,469,396	¥(1,164,700)	¥330,304,696
Changes during the period:									
Issuance of investment units: on March 21, 2017	156,720	42,625,175	—	—	—	—	42,625,175	—	42,625,175
on April 14, 2017	14,000	3,807,762	—	—	—	—	3,807,762	—	3,807,762
Reversal of reserve for distribution	—	—	—	—	(17,669,020)	2,920,673	(14,748,347)	—	(14,748,347)
Reserve for temporary difference adjustments	—	—	—	14,748,347	—	—	14,748,347	—	14,748,347
Reserve for distribution	—	—	—	—	21,388	(21,388)	—	—	—
Distributions from retained earnings	—	—	—	—	—	(7,292,544)	(7,292,544)	—	(7,292,544)
Net income	—	—	—	—	—	7,968,070	7,968,070	—	7,968,070
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	(91,874)	(91,874)
Total changes during the period	170,720	46,432,937	—	14,748,347	(17,647,631)	3,574,810	47,108,463	(91,874)	47,016,589
Balance as of August 31, 2017	1,690,000	¥108,136,162	¥247,667,563	¥14,748,347	¥57,717	¥7,968,070	¥378,577,860	¥(1,256,574)	¥377,321,286
Changes during the period:									
Reversal of reserve for temporary difference adjustments	—	—	—	(1,980,989)	—	1,980,989	—	—	—
Reserve for distribution	—	—	—	—	1,559,900	(1,559,900)	—	—	—
Distributions from retained earnings	—	—	—	—	—	(8,389,160)	(8,389,160)	—	(8,389,160)
Net income	—	—	—	—	—	7,142,344	7,142,344	—	7,142,344
Net changes of items other than changes of unitholders' equity	—	—	—	—	—	—	—	226,489	226,489
Total changes during the period	—	—	—	(1,980,989)	1,559,900	(825,725)	(1,246,815)	226,489	(1,020,325)
Balance as of February 28, 2018	1,690,000	¥108,136,162	¥247,667,563	¥12,767,357	¥1,617,617	¥7,142,344	¥377,331,045	¥(1,030,085)	¥376,300,960

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

V. Statements of Cash Flows

Daiwa House REIT Investment Corporation
STATEMENTS OF CASH FLOWS

For the six-month periods ended August 31, 2017 and February 28, 2018

	For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Cash flows from operating activities:		
Income before income taxes	¥7,968,675	¥7,142,949
Depreciation and amortization	3,713,302	3,750,860
Amortization of goodwill	1,982,226	1,982,226
Amortization of investment corporation bond issuance costs	7,384	7,384
Amortization of trademark rights	269	278
Amortization of software	292	292
Loss on retirement of non-current assets	18,348	8,240
Increase in provision for loss on litigation	5,702	3,665
Investment unit issuance expenses	229,991	—
Interest income	(146)	(154)
Interest expense	950,197	962,940
(Increase) decrease in operating accounts receivable	(10,795)	31,385
Decrease in accounts receivable	1,749	—
(Increase) decrease in consumption taxes receivable	(1,552,406)	2,274,566
Increase in prepaid expenses	(96,934)	(27,289)
Increase (decrease) in operating accounts and other payable	65,577	(104,095)
Increase in accrued expenses	153,825	12,125
Increase in deposits received	18,639	181,685
Increase in advances received	253,863	93,130
(Increase) decrease in long-term prepaid expenses	(761,256)	5,255
Decrease in allowance for doubtful accounts	(2,945)	(508)
Decrease in investment properties due to sales	3,155,203	—
Decrease in investment properties in trust due to sales	5,183,083	—
Other	(55,592)	(256,115)
Subtotal	21,228,256	16,068,824
Interest received	146	154
Interest paid	(1,099,079)	(1,075,340)
Income taxes paid	(608)	(608)
Net cash provided by operating activities	20,128,714	14,993,029
Cash flows from investing activities:		
Acquisition of investment properties	(75,135,996)	(965,208)
Proceeds from tenant leasehold and security deposits	43,233	23,946
Repayment of tenant leasehold and security deposits	(35,881)	(13,428)
Proceeds from tenant leasehold and security deposits in trust	2,358,424	146,527
Repayment of tenant leasehold and security deposits in trust	(547,585)	(136,670)
Other	(338)	—
Net cash used in investing activities	(73,318,145)	(944,832)
Cash flows from financing activities:		
Repayment of short-term loans	(6,000,000)	—
Proceeds from long-term loans	65,600,000	16,000,000
Repayment of long-term loans	(27,495,000)	(16,000,000)
Redemption of investment corporation bonds	(3,000,000)	—
Proceeds from issuance of investment units	46,202,946	—
Distribution payment	(7,288,263)	(8,383,882)
Net cash provided by (used in) financing activities	68,019,683	(8,383,882)
Net increase in cash and cash equivalents	14,830,252	5,664,314
Cash and cash equivalents at beginning of the period	20,527,065	35,357,317
Cash and cash equivalents at end of the period (Note 3)	¥ 35,357,317	¥ 41,021,631

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

VI. Notes to Financial Statements

Daiwa House REIT Investment Corporation
Notes to Financial Statements

As of and for the six-month periods ended August 31, 2017 and February 28, 2018

Note 1 – Organization and Basis of Presentation

Organization

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

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

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

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

DHR shifted to a diversified REIT portfolio that targets investment in new asset classes such as hotel and office properties, in addition to those that DHR and the former DHR had targeted for investments in the past. As of February 28, 2018, DHR’s portfolio included 199 properties at a total acquisition price of ¥577.7 billion.

During the six-month period ended August 31, 2017, DHR issued 156,720 new investment units through a public offering with an offer price of ¥280,868 per unit (paid-in amount: ¥271,983 per unit) on March 21, 2017, and 14,000 new investment units through a third-party allotment also with a paid-in amount of ¥271,983 per unit on April 14, 2017.

Basis of Presentation

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Investment Properties

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

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

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

(c) Intangible Assets

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

	Years
Goodwill	20
Computer software	5

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

(d) Investment Corporation Bond Issuance Costs

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

(e) Investment Unit Issuance Expenses

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

(f) Investment Securities

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

(g) Revenue Recognition

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

(h) Taxes on Property and Equipment

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

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

(i) Income Taxes

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

(j) Allowance for Doubtful Accounts

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

(k) Provision for Loss on Litigation

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

(l) Consumption Taxes

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

(m) Trust Beneficiary Interests

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

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

(n) Derivatives and Hedge Accounting

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

The assessment of hedge effectiveness is omitted when the significant terms of the hedged item and hedging instrument, including the notional principal amount, are the same and changes in cash flows of the hedged item can be expected to be offset in full from the commencement of a hedge relationship and continuously thereafter. The assessment of hedge effectiveness is also omitted for all interest-rate swaps which meet the specific criteria under the special accounting treatment.

Note 3 – Cash and Cash Equivalents

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

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Unrestricted cash and bank deposits	¥25,621,149	¥31,806,605
Restricted bank deposits held in trust	9,736,167	9,215,026
Cash and bank deposits	¥35,357,317	¥41,021,631
Cash and cash equivalents	¥35,357,317	¥41,021,631

Note 4 – Financial Instruments

(a) Qualitative Information on Financial Instruments

Policy on financial instruments

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

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

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

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

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

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

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

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

Supplemental explanation concerning fair value of financial instruments

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

(b) Estimated Fair Value of Financial Instruments

Book value on the balance sheet, fair value and the difference as of August 31, 2017 and February 28, 2018 are as follows:

	As of					
	August 31, 2017			February 28, 2018		
	(Yen in thousands)					
Assets	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and bank deposits	¥35,357,317	¥35,357,317	¥—	¥41,021,631	¥41,021,631	¥—
(2) Investment securities:						
Held-to-maturity bonds	9,308	8,919	(389)	9,325	8,981	(344)
Total	¥35,366,626	¥35,366,236	¥(389)	¥41,030,957	¥41,030,612	¥(344)
Liabilities						
(3) Current portion of long-term loans	¥16,000,000	¥16,016,722	¥16,722	¥—	¥—	¥—
(4) Investment corporation bonds	16,000,000	16,139,113	139,113	16,000,000	16,120,053	120,053
(5) Long-term loans	250,268,000	253,883,200	3,615,200	266,268,000	269,420,271	3,152,271
(6) Tenant leasehold and security deposits in trust	485,397	480,225	(5,171)	455,970	441,770	(14,199)
Total	¥282,753,397	¥286,519,262	¥3,765,865	¥282,723,970	¥285,982,095	¥3,258,125
(7) Derivatives (*)	¥(1,256,574)	¥(1,256,574)	¥—	¥(1,030,085)	¥(1,030,085)	¥—

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

Notes:

1. Methods to estimate fair value of financial instruments

Assets:

(1) Cash and bank deposits

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

(2) Investment securities

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

Liabilities:

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

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

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

(4) Investment corporation bonds

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

(6) Tenant leasehold and security deposits in trust

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

(7) Derivatives

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

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

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Tenant leasehold and security deposits	¥274,822	¥265,204
Tenant leasehold and security deposits in trust	13,807,833	13,787,060

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

3. Redemption schedule for monetary claims after August 31, 2017 and February 28, 2018 is as follows:

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
As of August 31, 2017						
	(Yen in thousands)					
Cash and bank deposits	¥35,357,317	¥—	¥—	¥—	¥—	¥—
Investment securities	—	—	—	—	—	10,000
Total	¥35,357,317	¥—	¥—	¥—	¥—	¥10,000

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

4. Repayment schedules for investment corporation bonds and long-term loans after August 31, 2017 and February 28, 2018 are as follows:

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
As of August 31, 2017						
	(Yen in thousands)					
Investment corporation bonds	¥—	¥—	¥—	¥3,000,000	¥4,000,000	¥9,000,000
Long-term loans (*)	16,000,000	11,600,000	39,810,000	16,000,000	27,358,000	155,500,000
Total	¥16,000,000	¥11,600,000	¥39,810,000	¥19,000,000	¥31,358,000	¥164,500,000

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

(*) The figures above include the current portion.

Note 5 – Investment Securities

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

Book value on the balance sheet, fair value and the difference as of August 31, 2017 and February 28, 2018 are as follows:

	As of					
	August 31, 2017			February 28, 2018		
	(Yen in thousands)					
	Book value	Fair value	Difference	Book value	Fair value	Difference
Fair value exceeding the book value						
Held-to-maturity bonds:						
Government bonds	¥—	¥—	¥—	¥—	¥—	¥—
Subtotal	—	—	—	—	—	—
Fair value not exceeding the book value						
Held-to-maturity bonds:						
Government bonds	9,308	8,919	(389)	9,325	8,981	(344)
Subtotal	9,308	8,919	(389)	9,325	8,981	(344)
Total	¥9,308	¥8,919	¥(389)	¥9,325	¥8,981	¥(344)

Note 6 – Derivative Transactions

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

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

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

		As of					
Type of derivative transaction	Hedged item	August 31, 2017			February 28, 2018		
		Contract amount		Fair value	Contract amount		Fair value
		Total	Due after one year		Total	Due after one year	
(Yen in thousands)							
<u>Principle method</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	¥47,500,000	¥47,500,000	¥(1,256,574) (Note 1)	¥47,500,000	¥47,500,000	¥(1,030,085) (Note 1)
<u>Special treatment for interest-rate swaps</u>							
Interest-rate swap Receive floating/ Pay fixed	Long-term loan	48,268,000	48,268,000	(Note 2)	48,268,000	48,268,000	(Note 2)
Total		¥95,768,000	¥95,768,000	¥(1,256,574)	¥95,768,000	¥95,768,000	¥(1,030,085)

Notes:

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

Note 7 – Goodwill

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

On the business combination date, consideration given for the acquisition was ¥219,425,976 thousand, which was the amount equivalent to the fair value of DHR investment units allotted, while the fair value of the net assets acquired from the former DHR was ¥140,136,912 thousand. The excess of the acquisition cost over the fair value of the net assets acquired, in the amount of ¥79,289,063 thousand, was recognized as goodwill upon the Merger. The amount of goodwill is amortized over 20 years using the straight-line method. As of August 31, 2017 and February 28, 2018, the unamortized balances of goodwill from the Merger were ¥75,324,610 thousand and ¥73,342,383 thousand, respectively.

Note 8 – Investment Properties

As of August 31, 2017 and February 28, 2018, investment properties consist of the following property and equipment and property and equipment in trust.

	As of					
	August 31, 2017			February 28, 2018		
	(Yen in thousands)					
	Acquisition cost	Accumulated depreciation	Net	Acquisition cost	Accumulated depreciation	Net
Property and equipment:						
Land	¥21,637,530	¥—	¥21,637,530	¥21,637,530	¥—	¥21,637,530
Buildings	26,509,476	3,827,267	22,682,208	26,531,754	4,100,740	22,431,013
Structures	244,045	37,971	206,073	247,513	40,832	206,681
Machinery and equipment	446,686	109,040	337,646	447,543	119,131	328,412
Tools, furniture and fixtures	636,359	308,163	328,195	651,623	330,849	320,773
Property and equipment in trust:						
Land	260,076,467	—	260,076,467	260,076,467	—	260,076,467
Buildings	266,812,957	21,195,083	245,617,874	267,721,035	24,366,686	243,354,349
Structures	5,104,987	341,218	4,763,769	5,143,923	441,490	4,702,432
Machinery and equipment	2,278,043	766,727	1,511,315	2,299,873	848,924	1,450,948
Tools, furniture and fixtures	695,073	302,973	392,100	776,413	340,842	435,571
Construction in progress	155,088	—	155,088	12,636	—	12,636
Total	¥584,596,716	¥26,888,446	¥557,708,269	¥585,546,316	¥30,589,499	¥554,956,816

Note 9 – Fair Value of Investment Properties

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

	As of / For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Book value:		
Balance at beginning of the period	¥500,201,260	¥563,168,188
Net change during the period	62,966,927	(2,791,586)
Balance at end of the period	¥563,168,188	¥560,376,601
Fair value at end of the period	¥622,424,000	¥623,686,000

Notes:

1. The book value above includes leasehold rights in trust of ¥5,459,918 thousand and ¥5,419,785 thousand as of August 31, 2017 and February 28, 2018, respectively.
2. For the period ended August 31, 2017, the increase is mainly due to acquisitions of 15 properties including DPL Misato (¥68,578,904 thousand) and two properties including FOLEO Ome Imai (¥5,443,204 thousand), while the decrease is principally attributable to the sale of seven properties including Castalia Nipponbashi Kouzu (¥8,338,287 thousand) and depreciation. For the period ended February 28, 2018, the decrease is principally attributable to depreciation.
3. The fair value at end of the period represents the value assessed by third-party real estate appraisers.

Note 10 – Rental Revenues and Expenses

Rental revenues generated from investment properties and related expenses for the periods ended August 31, 2017 and February 28, 2018 are as follows:

	For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Rental revenues:		
Rental revenues	¥17,907,732	¥18,344,128
Common area charges	436,924	432,436
Subtotal	18,344,657	18,776,564
Other revenues related to property leasing		
Facility charges	353,388	352,880
Incidental revenues	276,697	267,725
Other revenues	504,897	303,404
Subtotal	1,134,983	924,010
Total rental revenues	¥19,479,640	¥19,700,575

For the six-month periods ended	
August 31, 2017	February 28, 2018
(Yen in thousands)	

Rental expenses:

Management fees	¥1,272,800	¥1,203,176
Utilities	299,764	315,070
Taxes and public dues	1,228,362	1,201,943
Repairs	473,270	608,962
Restoration costs	305,785	241,904
Insurance premiums	25,479	22,983
Custodian fees	67,476	59,402
Depreciation and amortization	3,713,302	3,750,860
Other operating expenses	520,167	543,230
Total rental expenses	¥7,906,409	¥7,947,534
Operating income from property leasing activities	¥11,573,231	¥11,753,040

Transactions with DHR's major unitholder for the periods ended August 31, 2017 and February 28, 2018 are as follows:

	For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Business transactions		
Operating revenues	¥323,741	¥323,109
Operating expenses	40	—
Non-business transactions		
Acquisition of trust beneficiary interests in real estate	63,211,000	—

Note 11 – Asset Retirement Obligations

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

DHR estimates the useful life of applicable assets as the remaining period of the fixed-term land lease agreements (54 – 60 years), and uses a 2.1 – 2.4% discount rate for the calculation of asset retirement obligations. Changes in asset retirement obligations for the periods ended August 31, 2017 and February 28, 2018 are as follows:

	For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Balance at beginning of the period	¥429,379	¥434,255
Accretion expense	4,875	4,931
Balance at end of the period	¥434,255	¥439,186

Note 12 – Net Assets

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

Note 13 – Distribution Information

In accordance with Article 37.1.1 of the bylaws set forth by DHR for cash distributions, the amount of distribution is limited to the amount of income and more than 90% of income available for distribution as set forth in Article 67.15 of the Special Taxation Measures Act of Japan (the “Measures”), which allows the REITs to deduct the amount of cash distributions from taxable income to avoid double taxation if certain requirements are met. For the period ended August 31, 2017, DHR had no taxable income as a result of utilizing the loss carryforward assumed at the time of the merger, regardless of the Measures.

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

Adopting the transitional measure stipulated in the paragraph 3 of supplementary provision of the “Ordinance on Accountings of Investment Corporations” (Cabinet Office Ordinance No. 27 of 2015), subsequent to February 28, 2017, DHR transferred the reserve for distribution of ¥14,748,347,148, which was the balance retained from gain on negative goodwill recognized in the past, to the reserve for temporary difference adjustments account. The Ordinance prescribes that, from the fiscal period following the period in which the amount is reserved, a minimum of 1% of the remaining balance shall be appropriated from reserve for temporary difference adjustments for cash distributions. Instead of appropriating the minimum amounts as set forth by the Ordinance, DHR appropriated the amounts equivalent to goodwill amortization expenses in accordance with the cash distribution policy set forth in the Articles of Incorporation. The amounts appropriated for distributions related to the periods ended August 31, 2017 and February 28, 2018 were ¥1,980,989,899 and ¥1,982,138,926, respectively, which were greater than the aforementioned minimum amounts as set forth by the Ordinance.

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

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

	Distributions related to the six-month periods ended			
	August 31, 2017		February 28, 2018	
	(Yen)			
	Total	Per unit	Total	Per unit
Unappropriated retained earnings	¥7,968,070,160		¥7,142,344,597	
Reversal of voluntary reserve:				
Reserve for temporary difference adjustments	1,980,989,899		1,982,138,926	
Accumulation of voluntary reserve:				
Reserve for distribution	(1,559,900,059)		(346,623,523)	
Cash distributions	¥8,389,160,000	¥4,964	¥8,777,860,000	¥5,194
Retained earnings carried forward	—		—	

Note 14 – Investment Corporation Bonds

The following summarizes the status of the DHR’s unsecured investment corporation bonds with special pari passu conditions among specified investment corporation bonds as of August 31, 2017 and February 28, 2018. The bonds are to be repaid on a lump-sum basis on the maturity date.

Description	Issue date	Maturity date	Interest rate	As of	
				August 31, 2017	February 28, 2018
				(Yen in thousands)	
Daiwa House REIT Investment Corporation 1st Unsecured Bonds (*)	December 24, 2014	December 24, 2024	0.826%	¥2,000,000	¥2,000,000
Daiwa House Residential Investment Corporation 2nd Unsecured Bonds	January 22, 2015	January 22, 2021	0.35%	3,000,000	3,000,000
Daiwa House Residential Investment Corporation 3rd Unsecured Bonds	January 22, 2015	January 22, 2025	0.67%	3,000,000	3,000,000
Daiwa House REIT Investment Corporation 5th Unsecured Bonds	December 20, 2016	December 20, 2021	0.24%	4,000,000	4,000,000
Daiwa House REIT Investment Corporation 6th Unsecured Bonds	December 20, 2016	December 18, 2026	0.57%	4,000,000	4,000,000
Total				¥16,000,000	¥16,000,000

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

Note 15 – Long-Term Loans

Long-term loans consist of borrowings from financial institutions under loan agreements. None of the loans are secured by collateral or guaranteed. The following table summarizes long-term loans as of August 31, 2017 and February 28, 2018.

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Long-term loans:		
0.96% fixed-rate long-term loan due 2017	¥16,000,000	¥—
1.07% fixed-rate long-term loan due 2019	4,000,000	4,000,000
0.24% floating-rate long-term loan due 2019	7,600,000	7,600,000
1.29% fixed-rate long-term loan due 2019	10,000,000	10,000,000
0.96% floating-rate long-term loan due 2020 (*)	17,410,000	17,410,000
0.96% fixed-rate long-term loan due 2020	1,500,000	1,500,000
0.57% fixed-rate long-term loan due 2020	1,000,000	1,000,000
0.19% floating-rate long-term loan due 2020	9,900,000	9,900,000
0.90% floating-rate long-term loan due 2021(*)	3,500,000	3,500,000

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
1.05% floating-rate long-term loan due 2021 (*)	3,000,000	3,000,000
0.51% floating-rate long-term loan due 2021 (*)	7,000,000	7,000,000
0.40% fixed-rate long-term loan due 2021	9,500,000	9,500,000
0.61% floating-rate long-term loan due 2022 (*)	6,858,000	6,858,000
0.66% floating-rate long-term loan due 2022 (*)	10,000,000	10,000,000
0.59% floating-rate long-term loan due 2022 (*)	10,500,000	10,500,000
1.21% floating-rate long-term loan due 2022 (*)	3,500,000	3,500,000
0.87% floating-rate long-term loan due 2022 (*)	3,000,000	3,000,000
0.65% floating-rate long-term loan due 2022 (*)	4,000,000	4,000,000
1.50% floating-rate long-term loan due 2023 (*)	2,000,000	2,000,000
1.00% fixed-rate long-term loan due 2023	1,000,000	1,000,000
0.99% floating-rate long-term loan due 2023 (*)	4,000,000	4,000,000
0.71% floating-rate long-term loan due 2023 (*)	4,000,000	4,000,000
0.41% fixed-rate long-term loan due 2023	10,400,000	10,400,000
0.57% fixed-rate long-term loan due 2023	10,000,000	10,000,000
0.88% fixed-rate long-term loan due 2024	2,000,000	2,000,000
1.52% floating-rate long-term loan due 2024 (*)	3,000,000	3,000,000
0.73% fixed-rate long-term loan due 2024	1,000,000	1,000,000
0.48% fixed-rate long-term loan due 2024	11,000,000	11,000,000
0.55% fixed-rate long-term loan due 2024	1,000,000	1,000,000
1.23% floating-rate long-term loan due 2025 (*)	4,000,000	4,000,000
1.18% fixed-rate long-term loan due 2025	3,000,000	3,000,000
0.97% floating-rate long-term loan due 2025 (*)	4,000,000	4,000,000
0.63% fixed-rate long-term loan due 2025	9,000,000	9,000,000
0.70% fixed-rate long-term loan due 2025	11,000,000	11,000,000
2.03% floating-rate long-term loan due 2026 (*)	2,000,000	2,000,000
1.09% floating-rate long-term loan due 2026 (*)	4,000,000	4,000,000
0.69% fixed-rate long-term loan due 2026	1,000,000	1,000,000
0.87% fixed-rate long-term loan due 2026	15,000,000	15,000,000
0.76% fixed-rate long-term loan due 2026	10,000,000	10,000,000
1.46% fixed-rate long-term loan due 2027	1,500,000	1,500,000
0.85% fixed-rate long-term loan due 2027	2,000,000	2,000,000
0.89% fixed-rate long-term loan due 2027	12,100,000	12,100,000
0.90% fixed-rate long-term loan due 2027	—	16,000,000
1.02% fixed-rate long-term loan due 2028	10,000,000	10,000,000
Total	266,268,000	266,268,000
Less: current portion	(16,000,000)	—
Long-term loans, less current portion	¥250,268,000	¥266,268,000

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

The stated interest rate is the weighted average interest rate during the period ended February 28, 2018 and is rounded to the second decimal place.

The repayment schedules for short-term and long-term loans subsequent to August 31, 2017 and February 28, 2018 are disclosed in Note 4 – “Financial Instruments.”

DHR has entered into a commitment line agreement with four financial institutions in order to secure flexible and stable financing. The status of the commitment line agreement as of August 31, 2017 and February 28, 2018 is as follows:

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Total amount of commitment line	¥20,000,000	¥20,000,000
Balance executed as loans	—	—
Unused line of credit	¥20,000,000	¥20,000,000

Note 16 – Lease Transactions

Future minimum lease revenues under existing non-cancelable operating leases as of August 31, 2017 and February 28, 2018 are as follows:

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Due within one year	¥15,546,218	¥15,728,887
Due after one year	105,051,331	98,420,039
Total	¥120,597,550	¥114,148,927

Note 17 – Deferred Income Taxes

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

(a) Significant Components of Deferred Tax Assets and Liabilities

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Deferred tax assets:		
Excess provision of allowance for doubtful accounts	¥8,418	¥8,257
Deferred interest income	433,885	398,987
Valuation difference at the time of merger (Long-term prepaid expenses, etc.)	623	313
Valuation difference at the time of merger (Land, Buildings)	2,977,582	2,898,242
Loss carryforward assumed at the time of merger	11,180,212	11,127,450
Asset retirement obligations	137,197	138,755
Provision for loss on litigation	27,123	28,280
Deferred gains or losses on hedges	396,998	325,442
Amortization of fixed-term land lease rights	80,130	92,810

	As of	
	August 31, 2017	February 28, 2018
	(Yen in thousands)	
Other	990	990
Subtotal	15,243,162	15,019,530
Valuation reserve	(15,243,162)	(15,019,530)
Net deferred tax assets	—	—
Deferred tax liabilities:		
Valuation difference at the time of merger (Investment securities)	(800)	(780)
Valuation difference at the time of merger (Land, Buildings)	(14,689,536)	(14,648,535)
Asset retirement costs	(118,925)	(118,925)
Subtotal	(14,809,262)	(14,768,241)
Valuation reserve	14,809,262	14,768,241
Net deferred tax liabilities	—	—
Net deferred tax assets	¥—	¥—

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

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

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

	For the six-month periods ended	
	August 31, 2017	February 28, 2018
Statutory tax rate	31.74%	31.74%
Adjustments:		
Tax-deductible cash distributions paid	—	(39.00)
Use of loss carryforward assumed at the time of merger	(39.04)	(0.74)
Amortization of goodwill	7.89	8.81
Change in valuation allowance	(0.60)	(0.82)
Other	0.02	0.02
Effective tax rate	0.01%	0.01%

Note 18 – Gain on Sale of Investment Properties

For the period ended August 31, 2017, DHR sold seven investment properties and reported gains as follows:

	For the six-month period ended August 31, 2017 (Yen in thousands)
Castalia Maihama	
Proceeds from sale of investment properties	¥650,000
Cost of investment properties sold	614,631
Other sales expenses	23,610
Gain on sale of investment properties	¥11,758
Castalia Urayasu	
Proceeds from sale of investment properties	¥578,816
Cost of investment properties sold	571,439
Other sales expenses	3,247
Gain on sale of investment properties	¥4,130
Castalia Minamigyotoku	
Proceeds from sale of investment properties	¥527,326
Cost of investment properties sold	507,670
Other sales expenses	3,118
Gain on sale of investment properties	¥16,538
Castalia Nipponbashi Kouzu	
Proceeds from sale of investment properties	¥4,450,000
Cost of investment properties sold	3,155,203
Other sales expenses	155,810
Gain on sale of investment properties	¥1,138,986
Castalia Ichikawamyoden	
Proceeds from sale of investment properties	¥765,000
Cost of investment properties sold	625,486
Other sales expenses	27,635
Gain on sale of investment properties	¥111,878
Castalia Shinsakae	
Proceeds from sale of investment properties	¥1,720,000
Cost of investment properties sold	1,664,473
Other sales expenses	52,160
Gain on sale of investment properties	¥3,366
Aprile Tarumi	
Proceeds from sale of investment properties	¥1,502,426
Cost of investment properties sold	1,199,382
Other sales expenses	53,444
Gain on sale of investment properties	¥249,598
Total gain on sale of investment properties	¥1,536,256

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

Note 19 – Provision for Loss on Litigation

Asahi Security Co., Ltd., the tenant of D Project Shin-Misato, filed a claim in the Tokyo District Court on June 27, 2014 against Mitsubishi UFJ Trust and Banking Corporation, the trustee of the property, requesting approval of a reduction in rent of approximately 16% compared with the current level for the period from May 1, 2014. The Tokyo District Court rendered the judgement on July 24, 2017, ordering DHR to confirm the reduction of the current level of rent by approximately 6% for the period from May 1, 2014 onward. This case is currently pending.

DHR has recognized a provision for loss on litigation by estimating the amount of loss based on rent judged most likely as of August 31, 2017 and February 28, 2018 after giving comprehensive consideration to how the case has thus far unfolded.

Note 20 – Per Unit Information

Earnings per unit for the periods ended August 31, 2017 and February 28, 2018 and net assets per unit as of August 31, 2017 and February 28, 2018 are as follows:

	For the six-month periods ended	
	August 31, 2017	February 28, 2018
	(Yen)	
Earnings per unit:		
Net income per unit	¥4,772	¥4,226
Weighted average number of units outstanding (units)	1,669,617	1,690,000
	As of	
	August 31, 2017	February 28, 2018
	(Yen)	
Net assets per unit	¥223,267	¥222,663

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

Note 21 – Related-Party Transactions

Related-party transactions for the periods ended August 31, 2017 and February 28, 2018 are as follows:

(a) Controlling Company and Major Corporate Investors

For the six-month period ended August 31, 2017

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Major corporate investor	Daiwa House Industry Co., Ltd.	Osaka City, Osaka	¥161,699	Construction	10.96%	Providing of preferential negotiation rights relating to real estate for investment	Acquisition of trust beneficiary interests in real estate	¥63,211,000	—	¥—

Notes:

1. In the above table, consumption taxes are not included in the transaction amounts but are included in the balances at end of the period.
2. The terms and conditions are on an arm’s length basis.
3. As for acquisition of trust beneficiary interests in real estate, the acquisition price is determined based on appraisal value assessed by third-party real estate appraisers.

For the six-month period ended February 28, 2018 — None

(b) Affiliates — None

(c) Transactions under Common Control

For the six-month period ended August 31, 2017

Attribute	Name	Location	Capital	Business type or occupation	Ownership percentage of investment units (Owned)	Relation to the related party	Transaction type	Transaction amount (Note 1)	Account	Balance at end of the period (Note 1)
			Yen in millions					Yen in thousands		Yen in thousands
Subsidiary of DHR’s major corporate investor	Daiwa House Asset Management Co., Ltd.	Chiyoda Ward, Tokyo	¥300	Asset management	—	Consigned asset management operations	Asset management fees	¥1,477,000	Accrued expenses	¥1,090,313

For the six-month period ended February 28, 2018

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

Notes:

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

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

Note 22 – Segment Information

(a) *Segment Information*

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

(b) *Related Information*

Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended August 31, 2017 and February 28, 2018, information about products and services has been omitted.

Information about geographic areas

(1) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHR's statements of income and retained earnings for the periods ended August 31, 2017 and February 28, 2018, information about geographic areas has been omitted.

(2) Investment properties

Since over 90% of total investment properties on the balance sheets as of August 31, 2017 and February 28, 2018, are located within Japan, information about geographic areas on such investment properties has been omitted.

Information about major customers

Since there is not any customer accounting for 10% or more of total operating revenues in DHR's statements of income and retained earnings for the periods ended August 31, 2017 and February 28, 2018, information about major customers has been omitted.

Note 23 – Subsequent Events

(a) *Issuance of New Investment Units*

At the Board of Directors' meetings held on February 28, 2018 and March 12, 2018, it was resolved to issue new investment units as described below. The proceeds from the issuance of new investment units through a public offering were fully received on March 19, 2018, while the proceeds from the issuance of new investment units through a third-party allotment were fully received on April 13, 2018.

After the issuance, unitholders' capital increased to ¥163,230 million and the number of investment units issued and outstanding came to 1,927,000 units.

(1) Issuance of new investment units through a public offering

Number of new investment units issued:	222,000 units
(Japan: 150,900 units; Overseas: 71,100 units)	
Issue price:	¥239,806 per unit
Total issue price:	¥53,236,932,000
Amount paid in (issue value):	¥232,465 per unit
Total amount paid in (issue value):	¥51,607,230,000
Payment date:	March 19, 2018

(2) Issuance of new investment units through a third-party allotment

Number of new investment units issued:	15,000 units
Amount paid in (issue value):	¥232,465 per unit
Total amount paid in (issue value):	¥3,486,975,000
Payment date:	April 13, 2018
Allottee:	Nomura Securities Co., Ltd.

(b) *Acquisition of Assets*

DHR acquired trust beneficiary interests in the following properties.

Property name	Acquisition price (Note 1) (Yen in thousands)	Asset class	Seller (Note 2)	Acquisition date
DPL Fukuoka Kasuya	¥13,300,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018
D Project Inuyama (Additional acquisition)	2,100,000	Logistics	DH Fund Five Godo Kaisha	April 10, 2018
D Project Kawagoe IV	5,600,000	Logistics	DH Fund Five Godo Kaisha	April 10, 2018
D Project Kuki VII	1,040,000	Logistics	DH Fund Five Godo Kaisha	April 10, 2018
D Project Chibakita	7,640,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018

Property name	Acquisition price (Note 1) (Yen in thousands)	Asset class	Seller (Note 2)	Acquisition date
D Project Matsudo II	8,200,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018
D Project Tomisato II	6,900,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018
D Project Osaka Hirabayashi	3,600,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018
D Project Sendai Izumi II	7,300,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018
D Project Kaminokawa	7,900,000	Logistics	DH Fund Five Godo Kaisha	April 10, 2018
D Project Fuji	3,600,000	Logistics	Daiwa House Industry Co., Ltd.	April 10, 2018
D Project Tosu III	9,200,000	Logistics	DH Fund Five Godo Kaisha	April 10, 2018
FOLEO Otsu Ichiriyama	8,100,000	Retail	Daiwa House Industry Co., Ltd.	April 3, 2018
FOLEO Hakata	3,200,000	Retail	Daiwa House Industry Co., Ltd.	April 3, 2018
Royal Home Center Morinomiya (Land)	4,500,000	Retail	Royal Home Center Co., Ltd.	March 27, 2018
Daiwa Roynet Hotel Yokohama Kannai	4,800,000	Hotel	Fujita Corporation	April 3, 2018

Notes:

- The acquisition prices do not include acquisition-related expenses, taxes and dues and consumption taxes.
- The sellers of the assets: i) Daiwa House, the seller of DPL Fukuoka Kasuya, D Project Chibakita, D Project Matsudo II, D Project Tomisato II, D Project Osaka Hirabayashi, D Project Sendai Izumi II, D Project Fuji, FOLEO Otsu Ichiriyama and FOLEO Hakata; ii) Royal Home Center Co., Ltd., the seller of Royal Home Center Morinomiya (Land); and iii) Fujita Corporation, the seller of Daiwa Roynet Hotel Yokohama Kannai, are each deemed as an interested party as defined in the Investment Trust Act. As such, the Asset Manager has gone through the necessary discussion and approval procedures in accordance with the Asset Manager's internal rules on transactions with interested parties.
DH Fund Five Godo Kaisha, the seller of D Project Inuyama (Additional acquisition), D Project Kawagoe IV, D Project Kuki VII, D Project Kaminokawa and D Project Tosu III, is a special purpose company (Tokutei Mokuteki Kaisha) set up with the aim of acquiring, holding and disposing of trust beneficiary interests in real estate partially invested in by Daiwa House, which is the parent company of the Asset Manager, and is accordingly classified as an interested party as stipulated in the Asset Manager's internal rules on transactions with interested parties, while it is not deemed as an interested party under the Investment Trust Act. The Asset Manager has gone through the necessary discussion and approval procedures in accordance with the Asset Manager's internal rules on transactions with interested parties.

(c) Borrowing of Funds and Repayment of Loans

Subsequent to the balance sheet date, DHR obtained the following fixed rate loans to acquire assets as stated in “(b) Acquisition of Assets” above.

Type	Loan amount (Yen in millions)	Interest rate (fixed rate)	Loan execution date	Repayment date
Unsecured loan	¥1,000	0.44125%	March 27, 2018	March 31, 2023
Unsecured loan	1,500	0.74587%	March 27, 2018	September 30, 2027
Unsecured loan	1,000	0.42894%	April 10, 2018	September 9, 2022
Unsecured loan	2,000	0.64630%	April 10, 2018	April 30, 2026
Unsecured syndicated loan	6,500	0.42160%	April 10, 2018	April 28, 2022
Unsecured syndicated loan	5,000	0.52004%	April 10, 2018	April 30, 2024
Unsecured syndicated loan	5,000	0.60388%	April 10, 2018	April 30, 2025
Unsecured syndicated loan	10,000	0.89458%	April 10, 2018	April 28, 2028

VII. Independent Auditor's Report



Ernst & Young ShinNihon LLC
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Fax: +81 3 3503 1197
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Independent Auditor's Report

The Board of Directors
Daiwa House REIT Investment Corporation

We have audited the accompanying financial statements of Daiwa House REIT Investment Corporation, which comprise the balance sheets as at February 28, 2018 and August 31, 2017, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House REIT Investment Corporation as at February 28, 2018 and August 31, 2017, and its financial performance and cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young ShinNihon LLC

May 21, 2018
Tokyo, Japan

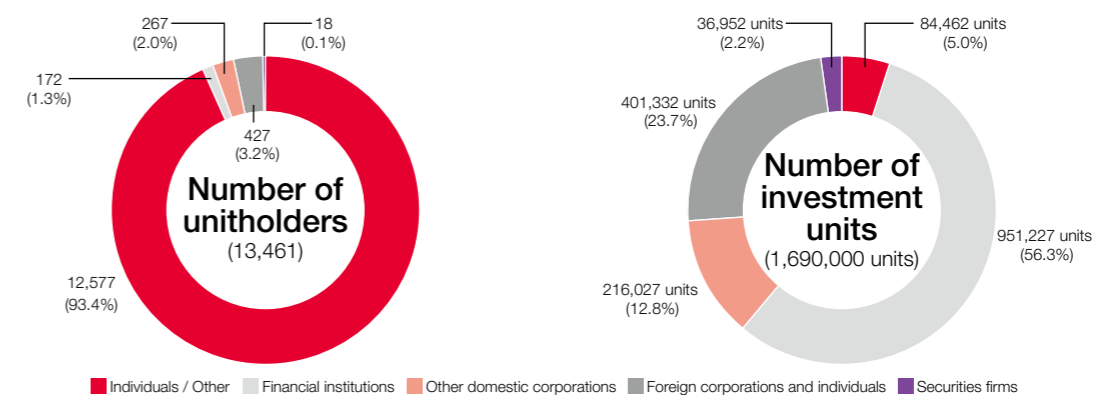
Investor Information

Investment Unit Price



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

Unitholders Data (as of February 28, 2018)



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

Outline of the Asset Manager

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

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

Established : September 1, 2004

Paid-in Capital : ¥300 million

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

Procedures for Changes of Address, etc.

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

Receipt of Distributions

You can receive distributions when you bring your receipt for distributions to the local office of the Japan Post Bank in Japan or to a post office (bank agent). If the period for receiving distributions has elapsed, you can receive distributions by designating the receiving method on the back of your receipt for distributions and mailing it to the Stock Transfer Agency Business Planning Dept. of Sumitomo Mitsui Trust Bank, Limited, or at the head office or a branch of Sumitomo Mitsui Trust Bank, Limited.

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

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

Distribution Statement

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

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

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

Use of the My Number for Investment Unit Related Business

As stipulated by laws and regulations, it is now required to state the My Number of the unitholder on payment records that are submitted to the tax office.

Unitholders are therefore requested to submit their My Number to their securities company.

[Contact address for inquiries on submitting My Number]

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

Note for Unitholders

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