



Daiwa House Residential Investment Corporation

FINANCIAL STATEMENTS FOR THE NINETEENTH FISCAL PERIOD

(March 1, 2015 — August 31, 2015)

To Our Unitholders

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

Recently, DHI marked the closing of the 19th Fiscal Period (from March 1, 2015 to August 31, 2015). We again would like to extend our heartfelt thanks to unitholders for this could not have been achieved without your understanding and support.

We hereby report on the management status and financial results for the 19th Fiscal Period.

DHI acquired “Pacific Royal Court Minatomirai Urban Tower” and other four properties in May 2015 (total acquisition price: ¥17,750 million) from Daiwa House Industry Co., Ltd..

This resulted in realizing steady external growth to a portfolio at the end of the 19th Fiscal Period (August 31, 2015) with 141 properties in terms of the number of properties (11,345 units in terms of the number of leasable units) and ¥255.3 billion in terms of asset size (acquisition price basis).

Favorable performance at the properties held by DHI led to occupancy rates of 95.9% as the period-average occupancy rate and 95.9% as of the end of August 2015.

During the fiscal period under review, the occupancy rate exceeded the expected occupancy rate of 95.5% announced in the financial report of the previous fiscal period and rents were also increased at the time of tenant replacements. As a result, operating revenues stood at ¥9,356 million, up ¥103 million from the initial forecast.

In addition, strong revenues enabled advance implementation of repair works and such which were scheduled for the next fiscal period or later. As a result of reducing the future burden, operating income of ¥3,925 million, up ¥1 million from the initial forecast.

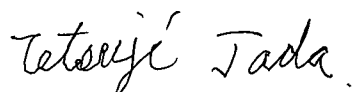
Furthermore, as a result of the significant lowering of interest rates of loans at the time of refinancing of ¥14.8 billion in January 2015, ordinary income of ¥3,146 million and net income of ¥3,145 million were posted, both exceeding the initial forecasts by approximately ¥13 million.

Concerning distributions, in accordance with its distribution policy, DHI implemented a reversal of internal reserves in the amount of ¥189 million (10% of the amount equivalent to depreciation and amortization) (¥252 per investment unit). Accordingly, DHI declared total distributions of ¥3,334 million and distribution per investment unit of ¥4,460 (¥20 higher than the initial forecast).

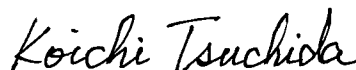
DHI will continue to make utmost efforts to achieve steady growth of the portfolio and maximization of returns for unitholders while making the most of the comprehensive strengths and know-how of the sponsor the Daiwa House Group in the next and subsequent fiscal periods.

The continued support of unitholders is greatly appreciated.

Daiwa House Residential Investment Corporation
Executive Director
Tetsuji Tada



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



Distribution per Unit (Yen) **¥4,460**

Actual

19th Fiscal Period: (March 1, 2015 – August 31, 2015)

Distribution per Unit (Yen) **¥4,490**

Forecast *1

20th Fiscal Period: (September 1, 2015 – February 29, 2016)

Distribution per Unit (Yen) **¥4,500**

Forecast *1

21th Fiscal Period: (March 1, 2016 – August 31, 2016)

*1) Forecast as of October 8, 2015. Actual distributions per unit may vary. Moreover, these forecasts are not intended as a guarantee of distribution amount.

1. FINANCIAL HIGHLIGHT

(1) Management Highlight

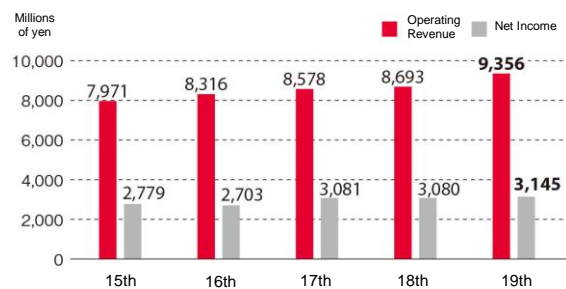
	(Millions of yen)			
	Operating Revenues	Operating Income	Ordinary Income	Net Income
19th Fiscal Period	¥9,356	¥3,925	¥3,146	¥3,145
18th Fiscal Period	¥8,693	¥3,881	¥3,081	¥3,080
17th Fiscal Period	¥8,578	¥3,906	¥3,082	¥3,081
16th Fiscal Period	¥8,316	¥3,559	¥2,704	¥2,703
15th Fiscal Period	¥7,971	¥3,661	¥2,780	¥2,779

	(Millions of yen, Yen; days)		
	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
19th Fiscal Period	¥4,460	¥3,334	184
18th Fiscal Period	¥8,691	¥3,249	181
17th Fiscal Period	¥8,686	¥3,247	184
16th Fiscal Period	¥8,688	¥3,248	181
15th Fiscal Period	¥8,300	¥2,920	184

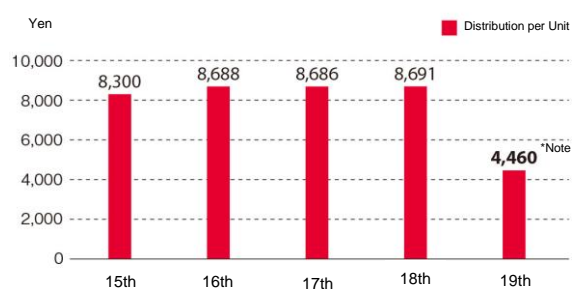
Notes:

- 19th Fiscal Period: March 1, 2015 — August 31, 2015
 18th Fiscal Period: September 1, 2014 — February 28, 2015
 17th Fiscal Period: March 1, 2014 — August 31, 2014
 16th Fiscal Period: September 1, 2013 — February 28, 2014
 15th Fiscal Period: March 1, 2013 — August 31, 2013
- The funds from which distributions are paid out are the amount including the reversal of internal reserves and differ from “net income”.

< Operating Revenue / Net Income >



< Distribution per Unit >



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

(2) Financial Position

(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Equity Ratio (%)	Unitholders' Equity per Unit (Yen)	Interest-bearing Debt (Millions of yen)	LTV (%)
19th Fiscal Period	¥258,400	¥111,352	43.1%	¥148,918	¥148,918	54.8%
18th Fiscal Period	¥238,730	¥111,455	46.7%	¥149,056 *3	¥122,463	51.3%
17th Fiscal Period	¥238,092	¥111,622	46.9%	¥149,280 *3	¥121,666	51.1%
16th Fiscal Period	¥237,934	¥111,789	47.0%	¥299,006	¥121,666	51.1%
15th Fiscal Period	¥229,781	¥103,406	45.0%	¥293,878	¥121,740	53.0%

Notes:

- 19th Fiscal Period: March 1, 2015 — August 31, 2015
18th Fiscal Period: September 1, 2014 — February 28, 2015
17th Fiscal Period: March 1, 2014 — August 31, 2014
16th Fiscal Period: September 1, 2013 — February 28, 2014
15th Fiscal Period: March 1, 2013 — August 31, 2013
- DHI implemented a 2-for-1 split of investment units on March 1, 2015 as the effective date.
“Unitholders’ equity per unit” was calculated under the assumption that the split was implemented at the beginning of the 17th fiscal period.

Independent Auditor's Report

The Board of Directors
Daiwa House Residential Investment Corporation

We have audited the accompanying financial statements of Daiwa House Residential Investment Corporation which comprise the balance sheet as at August 31, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House Residential Investment Corporation as at August 31, 2015, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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



November 17, 2015
Tokyo, Japan

Daiwa House Residential Investment Corporation

Balance Sheets

As of February 28, 2015 and August 31, 2015

	As of February 28, 2015	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Assets			
Current assets:			
Cash and bank deposits (including trust accounts)	¥ 6,842,747	¥ 7,668,757	\$ 63,284
Rental receivables	42,318	85,467	705
Prepaid expenses	319,725	348,569	2,876
Consumption taxes receivable	—	78,484	647
Other current assets	18,756	43,078	355
Allowance for doubtful accounts	(2,878)	(3,440)	(28)
Total current assets	7,220,669	8,220,917	67,840
Property and equipment:			
Land	21,908,825	21,908,825	180,795
Buildings and structures	28,688,636	28,731,991	237,101
Machinery and equipment	444,169	456,634	3,768
Tools, furniture and fixtures	663,919	670,176	5,530
Land in trust	83,507,233	85,002,219	701,454
Construction in progress in trust	—	12,000	99
Buildings and structures in trust	103,827,874	119,159,380	983,325
Machinery and equipment in trust	1,564,730	1,900,424	15,682
Tools, furniture and fixtures in trust	402,057	437,363	3,609
Less – accumulated depreciation	(15,345,303)	(17,210,261)	(142,022)
Net property and equipment	225,662,142	241,068,755	1,989,344
Investments and other assets:			
Long-term prepaid expenses	470,317	445,727	3,678
Guarantee deposits	10,195	10,195	84
Leasehold rights in trust	3,355,090	5,354,762	44,188
Software	2,360	2,326	19
Trademark rights	4,090	3,731	30
Lease and guarantee deposits in trust	1,956,916	3,250,134	26,820
Total investments and other assets	5,798,969	9,066,878	74,821
Deferred assets:			
Investment corporation bond issuance costs	49,008	43,982	362
Total deferred assets	49,008	43,982	362
Total assets	¥ 238,730,791	¥ 258,400,533	\$ 2,132,369

	As of February 28, 2015	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Liabilities and net assets			
Current liabilities:			
Trade and other payables	¥ 515,817	¥ 837,986	\$ 6,915
Short-term loans	800,000	10,000,000	82,521
Current portion of long-term loans	10,500,000	18,100,000	149,364
Accrued expenses	505,315	543,089	4,481
Consumption taxes payable	22,707	-	-
Rent received in advance	865,272	903,634	7,456
Deposits received	233,793	258,258	2,131
Total current liabilities	13,442,905	30,642,969	252,871
Long-term liabilities:			
Investment corporation bonds	9,000,000	9,000,000	74,269
Long-term loans	102,163,000	104,563,000	862,873
Tenant leasehold and security deposits	310,390	302,369	2,495
Tenant leasehold and security deposits in trust	1,948,212	2,124,653	17,533
Asset retirement obligations	410,420	415,079	3,425
Total long-term liabilities	113,832,022	116,405,102	960,596
Total liabilities	127,274,928	147,048,071	1,213,468
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 4,000,000			
Units issued and outstanding: 747,740	61,703,224	61,703,224	509,186
Capital surplus	28,241,587	28,241,587	233,054
Reserve for distribution	18,430,566	18,261,746	150,699
Retained earnings	3,080,483	3,145,903	25,960
Total unitholders' equity	111,455,862	111,352,461	918,901
Total net assets	111,455,862	111,352,461	918,901
Total liabilities and net assets	¥ 238,730,791	¥ 258,400,533	\$ 2,132,369

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Income and Retained Earnings

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

	From September 1, 2014 to February 28, 2015	From March 1, 2015 to August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:			
Rental revenues	¥ 8,693,579	¥ 9,356,103	\$ 77,208
Total operating revenues	8,693,579	9,356,103	77,208
Operating expenses:			
Real estate rental expenses	3,875,698	4,438,425	36,626
Asset management fees	580,268	620,236	5,118
Asset custodian and consignment fees	21,409	21,424	176
Administrative service and consignment fees	56,723	57,810	477
Directors' remuneration	6,600	6,600	54
Bad debts expenses	514	—	—
Provision of allowance for doubtful accounts	2,623	1,223	10
Other operating expenses	267,951	284,534	2,348
Total operating expenses	4,811,789	5,430,254	44,811
Operating income	3,881,789	3,925,849	32,396
Non-operating income (expenses):			
Interest income	467	505	4
Interest expense	(621,771)	(575,549)	(4,749)
Gain on exclusion of distribution payable	3,878	4,518	37
Interest expenses on investment corporation bonds	(19,709)	(32,543)	(268)
Amortization of investment corporation bond issuance costs	(3,244)	(5,025)	(41)
Financing related expenses	(158,733)	(169,651)	(1,399)
Other, net	(1,587)	(1,593)	(13)
Total non-operating income (expenses)	(800,700)	(779,340)	(6,431)
Ordinary income	3,081,088	3,146,508	25,965
Income before income taxes	3,081,088	3,146,508	25,965
Income taxes:			
Current	605	605	4
Total income taxes	605	605	4
Net income	3,080,483	3,145,903	25,960
Retained earnings at end of period	¥ 3,080,483	¥ 3,145,903	\$ 25,960

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Changes in Net Assets

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

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

For the period from March 1, 2015 to August 31, 2015

	For the period from March 1, 2015 to August 31, 2015						
	Net assets						
	Unitholders' equity						Total net assets
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	
	(Thousands of yen)						
Balance as of March 1, 2015	747,740	¥61,703,224	¥28,241,587	¥18,430,566	¥3,080,483	¥111,455,862	¥111,455,862
Changes during the fiscal period:							
Reversal of reserve for distribution	—	—	—	(168,820)	168,820	—	—
Dividends from retained earnings	—	—	—	—	(3,249,304)	(3,249,304)	(3,249,304)
Net income	—	—	—	—	3,145,903	3,145,903	3,145,903
Total changes during the fiscal period	—	—	—	(168,820)	65,419	(103,400)	(103,400)
Balance as of August 31, 2015	747,740	¥61,703,224	¥28,241,587	¥18,261,746	¥3,145,903	¥111,352,461	¥111,352,461

For the period from March 1, 2015 to August 31, 2015

	For the period from March 1, 2015 to August 31, 2015						
	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
	(Thousands of U.S. dollars)						
Balance as of March 1, 2015	747,740	\$509,186	\$233,054	\$152,092	\$ 25,420	\$919,754	\$919,754
Changes during the fiscal period:							
Reversal of reserve for distribution	—	—	—	(1,393)	1,393	—	—
Dividends from retained earnings	—	—	—	—	(26,813)	(26,813)	(26,813)
Net income	—	—	—	—	25,960	25,960	25,960
Total changes during the fiscal period	—	—	—	(1,393)	539	(853)	(853)
Balance as of August 31, 2015	747,740	\$509,186	\$233,054	\$150,699	\$25,960	\$918,901	\$918,901

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Statements of Cash Flows

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

	From September 1, 2014 to February 28, 2015	From March 1, 2015 to August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash flows from operating activities			
Income before income taxes	¥ 3,081,088	¥ 3,146,508	\$ 25,965
Depreciation and amortization	1,689,906	1,897,265	15,656
Amortization of investment corporation bond issuance costs	3,244	5,025	41
Loss on retirement of noncurrent assets	3,070	2,640	21
Amortization of trademark rights	518	359	2
Amortization of software	221	292	2
Interest income	(467)	(505)	(4)
Interest expense	641,481	608,093	5,018
Change in rental receivables	16,233	(43,148)	(356)
Change in consumption taxes receivable	—	(101,191)	(835)
Change in advance payments	(18,104)	(28,844)	(238)
Change in trade payables	(63,931)	209,654	1,730
Change in other payables	(5,517)	(7,018)	(57)
Change in accrued consumption taxes	8,057	—	—
Change in accrued expenses	1,749	32,557	268
Change in deposits received	6,593	2,907	23
Change in rent received in advance	(5,510)	38,362	316
Change in long-term prepaid expenses	44,219	24,589	202
Change in allowance for doubtful accounts	(607)	562	4
Change in lease and guarantee deposits in trust	—	(1,293,218)	(10,671)
Other	(75,412)	(95,395)	(787)
Subtotal	5,326,832	4,399,496	36,305
Interest received	467	505	4
Interest paid	(643,147)	(602,876)	(4,975)
Income taxes paid	(600)	(612)	(5)
Net cash provided by operating activities	4,683,551	3,796,512	31,329
Cash flows from investing activities			
Purchases of property and equipment	(54,810)	(53,670)	(442)
Purchases of property and equipment in trust	(2,626,247)	(17,105,008)	(141,153)
Purchases of intangible fixed assets	(911)	(259)	(2)
Purchases of intangible fixed assets in trust	—	(2,030,432)	(16,755)
Proceeds from tenant leasehold and security deposits	30,727	34,350	283
Payment of tenant leasehold and security deposits	(22,162)	(18,914)	(156)
Proceeds from tenant leasehold and security deposits in trust	202,242	383,229	3,162
Payment of tenant leasehold and security deposits in trust	(102,444)	(132,945)	(1,097)
Net cash used in investing activities	(2,573,607)	(18,923,652)	(156,161)
Cash flows from financing activities			
Proceeds from short-term loans	1,600,000	10,000,000	82,521
Repayment of short-term loans	(800,000)	(800,000)	(6,601)
Proceeds from long-term loans	8,858,000	10,000,000	82,521
Proceeds from issuance of investment corporation bonds	5,959,515	—	—
Repayment of rehabilitation obligations	(14,861,887)	—	—
Dividend payment	(3,246,573)	(3,246,851)	(26,793)
Net cash provided by (used in) financing activities	(2,490,945)	15,953,148	131,648
Net increase (decrease) in cash and cash equivalents	(381,001)	826,009	6,816
Cash and cash equivalents at beginning of period	7,223,749	6,842,747	56,467
Cash and cash equivalents at end of period	¥ 6,842,747	¥ 7,668,757	\$ 63,284

See accompanying notes to financial statements.

Daiwa House Residential Investment Corporation

Notes to Financial Statements

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

1. Organization and Basis of Presentation

(a) Organization

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

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

(b) Basis of presentation

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

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

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

1. Organization and Basis of Presentation (continued)

The U.S. dollar amounts in the accompanying financial statements have been translated from yen amounts solely for the convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥121.18 = U.S.\$1.00, the rate of exchange prevailing on August 31, 2015. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Cash and cash equivalents

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

(b) Property and equipment

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

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

(c) Intangible fixed assets

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

The estimated useful life of software is 5 years.

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

(d) Investment corporation bond issuance costs

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

(e) Revenue recognition

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

(f) Taxes on property and equipment

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

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

(g) Income taxes

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

(h) Allowance for doubtful accounts

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

(i) Consumption taxes

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

(j) Trust beneficiary interests

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

(k) Derivatives and hedge accounting

(1) Derivatives and hedge accounting

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of evaluating hedge effectiveness

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

3. Cash and Cash Equivalents

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

	As of February 28, 2015	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥ 3,058,232	¥ 3,294,129	\$ 27,183
Cash in trust and deposits in trust	3,784,515	4,374,627	36,100
Cash and cash equivalents	<u>¥ 6,842,747</u>	<u>¥ 7,668,757</u>	<u>\$ 63,284</u>

4. Lease Transactions

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

	As of February 28, 2015	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Future lease receivable equivalents			
Due within one year	¥ 570,191	¥ 746,215	\$ 6,157
Due after one year	115,940	516,354	4,261
Total	<u>¥ 686,131</u>	<u>¥ 1,262,569</u>	<u>\$ 10,418</u>

5. Short-Term Loans and Long-Term Loans

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

Lender	As of February 28, 2015 <i>(Thousands of yen)</i>	As of August 31, 2015 <i>(Thousands of yen)</i>	As of August 31, 2015 <i>(Thousands of U.S. dollars)</i>	Average interest rate (%) (1)	Due on	Use of funds	Note
Short-term loans:							
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	¥200,000	–	–	0.63	September 25, 2015	(2)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	200,000	–	–				
Sumitomo Mitsui Banking Corporation	200,000	–	–				
Mizuho Bank, Ltd.	200,000	–	–				
Mizuho Bank, Ltd.	–	¥3,250,000	\$26,819	0.31	April 28, 2016	(2)	Unsecured without warranty
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	–	3,250,000	26,819	0.31	April 28, 2016	(2)	Unsecured without warranty
Sumitomo Mitsui Banking Corporation	–	1,750,000	14,441	0.31	April 28, 2016	(2)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	–	1,750,000	14,441	0.31	April 28, 2016	(2)	Unsecured without warranty
Subtotal	800,000	10,000,000	82,521				
Current portion of long-term loans:							
Sumitomo Mitsui Banking Corporation	¥1,800,000	¥1,800,000	\$14,853	1.40	December 28, 2015	(3)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	1,800,000	1,800,000	14,853				
Mizuho Bank, Ltd.	1,800,000	1,800,000	14,853				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,800,000	1,800,000	14,853				
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000	1,400,000	11,553	0.43	March 31, 2016	(4)	Unsecured without warranty
Resona Bank, Ltd.	1,400,000	1,400,000	11,553				
Shinsei Bank, Limited.	500,000	500,000	4,126				
Sumitomo Mitsui Trust Bank, Limited.	–	2,000,000	16,504				
Aozora Bank, Ltd.	–	2,000,000	16,504				
The Norinchukin Bank	–	1,000,000	8,252				
The Chiba Bank, Ltd.	–	600,000	4,951				
Sumitomo Mitsui Banking Corporation	–	500,000	4,126				
Mizuho Bank, Ltd.	–	500,000	4,126				
The Shizuoka Bank, Ltd.	–	500,000	4,126				
The Bank of Fukuoka	–	500,000	4,126				
Subtotal	10,500,000	18,100,000	149,364				
Long-term loans:							
Sumitomo Mitsui Trust Bank, Limited.	¥5,200,000	¥5,200,000	\$42,911	1.10	September 30, 2016	(5)	Unsecured without warranty
Sumitomo Mitsui Banking Corporation	5,200,000	5,200,000	42,911				
Mizuho Bank, Ltd.	5,200,000	5,200,000	42,911				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	5,200,000	5,200,000	42,911				
Aozora Bank, Ltd.	4,500,000	4,500,000	37,134				
Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000	3,000,000	24,756				
Resona Bank, Ltd.	2,500,000	2,500,000	20,630				
Shinsei Bank, Limited.	1,000,000	1,000,000	8,252				

Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	24,756					
Aozora Bank, Ltd.	1,500,000	1,500,000	12,378	1.03	March 31, 2017	(6)	Unsecured without warranty	
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000	1,500,000	12,378					
Shinkin Central Bank	1,000,000	1,000,000	8,252					
Mizuho Bank, Ltd.	3,000,000	3,000,000	24,756	1.03	March 31, 2017	(6)	Unsecured without warranty	
Sumitomo Mitsui Trust Bank, Limited.	3,000,000	3,000,000	24,756					
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	8,252					
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	4,000,000	4,000,000	33,008	1.07	March 27, 2019	(6)	Unsecured without warranty	
Resona Bank, Ltd.	1,095,000	1,095,000	9,036	0.77	March 31, 2017	(7)	Unsecured without warranty	
Sumitomo Mitsui Trust Bank, Limited.	3,480,000	3,480,000	28,717					
Sumitomo Mitsui Banking Corporation	3,480,000	3,480,000	28,717	0.70	July 31, 2017	(7)	Unsecured without warranty	
Mizuho Bank, Ltd.	3,480,000	3,480,000	28,717					
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,960,000	1,960,000	16,174					
Sumitomo Mitsui Trust Bank, Limited.	2,000,000	—	—					
Aozora Bank, Ltd.	2,000,000	—	—					
The Norinchukin Bank	1,000,000	—	—					
The Chiba Bank, Ltd.	600,000	—	—	0.43	March 31, 2016	(4)	Unsecured without warranty	
Sumitomo Mitsui Banking Corporation	500,000	—	—					
Mizuho Bank, Ltd.	500,000	—	—					
The Shizuoka Bank, Ltd.	500,000	—	—					
The Bank of Fukuoka	500,000	—	—					
Sumitomo Mitsui Trust Bank, Limited.	4,430,000	4,430,000	36,557					
Sumitomo Mitsui Banking Corporation	3,260,000	3,260,000	26,902					
Aozora Bank, Ltd.	2,700,000	2,700,000	22,280					
Mizuho Bank, Ltd.	1,930,000	1,930,000	15,926	0.96	January 31, 2020	(4)	Unsecured without warranty	
Mizuho Trust & Banking Co., Ltd.	1,830,000	1,830,000	15,101					
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000	1,350,000	11,140					
The Norinchukin Bank	1,000,000	1,000,000	8,252					
Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000	910,000	7,509					
Development Bank of Japan Inc.	1,500,000	1,500,000	12,378	0.96	January 31, 2020	(4)	Unsecured without warranty	
The Norinchukin Bank	3,500,000	3,500,000	28,882	0.90	January 31, 2021	(4)	Unsecured without warranty	
Sumitomo Mitsui Trust Bank, Limited.	1,599,000	1,599,000	13,195					
The Norinchukin Bank	1,510,000	1,510,000	12,460					
Aozora Bank, Ltd.	1,169,000	1,169,000	9,646					
Sumitomo Mitsui Banking Corporation	936,000	936,000	7,724					
Mizuho Bank, Ltd.	603,000	603,000	4,976	0.55	January 31, 2022	(4)	Unsecured without warranty	
Mizuho Trust & Banking Co., Ltd.	454,000	454,000	3,746					
Mitsubishi UFJ Trust and Banking Co., Ltd.	226,000	226,000	1,864					
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	211,000	211,000	1,741					
The Chiba Bank, Ltd.	150,000	150,000	1,237					
Development Bank of Japan Inc.	2,000,000	2,000,000	16,504	0.88	January 31, 2024	(4)	Unsecured without warranty	

Sumitomo Mitsui Trust Bank, Limited.	–	2,030,000	16,751					
The Norinchukin Bank	–	1,600,000	13,203					
Sumitomo Mitsui Banking Corporation	–	1,354,500	11,177					
Aozora Bank, Ltd.	–	1,192,000	9,836					
Mizuho Bank, Ltd.	–	1,017,000	8,392					
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	–	616,000	5,083					
Mizuho Trust & Banking Co., Ltd.	–	524,000	4,324	0.61	April 28, 2022	(2)	Unsecured without warranty	
Nippon Life Insurance Company	–	500,000	4,126					
Development Bank of Japan Inc.	–	400,000	3,300					
Mitsubishi UFJ Trust and Banking Co., Ltd.	–	291,500	2,405					
The Shizuoka Bank, Ltd.	–	260,000	2,145					
The Chiba Bank, Ltd.	–	215,000	1,774					
Subtotal	102,163,000	104,563,000	862,873					
Total	¥113,463,000	¥132,663,000	\$1,094,759					

- (1) The average interest rate for each loan has been rounded to the second decimal place.
- (2) Acquisition of trust beneficiary rights in real estate and related expenses.
- (3) Purchase of rehabilitation obligations (others), purchase of rehabilitation obligations (investment corporation bonds), and repayment of part of rehabilitation obligations (loans).
- (4) Redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (5) Repayment of existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).
- (6) Purchase of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).
- (7) Repayment of existing loans (refinance fund).

6. Commitment Line

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

	As of February 28, 2015 <i>(Thousands of</i> <i>yen)</i>	
Total amount of commitment line	¥ 10,000,000	
Outstanding loans at end of the period	800,000	
Amount unutilized at end of the period	¥ 9,200,000	

	As of August 31, 2015 <i>(Thousands of</i> <i>yen)</i>		<i>(Thousands of</i> <i>U.S. dollars)</i>
Total amount of commitment line	¥ 10,000,000		\$ 82,521
Outstanding loans at end of the period	—		—
Amount unutilized at end of the period	¥ 10,000,000		\$ 82,521

7. Details of Rental Revenues and Expenses

	From September 1, 2014 to February 28, 2015 <i>(Thousands of yen)</i>	From March 1, 2015 to August 31, 2015 <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Real estate rental revenues:			
Rental income	¥ 7,872,555	¥ 8,422,768	\$ 69,506
Common service fees	276,337	293,561	2,422
Subtotal	8,148,893	8,716,329	71,928
Other rental revenues:			
Facility charges	256,430	284,130	2,344
Incidental revenues	45,153	52,750	435
Other rental business revenues	243,101	302,892	2,499
Subtotal	544,685	639,773	5,279
Total rental revenues	8,693,579	9,356,103	77,208
Real estate rental expenses:			
Management fees	857,325	903,562	7,456
Utilities	139,291	135,789	1,120
Taxes and public dues	464,344	489,716	4,041
Repairs	180,677	239,183	1,973
Insurance premiums	12,538	14,000	115
Restoration costs	220,468	291,732	2,407
Custodian fees	44,685	46,844	386
Depreciation and amortization	1,689,906	1,897,265	15,656
Other operating expenses	266,460	420,329	3,468
Total real estate rental expenses	3,875,698	4,438,425	36,626
Rental income	¥ 4,817,880	¥ 4,917,678	\$ 40,581

7. Details of Rental Revenues and Expenses (continued)

Transactions with major unitholders

	From September 1, 2014 to February 28, 2015 <i>(Thousands of yen)</i>	
Business transaction		
Operating revenues	¥ 82,809	
Other	—	
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	1,100,000	
	From March 1, 2015 to August 31, 2015 <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
Business transaction		
Operating revenues	¥ 82,809	\$ 683
Other	1,019	8
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	17,750,000	146,476

8. Financial Instruments

1. Status of Financial Instruments

(a) Policy for the use of financial instruments

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

DHI may use derivative financial instruments for such purposes as hedging interest rate fluctuation risk, but does not engage in speculative transactions using these instruments. DHI currently uses interest-rate swaps to hedge interest rate fluctuation risk.

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

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

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

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

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

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

(c) Supplementary explanation concerning fair value of financial instruments

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

8. Financial Instruments (continued)

2. Fair Value of Financial Instruments

The book value on the balance sheet, fair value and the difference as of February 28, 2015 and August 31, 2015 are as follows.

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

	As of August 31, 2015		
	<i>(Thousands of yen)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 7,668,757	¥ 7,668,757	—
(2) Short-term loans	10,000,000	10,000,000	—
(3) Current portion of long-term loans	18,100,000	18,117,777	¥(17,777)
(4) Investment corporation bonds	9,000,000	8,964,296	35,703
(5) Long-term loans	104,563,000	105,099,737	(536,737)
(6) Derivatives	—	—	—

	As of August 31, 2015		
	<i>(Thousands of U.S. dollars)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	\$ 63,284	\$ 63,284	—
(2) Short-term loans	82,521	82,521	—
(3) Current portion of long-term loans	149,364	149,511	\$ (146)
(4) Investment corporation bonds	74,269	73,975	294
(5) Long-term loans	862,873	867,302	(4,429)
(6) Derivatives	—	—	—

8. Financial Instruments (continued)

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

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

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

(2) Short-term loans

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

(4) Investment corporation bonds

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

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

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

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

(6) Derivatives

Please refer to “9. Derivative Transactions” below.

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

	As of February 28, 2015	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
	Within one year		
Cash and bank deposits (including trust accounts)	¥6,842,747	¥7,668,757	\$63,284
Total	¥6,842,747	¥7,668,757	\$63,284

8. Financial Instruments (continued)

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

As of February 28, 2015						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	¥800,000	—	—	—	—	—
Current portion of long-term loans	10,500,000	—	—	—	—	—
Investment corporation bonds	—	—	¥3,000,000	—	—	¥6,000,000
Long-term loans	—	¥39,400,000	27,495,000	—	¥22,910,000	12,358,000
Total	¥11,300,000	¥39,400,000	¥30,495,000	—	¥22,910,000	¥18,358,000

As of August 31, 2015						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	¥10,000,000	—	—	—	—	—
Current portion of long-term loans	18,100,000	—	—	—	—	—
Investment corporation bonds	—	¥3,000,000	—	—	—	¥6,000,000
Long-term loans	—	59,295,000	—	¥4,000,000	¥18,910,000	22,358,000
Total	¥28,100,000	¥62,295,000	—	¥4,000,000	¥18,910,000	¥28,358,000

As of August 31, 2015						
<i>(Thousands of U.S. dollars)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	\$82,521	—	—	—	—	—
Current portion of long-term loans	149,364	—	—	—	—	—
Investment corporation bonds	—	\$24,756	—	—	—	\$49,513
Long-term loans	—	489,313	—	\$33,008	\$156,048	184,502
Total	\$231,886	\$514,069	—	\$33,008	\$156,048	\$234,015

9. Derivative Transactions

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

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

As of February 28, 2015

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥89,610,000	¥79,110,000	(Note)	—
Total	¥89,610,000	¥79,110,000	—	—

As of August 31, 2015

(Thousands of yen)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	¥106,468,000	¥95,968,000	(Note)	—
Total	¥106,468,000	¥95,968,000	—	—

As of August 31, 2015

(Thousands of U.S. dollars)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	\$878,593	\$791,945	(Note)	—
Total	\$878,593	\$791,945	—	—

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

10. Asset Retirement Obligations

1. Details of applicable asset retirement obligations

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

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

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

3. Changes in applicable asset retirement obligations

	From September 1, 2014 to February 28, 2015
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥405,813
Accretion expense	4,607
Balance at end of the period	¥410,420
	From March 1, 2015 to August 31, 2015
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥410,420
Accretion expense	4,659
Balance at end of the period	¥415,079
	From March 1, 2015 to August 31, 2015
	<i>(Thousands of U.S. dollars)</i>
Balance at beginning of the period	\$3,386
Accretion expense	38
Balance at end of the period	\$3,425

11. Investment and Rental Properties

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

	As of February 28, 2015	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Book value on balance sheets			
Balance at beginning of the period	¥228,005,334	¥229,017,233	\$1,889,892
Change during the period	1,011,898	17,394,284	143,540
Balance at end of the period	229,017,233	246,411,517	2,033,433
Fair value at end of the period	250,346,000	273,723,000	2,258,813

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

(Note 2) The change during the period ended February 28, 2015 includes an increase of (¥2,424,635 thousand) primarily due to the acquisition of Castalia Meguro Tairamachi and Aburatsubo Marina HILLS and a decrease primarily due to depreciation and amortization.

The change during the period ended August 31, 2015 includes an increase of (¥19,000,210 thousand) (\$156,793 thousand) primarily due to the acquisition of Royal Parks SEASIR, Castalia Honkomagome, Pacific Royal Court Minatomirai Urban Tower, L-Place Shinkoyasu and Royal Parks Musasikosugi and a decrease primarily due to depreciation and amortization.

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

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

12. Segment Information

1. Segment Information

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

2. Related Information

(1) Information about products and services

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHI's statements of income and retained earnings for the periods ended February 28, 2015 and August 31, 2015, information about products and services has been omitted.

(2) Information about geographic areas

(a) Operating revenues

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHI's statements of income and retained earnings for the periods ended February 28, 2015 and August 31, 2015, information about geographic areas has been omitted.

(b) Property and equipment

Since over 90% of total property and equipment on the balance sheets as of February 28, 2015 and August 31, 2015 are located within Japan, information about geographic areas on such property and equipment has been omitted.

(3) Information about major customers

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

Since no single external client represents 10% or more of total operating revenues in DHI's statement of income and retained earnings for the period ended February 28, 2015, information about major customers has been omitted.

For the period from March 1, 2015 to August 31, 2015

(Thousands of yen)

Name	Operating revenues	Related segment
DAIWA LIVING Co., Ltd.	¥1,286,106	Real estate leasing

(Thousands of U.S. dollars)

Name	Operating revenues	Related segment
DAIWA LIVING Co., Ltd.	\$10,613	Real estate leasing

13. Deferred Income Taxes

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

	As of February 28, 2015 <i>(Thousands of yen)</i>
Deferred tax assets - current:	
Allowance for doubtful accounts	¥447
Others	19,819
Subtotal-Deferred tax assets - current	20,266
Valuation reserve	¥20,266
Total deferred tax assets - current	—
Net deferred tax assets - current	—
Deferred tax assets - non-current:	
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥1,912
Valuation difference from the time of merger (Land, Buildings)	1,721,421
Loss carryforward assumed at the time of merger	15,204,956
Asset retirement obligations	140,158
Others	23,100
Subtotal	17,091,549
Deferred tax liabilities - non-current:	
Valuation difference from the time of merger (Land, Buildings)	1,887,194
Asset retirement costs (associated with asset retirement obligations)	128,547
Subtotal	2,015,742
Valuation reserve	¥15,075,807
Total deferred tax assets - non-current	—
Net deferred tax assets - non-current	—

13. Deferred Income Taxes (continued)

	As of August 31, 2015	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets - current:		
Allowance for doubtful accounts	¥43	\$0
Others	19,554	161
Subtotal-Deferred tax assets - current	19,598	161
Valuation reserve	¥19,598	\$161
Total deferred tax assets - current	—	—
Net deferred tax assets - current	—	—
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥1,577	\$13
Valuation difference from the time of merger (Land, Buildings)	1,601,372	13,214
Loss carryforward assumed at the time of merger	14,385,714	118,713
Asset retirement obligations	134,112	1,106
Others	31,794	262
Subtotal	16,154,571	133,310
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	1,769,317	14,600
Asset retirement costs (associated with asset retirement obligations)	121,621	1,003
Subtotal	1,890,938	15,604
Valuation reserve	¥14,263,632	\$117,706
Total deferred tax assets - non-current	—	—
Net deferred tax assets - non-current	—	—

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

	From September 1, 2014 to February 28, 2015	From March 1, 2015 to August 31, 2015
Statutory tax rate	34.16%	34.15%
(Adjustment)		
Tax-deductible dividends paid	(34.03)	(34.18)
Other	(0.11)	0.05
Effective tax rate after applying deferred income tax accounting	0.02%	0.02%

14. Related Party Transactions

1) Controlling company and major corporate investors

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

Attribute	Name	Location	Capital (Millions of yen)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen)	Account	Balance at end of period (Thousands of yen)
						Position of director(s) serving concurrently	Business relationship				
Major unitholder	DAIWA HOUSE INDUSTRY Co., Ltd.	Osaka City, Osaka	¥161,699	Construction industry	10.09	—	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥1,100,000	—	—

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

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

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

(b) For the period from March 1, 2015 to August 31, 2015

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Major unitholder	DAIWA HOUSE INDUSTRY Co., Ltd.	Osaka City, Osaka	¥161,699 (\$1,334)	Construction industry	10.09	—	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥17,750,000 (\$146,476)	—	—

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

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

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

2) Affiliates

Not applicable.

3) Sister companies

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

Attribute	Name	Location	Capital (Millions of yen)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen)	Account	Balance at end of period (Thousands of yen)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda- ku, Tokyo	¥300	Asset management	—	—	Consigned asset- management operations	Asset- management compensation payment	¥ 593,988	Accrued expenses	¥ 364,684
Subsidiary of DHI's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100	Real estate property management	—	—	Property lease and management	Property lease and management compensation payment	811,415	Accrued operating expenses payable	198,428

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

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

(b) For the period from March 1, 2015 to August 31, 2015

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHI's major corporate investors	Daiwa House Asset Management Co., Ltd.	Chiyoda- ku, Tokyo	¥300 (\$2)	Asset management	—	—	Consigned asset- management operations	Asset- management compensation payment	¥ 691,236 (\$5,704)	Accrued expenses	¥ 397,259 (\$3,278)
	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100 (\$0)	Real estate property management	—	—	Property lease and management	Rental income etc.	1,286,106 (10,613)	Tenant leasehold and security deposits in trust	259,477 (2,141)
Subsidiary of DHI's major corporate investors								Property lease and management compensation payment	961,357 (7,933)	Accrued operating expenses payable	273,092 (2,253)

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

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

4) Director and major individual investors

Not applicable.

15. Per Unit Information

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

	As of / For the six months ended February 28, 2015	As of / For the six months ended August 31, 2015	
	(yen)	(yen)	(U.S. dollars)
Net assets per unit	¥ 149,056	¥ 148,918	\$1,228
Net income per unit	¥ 4,119	¥ 4,207	\$34

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

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

“Net assets per unit” and “Net income per unit” were calculated under the assumption that the split was implemented at the beginning of the fiscal period ended February 28, 2015.

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

	From September 1, 2014 to February 28, 2015	From March 1, 2015 to August 31, 2015	
	(Thousands of yen)	(Thousands of yen)	(Thousands of U.S. dollars)
Net income	¥ 3,080,483	¥ 3,145,903	\$25,960
Amount not attributable to common unitholders	—	—	—
Net income attributable to common units	¥ 3,080,483	¥ 3,145,903	\$25,960
Average number of investment units during the period (in units)	747,740	747,740	747,740

16. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand (\$412 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

17. Significant Subsequent Events

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

1. Cash dividends

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

(Method of calculation of cash dividends)

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

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,249,304,170 (¥8,691 per unit) was set as the amount for distribution of dividends.

The amount is the total of the current period's unappropriated income of ¥3,080,483,901 and the reversal of reserve for distribution of ¥168,820,269.

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

(b) For the period from March 1, 2015 to August 31, 2015

1. Cash dividends

On October 8, 2015, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥4,460 (\$36) per unit, aggregating to ¥3,334,920,400 (\$27,520,386), to unitholders of record as of August 31, 2015.

(Method of calculation of cash dividends)

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

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,334,920,400 (\$27,520,386) (¥4,460 per unit) (\$36 per unit) was set as the amount for distribution of dividends.

The amount is the total of the current period's unappropriated income of ¥3,145,903,429 (\$25,960,582) and the reversal of reserve for distribution of ¥189,016,971 (\$1,559,803).

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

17. Significant Subsequent Events (continued)

2. Acquisition of property

DHI acquired the following asset on November 2, 2015.

Property Name	Castalia Kyoto Nishioji
Asset Type	Real estate
Acquisition Price (Note 1) (Thousands of yen) (Thousands of U.S. dollars)	¥973,000 (\$8,029)
Seller (Note 2)	Company engaged in general business in Japan
Execution Date of Agreement	October 15, 2015
Acquisition Date	November 2, 2015

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

(Note 2) No name, etc. is shown as the seller has not consented to such disclosure. Please note that the seller does not constitute a party with particular vested interest in DHI or the Asset Manager.

3. Changes in commitment line

DHI agreed to amend the terms of the commitment line as of September 30, 2015 as follows.

Total credit limit:	¥10,000 million (\$82 million)
Lenders:	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, and Mizuho Bank, Ltd.
Drawdown period:	From October 4, 2015 to October 3, 2016
Individual loan period:	Within 1 year
Collateral and guarantee:	Unsecured and non-guaranteed
Usage of funds:	To fund the acquisition of trust beneficiary rights and real estate (including common area), as well as payment of related expenses, the repayment and redemption of existing loans (including existing investment corporation bonds).

18. Changes in Investment Units Issued

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

Date	Type	Investment units issued (Units)		Total unitholders' capital (Millions of yen)		Comments
		Change in number	Balance	Amount of change	Balance	
April 1, 2010	Merger	69,475	118,735	—	¥24,002	(Note 1)
October 4, 2011	Capital increase by public offering	38,000	156,735	¥15,999	¥40,002	(Note 2)
November 2, 2011	Third-party allotment	3,800	160,535	¥ 1,599	¥41,602	(Note 3)
March 1, 2013	Split of investment units	160,535	321,070	—	¥41,602	(Note 4)
March 18, 2013	Capital increase by public offering	28,000	349,070	¥10,455	¥52,058	(Note 5)
April 17, 2013	Third-party allotment	2,800	351,870	¥ 1,045	¥53,104	(Note 6)
October 28, 2013	Capital increase by public offering	20,000	371,870	¥7,817	¥60,921	(Note 7)
November 19, 2013	Third-party allotment	2,000	373,870	¥ 781	¥61,703	(Note 8)
March 1, 2015	Split of investment units	373,870	747,740	—	¥61,703	(Note 9)

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

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

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

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

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

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

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

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

(Note 9) Investment units were split (2-for-1) on March 1, 2015 as effective date.

19. Other Supplementary Information

1) Detailed Schedule of Portfolio
Not applicable.

2) Contract Amount and Fair Value of Derivative Transactions as of August 31, 2015

(Thousands of yen)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	¥106,468,000	¥95,968,000	—
Total		¥106,468,000	¥95,968,000	—

(Thousands of U.S. dollars)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	\$878,593	\$791,945	—
Total		\$878,593	\$791,945	—

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

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

3) General Overview of Detailed Schedule of Real Estate as of August 31, 2015

(Thousands of yen)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	¥28,439,011	¥41,792	—	¥28,480,803	¥3,035,186	¥290,983	¥25,445,617
	Structures	249,625	1,562	—	251,188	27,928	2,843	223,259
	Machinery and equipment	444,169	12,464	—	456,634	84,388	8,534	372,245
	Tools, furniture and fixtures	663,919	6,541	¥284	670,176	250,012	22,707	420,164
	Land	21,908,825	—	—	21,908,825	—	—	21,908,825
	Buildings in trust	102,954,580	15,253,701	3,352	118,204,930	12,921,816	1,435,516	105,283,114
	Structures in trust	873,293	81,156	—	954,449	135,316	19,529	819,133
	Machinery and equipment in trust	1,564,730	335,694	—	1,900,424	572,156	65,472	1,328,268
	Tools, furniture and fixtures in trust	402,057	35,857	551	437,363	183,455	20,917	253,907
	Land in trust	83,507,233	1,494,986	—	85,002,219	—	—	85,002,219
	Construction in progress in trust	—	12,000	—	12,000	—	—	12,000
	Total	¥241,007,446	¥17,275,758	¥4,187	¥258,279,016	¥17,210,261	¥1,866,505	¥241,068,755
Intangible fixed assets	Leasehold rights in trust	¥3,422,634	¥2,030,432	—	¥5,453,067	¥98,304	¥30,760	¥5,354,762
	Software	2,669	259	—	2,928	602	292	2,326
	Trademark rights	8,738	—	—	8,738	5,007	359	3,731
	Total	¥3,434,042	¥2,030,691	—	¥5,464,734	¥103,914	¥31,412	¥5,360,820

19. Other Supplementary Information (continued)

(Thousands of U.S. dollars)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	\$234,684	\$344	–	\$235,028	\$ 25,046	\$2,401	\$209,981
	Structures	2,059	12	–	2,072	230	23	1,842
	Machinery and equipment	3,665	102	–	3,768	696	70	3,071
	Tools, furniture and fixtures	5,478	53	\$2	5,530	2,063	187	3,467
	Land	180,795	–	–	180,795	–	–	180,795
	Buildings in trust	849,600	125,876	27	975,449	106,633	11,846	868,815
	Structures in trust	7,206	669	–	7,876	1,116	161	6,759
	Machinery and equipment in trust	12,912	2,770	–	15,682	4,721	540	10,961
	Tools, furniture and fixtures in trust	3,317	295	4	3,609	1,513	172	2,095
	Land in trust	689,117	12,336	–	701,454	–	–	701,454
	Construction in progress in trust	–	99	–	99	–	–	99
	Total	\$1,988,838	\$142,562	\$34	\$2,131,366	\$142,022	\$15,402	\$1,989,344
Intangible fixed assets	Leasehold rights in trust	\$28,244	\$16,755	–	\$44,999	\$811	\$253	\$44,188
	Software	22	2	–	24	4	2	19
	Trademark rights	72	–	–	72	41	2	30
	Total	\$28,338	\$16,757	–	\$45,096	\$857	\$259	\$44,238

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

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

(Thousands of yen)

Adachi-ku, Tokyo	Royal Parks SEASIR	Building in trust etc.	¥ 3,926,117
Bunkyo-ku, Tokyo	Castalia Honkomagome	Building in trust etc.	¥ 566,225
Yokohama City, Kanagawa	Pacific Royal Court Minatomirai Urban Tower	Building in trust etc.	¥ 8,858,035
Yokohama City, Kanagawa	L-Place Shinkoyasu	Building in trust etc.	¥ 1,354,646
Yokohama City, Kanagawa	Royal Parks Musasikosugi	Building in trust etc.	¥ 769,766

(Thousands of U.S. dollars)

Adachi-ku, Tokyo	Royal Parks SEASIR	Building in trust etc.	\$ 32,399
Bunkyo-ku, Tokyo	Castalia Honkomagome	Building in trust etc.	\$ 4,672
Yokohama City, Kanagawa	Pacific Royal Court Minatomirai Urban Tower	Building in trust etc.	\$ 73,098
Yokohama City, Kanagawa	L-Place Shinkoyasu	Building in trust etc.	\$ 11,178
Yokohama City, Kanagawa	Royal Parks Musasikosugi	Building in trust etc.	\$ 6,352

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

(Thousands of yen)

Bunkyo-ku, Tokyo	Castalia Honkomagome	Land in trust	¥ 1,014,357
Yokohama City, Kanagawa	L-Place Shinkoyasu	Land in trust	¥ 480,628

(Thousands of U.S. dollars)

Bunkyo-ku, Tokyo	Castalia Honkomagome	Land in trust	\$ 8,370
Yokohama City, Kanagawa	L-Place Shinkoyasu	Land in trust	\$ 3,966

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

(Thousands of yen)

Adachi-ku, Tokyo	Royal Parks SEASIR	Leasehold rights in trust	¥ 736,117
Yokohama City, Kanagawa	Pacific Royal Court Minatomirai Urban Tower	Leasehold rights in trust	¥ 933,186
Yokohama City, Kanagawa	Royal Parks Musasikosugi	Leasehold rights in trust	¥ 361,128

(Thousands of U.S. dollars)

Adachi-ku, Tokyo	Royal Parks SEASIR	Leasehold rights in trust	\$ 6,074
Yokohama City, Kanagawa	Pacific Royal Court Minatomirai Urban Tower	Leasehold rights in trust	\$ 7,700
Yokohama City, Kanagawa	Royal Parks Musasikosugi	Leasehold rights in trust	\$ 2,980

19. Other Supplementary Information (continued)

4) Detailed Schedule of Other Specific Assets Not applicable.

5) Detailed Schedule of Investment Corporation Bonds

(Thousands of yen)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation No. 1 Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	¥3,000,000	—	¥3,000,000	1.12%	March 9, 2017	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation No. 2 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	3,000,000	—	3,000,000	0.35%	Jan. 22, 2021	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation No. 3 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	3,000,000	—	3,000,000	0.67%	Jan. 22, 2025	(Note 3)	Unsecured
Total	—	¥9,000,000	—	¥9,000,000	—	—	—	—

(Thousands of U.S. dollars)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation No. 1 Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	\$24,756	—	\$24,756	1.12%	March 9, 2017	(Note 2)	Unsecured
Daiwa House Residential Investment Corporation No. 2 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	24,756	—	24,756	0.35%	Jan. 22, 2021	(Note 3)	Unsecured
Daiwa House Residential Investment Corporation No. 3 Unsecured Investment Corporation Bonds (Note 1)	Jan. 22, 2015	24,756	—	24,756	0.67%	Jan. 22, 2025	(Note 3)	Unsecured
Total	—	\$74,269	—	\$74,269	—	—	—	—

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

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

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

(Note 4) Scheduled payment per year for the investment corporation bonds within a period of 5 years subsequent to August 31, 2015 is as follows.

(Thousands of yen)

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

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	\$24,756	—	—	—
Total	\$24,756	—	—	—

19. Other Supplementary Information (continued)

6) Detailed Schedule of Loans as of August 31, 2015

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Short-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥200,000 (\$1,650)	—	¥200,000 (1,650)	—	0.63%	September 25, 2015	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	200,000 (1,650)	—	200,000 (1,650)	—				
	Sumitomo Mitsui Banking Corporation	200,000 (1,650)	—	200,000 (1,650)	—				
	Mizuho Bank, Ltd.	200,000 (1,650)	—	200,000 (1,650)	—				
	Mizuho Bank, Ltd.	—	¥3,250,000 (\$26,819)	—	¥3,250,000 (\$26,819)	0.31%	April 28, 2016	(Note 13)	Unsecured without warranty
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	3,250,000 (26,819)	—	3,250,000 (26,819)	0.31%	April 28, 2016	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	—	1,750,000 (14,441)	—	1,750,000 (14,441)	0.31%	April 28, 2016	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	—	1,750,000 (14,441)	—	1,750,000 (14,441)	0.31%	April 28, 2016	(Note 13)	Unsecured without warranty
	Subtotal	800,000 (6,601)	10,000,000 (82,521)	800,000 (6,601)	10,000,000 (82,521)	—	—	—	—
Current portion of long-term loans	Sumitomo Mitsui Banking Corporation	1,800,000 (14,853)	—	—	1,800,000 (14,853)	1.40% (Note 2)	December 28, 2015	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,800,000 (14,853)	—	—	1,800,000 (14,853)				
	Mizuho Bank, Ltd.	1,800,000 (14,853)	—	—	1,800,000 (14,853)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (14,853)	—	—	1,800,000 (14,853)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (11,553)	—	—	1,400,000 (11,553)				
	Resona Bank, Ltd.	1,400,000 (11,553)	—	—	1,400,000 (11,553)				
	Shinsei Bank, Limited.	500,000 (4,126)	—	—	500,000 (4,126)	0.43%	March 31, 2016	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	—	2,000,000 (16,504)	—	2,000,000 (16,504)				
	Aozora Bank, Ltd.	—	2,000,000 (16,504)	—	2,000,000 (16,504)				
	The Norinchukin Bank	—	1,000,000 (8,252)	—	1,000,000 (8,252)				
	The Chiba Bank, Ltd.	—	600,000 (4,951)	—	600,000 (4,951)				
	Sumitomo Mitsui Banking Corporation	—	500,000 (4,126)	—	500,000 (4,126)				
	Mizuho Bank, Ltd.	—	500,000 (4,126)	—	500,000 (4,126)				
	The Shizuoka Bank, Ltd.	—	500,000 (4,126)	—	500,000 (4,126)				
	The Bank of Fukuoka	—	500,000 (4,126)	—	500,000 (4,126)				
	Subtotal	10,500,000 (86,647)	7,600,000 (62,716)	—	18,100,000 (149,364)	—	—	—	—

19. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	5,200,000 (42,911)	—	—	5,200,000 (42,911)	1.10% (Note 3)	September 30, 2016	(Note 16)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	5,200,000 (42,911)	—	—	5,200,000 (42,911)				
	Mizuho Bank, Ltd.	5,200,000 (42,911)	—	—	5,200,000 (42,911)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,200,000 (42,911)	—	—	5,200,000 (42,911)				
	Aozora Bank, Ltd.	4,500,000 (37,134)	—	—	4,500,000 (37,134)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000 (24,756)	—	—	3,000,000 (24,756)				
	Resona Bank, Ltd.	2,500,000 (20,630)	—	—	2,500,000 (20,630)				
	Shinsei Bank, Limited.	1,000,000 (8,252)	—	—	1,000,000 (8,252)				
	Sumitomo Mitsui Banking Corporation	3,000,000 (24,756)	—	—	3,000,000 (24,756)	1.03% (Note 4)	March 31, 2017	(Note 17)	Unsecured without warranty
	Aozora Bank, Ltd.	1,500,000 (12,378)	—	—	1,500,000 (12,378)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000 (12,378)	—	—	1,500,000 (12,378)				
	Shinkin Central Bank	1,000,000 (8,252)	—	—	1,000,000 (8,252)				
	Mizuho Bank, Ltd.	3,000,000 (24,756)	—	—	3,000,000 (24,756)	1.03% (Note 4)	March 31, 2017	(Note 17)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,000,000 (24,756)	—	—	3,000,000 (24,756)				
	Mizuho Trust & Banking Co., Ltd.	1,000,000 (8,252)	—	—	1,000,000 (8,252)	1.07% (Note 5)	March 27, 2019	(Note 17)	Unsecured without warranty
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000 (33,008)	—	—	4,000,000 (33,008)				
	Resona Bank, Ltd.	1,095,000 (9,036)	—	—	1,095,000 (9,036)	0.77%	March 31, 2017	(Note 18)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,480,000 (28,717)	—	—	3,480,000 (28,717)	0.70% (Note 6)	July 31, 2017	(Note 18)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,480,000 (28,717)	—	—	3,480,000 (28,717)				
	Mizuho Bank, Ltd.	3,480,000 (28,717)	—	—	3,480,000 (28,717)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,960,000 (16,174)	—	—	1,960,000 (16,174)				
	Sumitomo Mitsui Trust Bank, Limited.	2,000,000 (16,504)	—	2,000,000 (16,504)	—	0.43%	March 31, 2016	(Note 15)	Unsecured without warranty
	Aozora Bank, Ltd.	2,000,000 (16,504)	—	2,000,000 (16,504)	—				
	The Norinchukin Bank	1,000,000 (8,252)	—	1,000,000 (8,252)	—				
	The Chiba Bank, Ltd.	600,000 (4,951)	—	600,000 (4,951)	—				
	Sumitomo Mitsui Banking Corporation	500,000 (4,126)	—	500,000 (4,126)	—				
	Mizuho Bank, Ltd.	500,000 (4,126)	—	500,000 (4,126)	—				
	The Shizuoka Bank, Ltd.	500,000 (4,126)	—	500,000 (4,126)	—				
	The Bank of Fukuoka	500,000 (4,126)	—	500,000 (4,126)	—				

19. Other Supplementary Information (continued)

Classification		Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
	Lender								
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	4,430,000 (36,557)	—	—	4,430,000 (36,557)	0.96% (Note 7)	January 31, 2020	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,260,000 (26,902)	—	—	3,260,000 (26,902)				
	Aozora Bank, Ltd.	2,700,000 (22,280)	—	—	2,700,000 (22,280)				
	Mizuho Bank, Ltd.	1,930,000 (15,926)	—	—	1,930,000 (15,926)				
	Mizuho Trust & Banking Co., Ltd.	1,830,000 (15,101)	—	—	1,830,000 (15,101)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,350,000 (11,140)	—	—	1,350,000 (11,140)				
	The Norinchukin Bank	1,000,000 (8,252)	—	—	1,000,000 (8,252)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000 (7,509)	—	—	910,000 (7,509)				
	Development Bank of Japan Inc.	1,500,000 (12,378)	—	—	1,500,000 (12,378)	0.96% (Note 8)	January 31, 2020	(Note 15)	Unsecured without warranty
	The Norinchukin Bank	3,500,000 (28,882)	—	—	3,500,000 (28,882)	0.90% (Note 9)	January 31, 2021	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,599,000 (13,195)	—	—	1,599,000 (13,195)	0.55% (Note 10)	January 31, 2022	(Note 15)	Unsecured without warranty
	The Norinchukin Bank	1,510,000 (12,460)	—	—	1,510,000 (12,460)				
	Aozora Bank, Ltd.	1,169,000 (9,646)	—	—	1,169,000 (9,646)				
	Sumitomo Mitsui Banking Corporation	936,000 (7,724)	—	—	936,000 (7,724)				
	Mizuho Bank, Ltd.	603,000 (4,976)	—	—	603,000 (4,976)				
	Mizuho Trust & Banking Co., Ltd.	454,000 (3,746)	—	—	454,000 (3,746)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	226,000 (1,864)	—	—	226,000 (1,864)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	211,000 (1,741)	—	—	211,000 (1,741)				
	The Chiba Bank, Ltd.	150,000 (1,237)	—	—	150,000 (1,237)				
	Development Bank of Japan Inc.	2,000,000 (16,504)	—	—	2,000,000 (16,504)	0.88% (Note 11)	January 31, 2024	(Note 15)	Unsecured without warranty

19. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	—	2,030,000 (16,751)	—	2,030,000 (16,751)	0.61% (Note 12)	April 28, 2022	(Note 13)	Unsecured without warranty
	The Norinchukin Bank	—	1,600,000 (13,203)	—	1,600,000 (13,203)				
	Sumitomo Mitsui Banking Corporation	—	1,354,500 (11,177)	—	1,354,500 (11,177)				
	Aozora Bank, Ltd.	—	1,192,000 (9,836)	—	1,192,000 (9,836)				
	Mizuho Bank, Ltd.	—	1,017,000 (8,392)	—	1,017,000 (8,392)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	616,000 (5,083)	—	616,000 (5,083)				
	Mizuho Trust & Banking Co., Ltd.	—	524,000 (4,324)	—	524,000 (4,324)				
	Nippon Life Insurance Company	—	500,000 (4,126)	—	500,000 (4,126)				
	Development Bank of Japan Inc.	—	400,000 (3,300)	—	400,000 (3,300)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	—	291,500 (2,405)	—	291,500 (2,405)				
	The Shizuoka Bank, Ltd.	—	260,000 (2,145)	—	260,000 (2,145)				
	The Chiba Bank, Ltd.	—	215,000 (1,774)	—	215,000 (1,774)				
	Subtotal	102,163,000 (843,068)	10,000,000 (82,521)	7,600,000 (62,716)	104,563,000 (862,873)	—	—	—	—
	Total	¥113,463,000 (\$936,317)	¥27,600,000 (\$227,760)	¥8,400,000 (\$69,318)	¥132,663,000 (\$1,094,759)	—	—	—	—

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

(Note 2) On and after March 31, 2011, interest rate is substantially fixed at an annual rate of 1.40% based on interest-rate swap agreement dated on March 23, 2011.

(Note 3) On and after December 30, 2011, interest rate is substantially fixed at an annual rate of 1.096% based on interest-rate swap agreement dated on December 20, 2011.

(Note 4) On and after June 29, 2012, interest rate is substantially fixed at an annual rate of 1.025% based on interest-rate swap agreement dated on June 7, 2012.

(Note 5) This loan carries a fixed interest rate.

(Note 6) On and after July 31, 2012, the interest rate is substantially fixed at an annual rate of 0.69536% based on interest-rate swap agreement dated on July 24, 2012.

(Note 7) On and after February 28, 2013, the interest rate is substantially fixed at an annual rate of 0.9585% based on interest-rate swap agreement dated on February 4, 2013.

(Note 8) This loan carries a fixed interest rate.

(Note 9) On and after February 28, 2014, the interest rate is substantially fixed at an annual rate of 0.89825% based on interest-rate swap agreement dated on February 17, 2014.

(Note 10) On and after April 30, 2015, the interest rate is substantially fixed at an annual rate of 0.6076% based on interest-rate swap agreement dated on April 27, 2015.

(Note 11) This loan carries a fixed interest rate.

(Note 12) On and after May 29, 2015, the interest rate is substantially fixed at an annual rate of 0.661% based on interest-rate swap agreement dated on May 27, 2015.

19. Other Supplementary Information (continued)

(Note 13) To be used to purchase real estate trust beneficiary rights and related expenses.

(Note 14) To be used to purchase rehabilitation obligations (others), purchase rehabilitation obligations (investment corporation bonds) and repay part of rehabilitation obligations (loans).

(Note 15) To be used for redemption of rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 16) To be used to refinance existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).

(Note 17) To be used to purchase rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 18) To be used for repayment of existing loans (refinance fund).

(Note 19) Payment schedule for long-term loans over five years subsequent to August 31, 2015 is as follows:

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥59,295,000	—	¥4,000,000	¥18,910,000

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	\$489,313	—	\$33,008	\$156,048