

# **FINANCIAL STATEMENTS FOR THE SIXTEENTH FISCAL PERIOD**

**(September 1, 2013 — February 28, 2014)**

## To Our Unitholders

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

Recently, DHI marked the closing of the 16th Fiscal Period (from September 1, 2013 to February 28, 2014). We again would like to extend our heartfelt thanks to unitholders for this could not have been achieved without your understanding and support.

We hereby report on the management status and financial results for the 16th Fiscal Period.

DHI acquired six properties, including “Castalia Hatsudai II,” in September 2013 (acquisition price total: ¥10,300 million), while selling “FOLEO TOWN Tsutsui,” which was the only retail property in the portfolio, in December 2013.

This resulted in realizing steady external growth to a portfolio asset total at the end of the 16th Fiscal Period (February 28, 2014) of 132 properties in terms of the number of properties and ¥229.9 billion in terms of asset size (acquisition price basis).

Meanwhile, the conditions of operations at the properties held by DHI also performed favorably, thereby continuing to secure high occupancy rates of 96.5% as the period-average occupancy rate and 96.8% as of the end of February 2014. Moreover, in recent years, rent levels also showed clearer trends of recovery from a weak note, leading to a state of balance between consistently high occupancy rates and stable rent levels.

In addition, as a result of procuring funds in a total amount of ¥8,599 million from issuing a total of 22,000 new investment units in October and November 2013, LTV (ratio of interest-bearing debt to total assets) at the end of the 16th Fiscal Period was also from the 53.0% at the end of the 15th Fiscal Period (August 31, 2013) to 51.1%. As such, we made efforts to also strengthen the financial standing.

The results of the above management in the 16th Fiscal Period were operating revenues of ¥8,316 million, operating income of ¥3,559 million, ordinary income of ¥2,704 million and net income of ¥2,703 million. Concerning the ¥385 million in loss on sale of “FOLEO TOWN Tsutsui,” DHI implemented a reversal of internal reserves in the same amount. Moreover, in accordance with its distribution policy, DHI implemented a reversal of internal reserves in also the amount of ¥158 million (the amount equivalent to 10% of depreciation and amortization) (¥425 per investment unit). Accordingly, DHI declared total distributions of ¥3,248 million (¥8,688 per investment unit).

Entering the 17th Fiscal Period (fiscal period ending in August 2014), DHI has embarked on proactive activities aimed at new growth. Specifically, DHI acquired “Royal Parks Wakabadai” (acquisition price: ¥4,360 million) from Daiwa House Industry Co., Ltd. on March 28, 2014.

Furthermore, with I, Tetsuji Tada, assuming the office of Executive Director of DHI, effective December 1, 2013, and with I, Koichi Tsuchida, assuming the office of CEO & President of DHI’s asset management company Daiwa House Asset Management Co., Ltd., effective April 1, 2014, a new management structure has been formed.

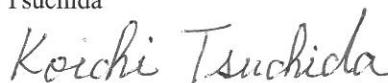
We intend to make concerted efforts for DHI to continue to achieve steady growth of the portfolio and maximize returns for unitholders while making the most of the comprehensive strength and know-how of the sponsor, the Daiwa House Group, under the new structure.

The continued support of unitholders is greatly appreciated.

Daiwa House Residential Investment Corporation  
Executive Director  
Tetsuji Tada



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



**Distribution per Unit (Yen) ¥8,688**

**Actual**

Sixteenth Fiscal Period: (September 1, 2013 – February 28, 2014)

**Distribution per Unit (Yen) ¥8,470**

**Forecast \*1**

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

**Distribution per Unit (Yen) ¥8,550**

**Forecast \*1**

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

\*1) Forecast as of April 10, 2014. Actual distributions per unit may vary. Moreover, these forecasts are not intended as a guarantee of distribution amount.

## 1. FINANCIAL HIGHLIGHT

### (1) Management Highlight

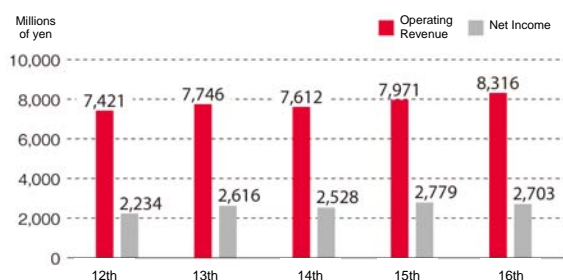
	(Millions of yen)			
	Operating Revenues	Operating Income	Ordinary Income	Net Income
Sixteenth Fiscal Period	¥8,316	¥3,559	¥2,704	¥2,703
Fifteenth Fiscal Period	¥7,971	¥3,661	¥2,780	¥2,779
Fourteenth Fiscal Period	¥7,612	¥3,398	¥2,529	¥2,528
Thirteenth Fiscal Period	¥7,746	¥3,691	¥2,724	¥2,616
Twelfth Fiscal Period	¥7,421	¥3,434	¥2,357	¥2,234

	(Millions of yen, Yen; days)		
	Distribution per Unit (Yen)	Total Distributions (Millions of yen)	Management Days (days)
Sixteenth Fiscal Period	¥8,688	¥3,248	181
Fifteenth Fiscal Period	¥8,300	¥2,920	184
Fourteenth Fiscal Period	¥16,947	¥2,720	181
Thirteenth Fiscal Period	¥16,264	¥2,610	184
Twelfth Fiscal Period	¥16,000	¥2,568	182

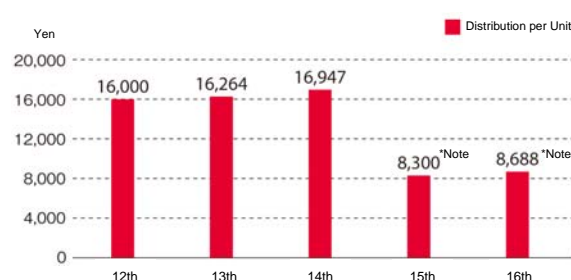
Notes:

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

< Operating Revenue / Net Income >



< Distribution per Unit >



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

(2) Financial Position

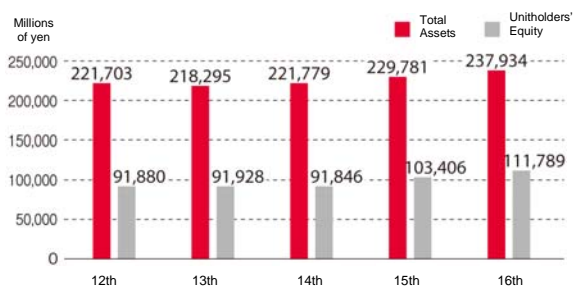
(Millions of yen; Yen; %)

	Total Assets (Millions of yen)	Unitholders' Equity (Millions of yen)	Equity Ratio (%)	Unitholders' Equity per Unit (Yen)	Interest-bearing Debt (Millions of yen)	LTV (%)
Sixteenth Fiscal Period	¥237,934	¥111,789	47.0%	¥299,006	¥121,666	51.1%
Fifteenth Fiscal Period	¥229,781	¥103,406	45.0%	¥293,878	¥121,740	53.0%
Fourteenth Fiscal Period	¥221,779	¥91,846	41.4%	¥286,063 *2	¥125,540	56.6%
Thirteenth Fiscal Period	¥218,295	¥91,928	42.1%	¥286,320 *2	¥121,834	55.8%
Twelfth Fiscal Period	¥221,703	¥91,880	41.4%	¥572,339	¥125,325	56.5%

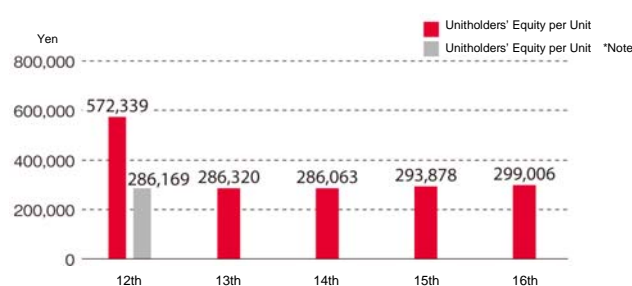
Notes:

- Sixteenth Fiscal Period: September 1, 2013 — February 28, 2014  
Fifteenth Fiscal Period: March 1, 2013 — August 31, 2013  
Fourteenth Fiscal Period: September 1, 2012 — February 28, 2013  
Thirteenth Fiscal Period: March 1, 2012 — August 31, 2012  
Twelfth Fiscal Period: September 1, 2011 — February 29, 2012
- DHI implemented a 2-for-1 split of investment units on March 1, 2013 as the effective date.  
“Unitholders’ equity per unit” was calculated under the assumption that the split was implemented at the beginning of the 13th fiscal period.

< Total Assets / Unitholders' Equity >



< Unitholders' Equity per Unit >



\*) “Unitholders’ equity per unit” for the Twelfth Fiscal period is calculated in proportion to the investment unit split (half).

## Independent Auditor's Report

The Board of Directors  
Daiwa House Residential Investment Corporation

We have audited the accompanying financial statements of Daiwa House Residential Investment Corporation which comprise the balance sheet as at February 28, 2014, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Daiwa House Residential Investment Corporation as at February 28, 2014, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

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

May 23, 2014  
Tokyo, Japan

*Ernst & Young Shinrihōn LLC*

# Daiwa House Residential Investment Corporation

## Balance Sheets

As of August 31, 2013 and February 28, 2014

	<b>As of August 31, 2013</b>	<b>As of February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Assets</b>			
Current assets:			
Cash and bank deposits (including trust accounts)	¥ 11,135,779	¥ 11,632,775	\$ 114,113
Rental receivables	41,700	43,188	423
Prepaid expenses	285,617	303,846	2,980
Consumption taxes receivable	27,820	—	—
Other current assets	194	389	3
Allowance for doubtful accounts	(4,735)	(3,412)	(33)
Total current assets	11,486,376	11,976,788	117,488
Property and equipment:			
Land	21,150,419	21,150,419	207,479
Buildings and structures	28,265,862	28,306,507	277,678
Machinery and equipment	432,205	432,205	4,239
Tools, furniture and fixtures	651,242	653,208	6,407
Land in trust	76,137,759	82,363,377	807,959
Buildings and structures in trust	95,601,560	98,565,328	966,895
Machinery and equipment in trust	1,511,116	1,549,192	15,197
Tools, furniture and fixtures in trust	308,265	338,277	3,318
Less – accumulated depreciation	(10,499,939)	(12,027,380)	(117,984)
Net property and equipment	213,558,493	221,331,135	2,171,190
Investments and other assets:			
Long-term prepaid expenses	747,162	648,203	6,358
Guarantee deposits	10,030	10,195	100
Leasehold rights in trust	2,544,964	2,536,272	24,880
Trademark rights	5,702	5,155	50
Lease and guarantee deposits in trust	1,412,200	1,412,200	13,853
Total investments and other assets	4,720,059	4,612,027	45,242
Deferred assets:			
Investment corporation bond issuance costs	16,476	14,122	138
Total deferred assets	16,476	14,122	138
Total assets	¥ 229,781,405	¥ 237,934,074	\$ 2,334,059

	<b>As of August 31, 2013</b>	<b>As of February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Liabilities and net assets</b>			
Current liabilities:			
Trade and other payables	¥ 575,952	¥ 411,942	\$ 4,041
Accrued expenses	460,668	462,544	4,537
Consumption taxes payable	—	18,631	182
Rent received in advance	830,330	844,848	8,287
Deposits received	193,707	218,821	2,146
Current portion of rehabilitation obligations	3,573,845	14,861,887	145,790
Total current liabilities	5,634,505	16,818,677	164,986
Long-term liabilities:			
Investment corporation bonds	3,000,000	3,000,000	29,429
Long-term loans	100,305,000	103,805,000	1,018,295
Tenant leasehold and security deposits	317,811	318,326	3,122
Tenant leasehold and security deposits in trust	1,858,475	1,801,227	17,669
Asset retirement obligations	396,754	401,258	3,936
Rehabilitation obligations	14,861,887	—	—
Total long-term liabilities	120,739,929	109,325,812	1,072,452
Total liabilities	126,374,434	126,144,489	1,237,438
Net assets:			
Unitholders' equity:			
Unitholders' capital:			
Units authorized: 2,000,000			
Units issued and outstanding:			
373,870 units as of February 28, 2014			
351,870 units as of August 31, 2013	53,104,018	61,703,224	605,289
Capital surplus	28,241,587	28,241,587	277,041
Reserve for distribution	19,281,910	19,140,843	187,765
Retained earnings	2,779,454	2,703,929	26,524
Total unitholders' equity	103,406,970	111,789,584	1,096,621
Total net assets	103,406,970	111,789,584	1,096,621
Total liabilities and net assets	¥ 229,781,405	¥ 237,934,074	\$ 2,334,059

*See accompanying notes to financial statements.*

# Daiwa House Residential Investment Corporation

## Statements of Income and Retained Earnings

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

	<b>From March 1, 2013 to August 31, 2013</b>	<b>From September 1, 2013 to February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Operating revenues:			
Rental revenues	¥ 7,968,294	¥ 8,316,515	\$ 81,582
Gain on sales of real estate properties	3,236	—	—
Total operating revenues	7,971,531	8,316,515	81,582
Operating expenses:			
Real estate rental expenses	3,520,378	3,545,022	34,775
Loss on sales of real estate properties	—	385,417	3,780
Asset management fees	510,191	532,323	5,221
Asset custodian and consignment fees	20,267	20,909	205
Administrative service and consignment fees	64,010	66,207	649
Directors' remuneration	6,600	6,600	64
Provision of allowance for doubtful accounts	1,084	—	—
Other operating expenses	187,316	200,177	1,963
Total operating expenses	4,309,849	4,756,658	46,661
Operating income	3,661,681	3,559,857	34,921
Non-operating income (expenses):			
Interest income	895	776	7
Interest expense	(655,445)	(650,966)	(6,385)
Fixed asset tax settlement	1,885	—	—
Gain on adjustment of account payable	2,917	—	—
Gain on reversal of allowance for doubtful accounts	—	727	7
Gain on exclusion of distribution payable	—	4,355	42
Interest expenses on investment corporation bonds	(17,076)	(16,523)	(162)
Amortization of investment corporation bond issuance costs	(2,353)	(2,353)	(23)
Investment unit issuance expenses	(50,064)	(35,675)	(349)
Financing related expenses	(160,980)	(155,320)	(1,523)
Other, net	(1,400)	(341)	(3)
Total non-operating income (expenses)	(881,622)	(855,323)	(8,390)
Ordinary income	2,780,059	2,704,534	26,530
Income before income taxes	2,780,059	2,704,534	26,530
Income taxes:			
Current	605	605	5
Total income taxes	605	605	5
Net income	2,779,454	2,703,929	26,524
Retained earnings at end of period	¥ 2,779,454	¥ 2,703,929	\$ 26,524

See accompanying notes to financial statements.



# Daiwa House Residential Investment Corporation

## Statements of Changes in Net Assets

### For the period from March 1, 2013 to August 31, 2013

	For the period from March 1, 2012 to August 31, 2013						
	Net assets						
	Unitholders' equity						Total unitholders' equity
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total net assets	
	<i>(Thousands of yen)</i>						
<b>Balance as of March 1, 2013</b>	321,070	¥41,602,436	¥28,241,587	¥19,473,874	¥2,528,622	¥91,846,520	¥91,846,520
Changes during the fiscal period:							
Issuance of new investment units	30,800	11,501,582	—	—	—	11,501,582	11,501,582
Reversal of reserve for distribution	—	—	—	(191,964)	191,964	—	—
Dividends from retained earnings	—	—	—	—	(2,720,586)	(2,720,586)	(2,720,586)
Net income	—	—	—	—	2,779,454	2,779,454	2,779,454
Total changes during the fiscal period	30,800	11,501,582	—	(191,964)	250,832	11,560,450	11,560,450
<b>Balance as of August 31, 2013</b>	351,870	¥53,104,018	¥28,241,587	¥19,281,910	¥2,779,454	¥103,406,970	¥103,406,970

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

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

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

	Net assets						
	Unitholders' equity						
	Number of units	Unitholders' capital	Capital surplus	Reserve for distribution	Retained earnings	Total unitholders' equity	Total net assets
<i>(Thousands of U.S. dollars)</i>							
<b>Balance as of September 1, 2013</b>	351,870	\$520,934	\$277,041	\$189,149	\$ 27,265	\$1,014,390	\$1,014,390
Changes during the fiscal period:							
Issuance of new investment units	22,000	84,355	—	—	—	84,355	84,355
Reversal of reserve for distribution	—	—	—	(1,383)	1,383	—	—
Dividends from retained earnings	—	—	—	—	(28,649)	(28,649)	(28,649)
Net income	—	—	—	—	26,524	26,524	26,524
Total changes during the fiscal period	22,000	84,355	—	(1,383)	(740)	82,230	82,230
<b>Balance as of February 28, 2014</b>	373,870	\$605,289	\$277,041	\$187,765	\$26,524	\$1,096,621	\$1,096,621

See accompanying notes to financial statements.

# Daiwa House Residential Investment Corporation

## Statements of Cash Flows

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

	<b>From March 1, 2013 to August 31, 2013</b>	<b>From September 1, 2013 to February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 2,780,059	¥ 2,704,534	\$ 26,530
Depreciation and amortization	1,523,951	1,589,961	15,597
Amortization of investment corporation bond issuance costs	2,353	2,353	23
Loss on retirement of noncurrent assets	7,696	2,005	19
Amortization of trademark rights	546	546	5
Investment unit issuance expenses	50,064	35,675	349
Interest income	(895)	(776)	(7)
Interest expense	672,521	667,490	6,547
Change in rental receivables	(839)	(1,488)	(14)
Change in accounts receivable, other	320	—	—
Change in consumption taxes receivable	(22,128)	—	—
Change in advance payments	12,011	(18,229)	(178)
Change in trade payables	124,263	(119,800)	(1,175)
Change in other payables	6,880	(21,429)	(210)
Change in accrued consumption taxes	—	46,452	455
Change in accrued expenses	(71,477)	11,423	112
Change in deposits received	8,772	9,131	89
Change in rent received in advance	56,981	14,517	142
Change in long-term prepaid expenses	127,952	98,958	970
Change in allowance for doubtful accounts	(3,081)	(1,323)	(12)
Decrease in disposal of property and equipment in trust	42,826	1,365,459	13,394
Change in lease and guarantee deposits in trust	(212,179)	—	—
Other	(65,031)	(56,129)	(550)
Subtotal	5,041,568	6,329,334	62,088
Interest received	895	776	7
Interest paid	(665,577)	(677,038)	(6,641)
Income taxes paid	(661)	(580)	(5)
Net cash provided by operating activities	4,376,225	5,652,492	55,449
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(13,754)	(50,716)	(497)
Purchases of property and equipment in trust	(8,644,612)	(10,674,590)	(104,714)
Purchases of intangible fixed assets in trust	(314,616)	—	—
Proceeds from tenant leasehold and security deposits	39,864	35,674	349
Payment of tenant leasehold and security deposits	(30,102)	(15,971)	(156)
Proceeds from tenant leasehold and security deposits in trust	259,953	224,176	2,199
Payment of tenant leasehold and security deposits in trust	(120,219)	(224,381)	(2,201)
Net cash used in investing activities	(8,823,487)	(10,705,809)	(105,020)
<b>Cash flows from financing activities</b>			
Proceeds from short-term loans	—	7,000,000	68,667
Repayment of short-term loans	(3,800,000)	(7,000,000)	(68,667)
Proceeds from long-term loans	—	3,500,000	34,333
Repayment of rehabilitation obligations	—	(3,573,845)	(35,058)
Proceeds from issuance of new investment units	11,474,969	8,540,078	83,775
Dividend payment	(2,717,283)	(2,915,919)	(28,604)
Net cash provided by financing activities	4,957,686	5,550,313	54,446
Net increase in cash and cash equivalents	510,423	496,996	4,875
Cash and cash equivalents at beginning of period	10,625,355	11,135,779	109,238
Cash and cash equivalents at end of period	¥ 11,135,779	¥ 11,632,775	\$ 114,113

*See accompanying notes to financial statements.*

# Daiwa House Residential Investment Corporation

## Notes to Financial Statements

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

### 1. Organization and Basis of Presentation

#### (a) Organization

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

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

#### (b) Basis of presentation

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

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

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

## **1. Organization and Basis of Presentation (continued)**

The U.S. dollar amounts in the accompanying financial statements have been translated from yen amounts solely for the convenience of readers outside Japan and, as a matter of arithmetic computation only, at ¥101.94 = U.S.\$1.00, the rate of exchange prevailing on February 28, 2014. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Cash and cash equivalents

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

### (b) Property and equipment

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

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

### (c) Intangible fixed assets

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

### (d) Investment corporation bond issuance costs

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

### (e) Investment unit issuance expenses

Investment unit issuance expenses are charged to income as incurred.

### (f) Revenue recognition

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

### (g) Taxes on property and equipment

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

When a property is purchased prior to January 1 of any given calendar year, taxes for the previous year are imposed on the seller. DHI pays the seller the

corresponding amount of the taxes for the period from the property's disposition date to December 31 of the previous year as included in the purchase price of the property, and capitalizes this amount as a cost of the property.

(h) Income taxes

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

(i) Allowance for doubtful accounts

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

(j) Consumption taxes

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

(k) Trust beneficiary interests

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

(l) Derivatives and hedge accounting

(1) Derivatives and hedge accounting

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of evaluating hedge effectiveness

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

### 3. Cash and Cash Equivalents

A reconciliation of cash and bank deposits in the accompanying balance sheets at August 31, 2013 and February 28, 2014 with cash and cash equivalents in the accompanying statements of cash flows is as follows:

	<b>As of</b> <b>August 31, 2013</b> <i>(Thousands of yen)</i>	<b>As of February 28, 2014</b> <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Cash and bank deposits	¥7,469,590	¥7,971,475	\$ 78,197
Cash in trust and deposits in trust	3,666,188	3,661,299	35,916
Cash and cash equivalents	<u>¥ 11,135,779</u>	<u>¥ 11,632,775</u>	<u>\$ 114,113</u>

### 4. Lease Transactions

Operating lease transactions as lessor at August 31, 2013 and February 28, 2014 are as follows:

	<b>As of</b> <b>August 31, 2013</b> <i>(Thousands of yen)</i>	<b>As of February 28, 2014</b> <i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Future lease receivable equivalents			
Due within one year	¥ 944,620	¥ 607,919	\$ 5,963
Due after one year	286,421	143,464	1,407
Total	<u>¥ 1,231,042</u>	<u>¥ 751,384</u>	<u>\$ 7,370</u>

## 5. Long-Term Loans

Long-term loans as of August 31, 2013 and February 28, 2014 consisted of the following:

Lender	As of August 31, 2013 <i>(Thousands of yen)</i>	As of February 28, 2014 <i>(Thousands of yen)</i>	As of February 28, 2014 <i>(Thousands of U.S. dollars)</i>	Average interest rate (%) (1)	Due on	Use of funds	Note
Long-term loans:							
Sumitomo Mitsui Banking Corporation	¥1,800,000	¥1,800,000	\$17,657				
Sumitomo Mitsui Trust Bank, Limited.	1,800,000	1,800,000	17,657				
Mizuho Bank, Ltd.	1,800,000	1,800,000	17,657				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,800,000	1,800,000	17,657	1.40	December 28, 2015	(2)	Unsecured without warranty
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000	1,400,000	13,733				
Resona Bank, Ltd.	1,400,000	1,400,000	13,733				
Shinsei Bank, Limited.	500,000	500,000	4,904				
Sumitomo Mitsui Trust Bank, Limited.	5,200,000	5,200,000	51,010				
Sumitomo Mitsui Banking Corporation	5,200,000	5,200,000	51,010				
Mizuho Bank, Ltd.	5,200,000	5,200,000	51,010				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	5,200,000	5,200,000	51,010	1.10	September 30, 2016	(3)	Unsecured without warranty
Aozora Bank, Ltd.	4,500,000	4,500,000	44,143				
Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000	3,000,000	29,429				
Resona Bank, Ltd.	2,500,000	2,500,000	24,524				
Shinsei Bank, Limited.	1,000,000	1,000,000	9,809				
Sumitomo Mitsui Banking Corporation	3,000,000	3,000,000	29,429				
Aozora Bank, Ltd.	1,500,000	1,500,000	14,714	1.03	March 31, 2017	(4)	Unsecured without warranty
Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000	1,500,000	14,714				
Shinkin Central Bank	1,000,000	1,000,000	9,809				
Mizuho Bank, Ltd.	3,000,000	3,000,000	29,429				
Sumitomo Mitsui Trust Bank, Limited.	3,000,000	3,000,000	29,429	1.03	March 31, 2017	(4)	Unsecured without warranty
Mizuho Trust & Banking Co., Ltd.	1,000,000	1,000,000	9,809				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	4,000,000	4,000,000	39,238	1.07	March 27, 2019	(4)	Unsecured without warranty
Resona Bank, Ltd.	1,095,000	1,095,000	10,741	0.83	March 31, 2017	(5)	Unsecured without warranty
Sumitomo Mitsui Trust Bank, Limited.	3,480,000	3,480,000	34,137				
Sumitomo Mitsui Banking Corporation	3,480,000	3,480,000	34,137	0.70	July 31, 2017	(5)	Unsecured without warranty
Mizuho Bank, Ltd.	3,480,000	3,480,000	34,137				
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,960,000	1,960,000	19,226				
Sumitomo Mitsui Trust Bank, Limited.	2,000,000	2,000,000	19,619				
Aozora Bank, Ltd.	2,000,000	2,000,000	19,619				
The Norinchukin Bank	1,000,000	1,000,000	9,809				
The Chiba Bank, Ltd.	600,000	600,000	5,885	0.45	March 31, 2016	(6)	Unsecured without warranty
Sumitomo Mitsui Banking Corporation	500,000	500,000	4,904				
Mizuho Bank, Ltd.	500,000	500,000	4,904				
The Shizuoka Bank, Ltd.	500,000	500,000	4,904				
The Bank of Fukuoka	500,000	500,000	4,904				



Sumitomo Mitsui Trust Bank, Limited.	4,430,000	4,430,000	43,456				
Sumitomo Mitsui Banking Corporation	3,260,000	3,260,000	31,979				
Aozora Bank, Ltd.	2,700,000	2,700,000	26,486				
Mizuho Bank, Ltd.	1,930,000	1,930,000	18,932				
Mizuho Trust & Banking Co., Ltd.	1,830,000	1,830,000	17,951	0.96	January 31, 2020	(6)	Unsecured without warranty
The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000	1,350,000	13,243				
The Norinchukin Bank	1,000,000	1,000,000	9,809				
Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000	910,000	8,926				
Development Bank of Japan Inc.	1,500,000	1,500,000	14,714	0.96	January 31, 2020	(6)	Unsecured without warranty
The Norinchukin Bank	—	3,500,000	34,333	0.56	January 31, 2021	(6)	Unsecured without warranty
Subtotal	100,305,000	103,805,000	1,018,295				
Total	¥100,305,000	¥103,805,000	\$1,018,295				

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

## 6. Commitment Line

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

	<b>As of</b>	
	<b>August 31, 2013</b>	
	<i>(Thousands of yen)</i>	
Total amount of commitment line	¥ 10,000,000	
Outstanding loans at end of the period	—	
Amount unutilized at end of the period	¥ 10,000,000	

	<b>As of February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Total amount of commitment line	¥ 10,000,000	\$ 98,096
Outstanding loans at end of the period	—	—
Amount unutilized at end of the period	¥ 10,000,000	\$ 98,096

## 7. Details of Rental Revenues and Expenses

	From March 1, 2013 to August 31, 2013	From September 1, 2013 to February 28, 2014	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Real estate rental revenues:			
Rental income	¥ 7,194,511	¥ 7,521,874	\$ 73,787
Common service fees	236,742	260,215	2,552
Subtotal	7,431,254	7,782,089	76,339
Other rental revenues:			
Facility charges	213,626	242,657	2,380
Incidental revenues	45,505	47,279	463
Other rental business revenues	277,907	244,489	2,398
Subtotal	537,040	534,425	5,242
Total rental revenues	7,968,294	8,316,515	81,582
Real estate rental expenses:			
Management fees	829,244	820,236	8,046
Utilities	116,605	136,165	1,335
Taxes and public dues	413,566	413,777	4,059
Repairs	124,094	135,550	1,329
Insurance premiums	11,542	11,846	116
Restoration costs	235,265	192,438	1,887
Custodian fees	65,841	47,075	461
Depreciation and amortization	1,523,951	1,589,961	15,597
Other operating expenses	200,266	197,971	1,942
Total real estate rental expenses	3,520,378	3,545,022	34,775
Rental income	¥ 4,447,916	¥ 4,771,492	\$ 46,806

## 7. Details of Rental Revenues and Expenses (continued)

Details of gain and loss on sales of real estate properties

	<b>From March 1, 2013 to August 31, 2013</b>	
	<i>(Thousands of yen)</i>	
FOLEO TOWN Tsutsui (part of land)		
Revenue from sale of real estate	¥49,024	
Cost of real estate sales	42,826	
Other sales expenses	2,961	
Gain on sales of real estate	3,236	
	<b>From September 1, 2013 to February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
FOLEO TOWN Tsutsui		
Revenue from sale of real estate	¥990,446	\$ 9,715
Cost of real estate sales	1,365,459	13,394
Other sales expenses	10,404	102
Loss on sales of real estate	385,417	3,780

Transactions with major unitholders

	<b>From March 1, 2013 to August 31, 2013</b>	
	<i>(Thousands of yen)</i>	
Business transaction		
Operating revenues	¥ 14,539	
Other	1,530	
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	930,000	
	<b>From September 1, 2013 to February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Business transaction		
Operating revenues	¥ 39,060	\$ 383
Other	—	—
Non-business transaction		
Acquisition of trust beneficiary rights in real estate	—	—

## **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.

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

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

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

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

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

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

#### **(c) Supplementary explanation concerning fair value of financial instruments**

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

## 8. Financial Instruments (continued)

### 2. Fair Value of Financial Instruments

The book value on the balance sheet, fair value and the difference as of August 31, 2013 and February 28, 2014 are as follows.

	<b>As of August 31, 2013</b>		
	<i>(Thousands of yen)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	¥ 11,135,779	¥11,135,779	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	3,573,845	3,573,845	—
(4) Investment corporation bonds	3,000,000	2,998,464	¥1,535
(5) Long-term loans	100,305,000	100,645,601	(340,601)
(6) Rehabilitation obligations	14,861,887	14,925,867	(63,979)
(7) Derivatives	—	—	—

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

	<b>As of February 28, 2014</b>		
	<i>(Thousands of U.S. dollars)</i>		
	Book Value	Fair Value	Difference
(1) Cash and bank deposits (including trust accounts)	\$114,113	\$114,113	—
(2) Short-term loans	—	—	—
(3) Current portion of rehabilitation obligations	145,790	145,790	—
(4) Investment corporation bonds	29,429	29,524	\$(95)
(5) Long-term loans	1,018,295	1,023,947	(5,652)
(6) Rehabilitation obligations	—	—	—
(7) Derivatives	—	—	—

## 8. Financial Instruments (continued)

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

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

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

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

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

(4) Investment corporation bonds

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

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

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

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

(7) Derivatives

Please refer to “9. Derivative Transactions” below.

(Note 2) Amount of redemption (scheduled) for monetary claims after August 31, 2013 and February 28, 2014 are as follows.

	<b>As of</b> <b>August 31, 2013</b> <i>(Thousands of yen)</i>	<b>As of</b> <b>February 28, 2014</b> <i>(Thousands of yen)</i> <i>(Thousands of U.S. dollars)</i>	
		<b>Within one year</b>	
Cash and bank deposits (including trust accounts)	¥11,135,779	¥11,632,775	\$114,113
Total	¥11,135,779	¥11,632,775	\$114,113

## 8. Financial Instruments (continued)

(Note 3) Repayments (scheduled) for short-term loans, investment corporation bonds, long-term loans and rehabilitation obligations after August 31, 2013 and February 28, 2014 are as follows.

<b>As of August 31, 2013</b>						
<i>(Thousands of yen)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	¥3,573,845	—	—	—	—	—
Investment corporation bonds	—	—	—	¥3,000,000	—	—
Long-term loans	—	—	¥18,100,000	59,295,000	—	¥22,910,000
Rehabilitation obligations	—	¥14,861,887	—	—	—	—
<b>Total</b>	<b>¥3,573,845</b>	<b>¥14,861,887</b>	<b>¥18,100,000</b>	<b>¥62,295,000</b>	<b>—</b>	<b>¥22,910,000</b>

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

<b>As of February 28, 2014</b>						
<i>(Thousands of U.S. dollars)</i>						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans	—	—	—	—	—	—
Current portion of rehabilitation obligations	\$145,790	—	—	—	—	—
Investment corporation bonds	—	—	—	\$29,429	—	—
Long-term loans	—	\$103,001	\$386,501	269,717	—	\$259,073
Rehabilitation obligations	—	—	—	—	—	—
<b>Total</b>	<b>\$145,790</b>	<b>\$103,001</b>	<b>\$386,501</b>	<b>\$299,146</b>	<b>—</b>	<b>\$259,073</b>



## 9. Derivative Transactions

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

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

### As of August 31, 2013

(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	¥86,110,000	¥86,110,000	(Note)	—
Total	¥86,110,000	¥86,110,000	—	—

### As of February 28, 2014

(Thousands of yen)

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

### As of February 28, 2014

(Thousands of U.S. dollars)

Hedge accounting method	Contract amount		Fair value	Calculation method for applicable fair value
		Due after one year		
Special treatment for interest-rate swaps	\$879,046	\$879,046	(Note)	—
Total	\$879,046	\$879,046	—	—

(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

	<b>From March 1, 2013 to August 31, 2013</b>
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥392,301
Accretion expense	4,453
Balance at end of the period	¥396,754

	<b>From September 1, 2013 to February 28, 2014</b>
	<i>(Thousands of yen)</i>
Balance at beginning of the period	¥396,754
Accretion expense	4,503
Balance at end of the period	¥401,258

	<b>From September 1, 2013 to February 28, 2014</b>
	<i>(Thousands of U.S. dollars)</i>
Balance at beginning of the period	\$3,892
Accretion expense	44
Balance at end of the period	\$3,936

## 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.

	<b>As of</b> <b>August 31, 2013</b>	<b>As of</b> <b>February 28, 2014</b>	
	<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	¥208,706,941	¥216,103,457	\$2,119,908
Change during the period	7,396,515	7,763,950	76,161
Balance at end of the period	216,103,457	223,867,408	2,196,070
Fair value at end of the period	221,018,000	234,160,000	2,297,037

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

(Note 2) The change during the period ended August 31, 2013 includes an increase of (¥8,844,274 thousand) primarily due to the acquisition of 4 properties (Castalia Ohori Bay Tower, etc.) and a decrease of (¥42,826 thousand) primarily due to the sale of part of land (FOLEO TOWN Tsutsui) and depreciation and amortization.

The change during the period ended February 28, 2014 includes an increase of (¥10,586,216 thousand) (\$103,847 thousand) primarily due to the acquisition of 6 properties (Castalia Ebisu, etc.) and a decrease of (¥1,365,459 thousand) (\$13,394 thousand) primarily due to the sale of FOLEO TOWN Tsutsui and depreciation and amortization.

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

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

## **12. Segment Information**

### **1. Segment Information**

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

### **2. Related Information**

#### **(1) Information about products and services**

Since operating revenues from external customers for a single segment of product and service account for over 90% of total operating revenues in DHI's statements of income and retained earnings for the periods ended August 31, 2013 and February 28, 2014, information about products and services has been omitted.

#### **(2) Information about geographic areas**

##### **(a) Operating revenues**

Since operating revenues from external customers within Japan account for over 90% of total operating revenues in DHI's statement of income and retained earnings for the periods ended August 31, 2013 and February 28, 2014, information about geographic areas has been omitted.

##### **(b) Property and equipment**

Since over 90% of total property and equipment on the balance sheet as of August 31, 2013 and February 28, 2014 are located within Japan, information about geographic areas on such property and equipment has been omitted.

#### **(3) Information about major customers**

Since no single external client represents 10% or more of total operating revenues in DHI's statement of income and retained earnings for the periods ended August 31, 2013 and February 28, 2014, information about major client has been omitted.

### 13. Deferred Income Taxes

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

	<b>As of August 31, 2013</b>
	<i>(Thousands of yen)</i>
Deferred tax assets - current:	
Others	¥19,681
Subtotal-Deferred tax assets - current	19,681
Valuation reserve	¥19,681
Total deferred tax assets - current	—
Net deferred tax assets - current	—
Deferred tax assets - non-current:	
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥2,709
Valuation difference from the time of merger (Land, Buildings)	1,814,481
Loss carryforward assumed at the time of merger	15,209,408
Asset retirement obligations	135,531
Others	8,370
Subtotal	17,170,501
Deferred tax liabilities - non-current:	
Valuation difference from the time of merger (Land, Buildings)	1,947,689
Asset retirement costs (associated with asset retirement obligations)	128,585
Subtotal	2,076,275
Valuation reserve	¥15,094,225
Total deferred tax assets - non-current	—
Net deferred tax assets - non-current	—

### 13. Deferred Income Taxes (continued)

	<b>As of February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Deferred tax assets - current:		
Others	¥20,358	\$199
Subtotal-Deferred tax assets - current	20,358	199
Valuation reserve	¥20,358	\$199
Total deferred tax assets - current	—	—
Net deferred tax assets - current	—	—
Deferred tax assets - non-current:		
Valuation difference from the time of merger (Long-term prepaid expenses, etc.)	¥2,450	\$24
Valuation difference from the time of merger (Land, Buildings)	1,783,999	17,500
Loss carryforward assumed at the time of merger	15,209,408	149,199
Asset retirement obligations	137,069	1,344
Others	11,340	111
Subtotal	17,144,268	168,179
Deferred tax liabilities - non-current:		
Valuation difference from the time of merger (Land, Buildings)	1,928,289	18,915
Asset retirement costs (associated with asset retirement obligations)	128,585	1,261
Subtotal	2,056,875	20,177
Valuation reserve	¥15,087,393	\$148,002
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

	<b>From March 1, 2013 to August 31, 2013</b>	<b>From September 1, 2013 to February 28, 2014</b>
Statutory tax rate	36.59%	36.59%
(Adjustment)		
Tax-deductible dividends paid	(36.32)	(36.34)
Other	(0.24)	(0.23)
Effective tax rate after applying deferred income tax accounting	0.02%	0.02%

## 14. Related Party Transactions

### 1) Controlling company and major corporate investors

#### (a) For the period from March 1, 2013 to August 31, 2013

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	10.71	—	Providing preferential negotiation rights, dispatching personnel	Acquisition of trust beneficiary rights in real estate	¥930,000	—	—

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

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

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

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

Not applicable.

### 2) Affiliates

Not applicable.

### 3) Sister companies

#### (a) For the period from March 1, 2013 to August 31, 2013

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 Daiwa House Asset Management Co., Ltd.	Daiwa House Asset Management Co., Ltd.	Chiyoda-ku, Tokyo	¥300	Asset management	—	—	Consigned asset-management operations	Asset-management compensation payment	¥562,743	Accrued expenses	¥316,092
Subsidiary of DH's major corporate investors	Royal Parks Namba K.K.	Chiyoda-ku, Tokyo	¥100	Trust beneficiary rights in real estate acquisition, sale, exchange and leasing etc.	—	—	Acquisition, sale of trust beneficiary rights in real estate	Acquisition of trust beneficiary rights in real estate	2,830,000	—	—
Subsidiary of DH'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	686,733	Accrued operating expenses payable	151,013

(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 real estate, the acquisition price determined based on third party institution's appraisal value.

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

Attribute	Name	Location	Capital (Millions of yen) (Millions of U.S. dollars)	Business type or occupation	Ownership percentage of investment units (Owned)	Type of relationship		Transaction type	Transaction amount (Thousands of yen) (Thousands of U.S. dollars)	Account	Balance at end of period (Thousands of yen) (Thousands of U.S. dollars)
						Position of director(s) serving concurrently	Business relationship				
Subsidiary of DHT'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	¥ 614,723 (\$6,030)	Accrued expenses	¥ 327,506 (\$3,212)
Subsidiary of DHT's major corporate investors	DAIWA LIVING Co., Ltd.	Koto-ku, Tokyo	¥100 (\$0)	Real estate property management	—	—	Property lease and management	Property lease and management compensation payment	735,922 (7,219)	Accrued operating expenses payable	161,877 (1,587)

(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:

	<b>As of / For the six months ended August 31, 2013</b>	<b>As of / For the six months ended February 28, 2014</b>	
	<i>(yen)</i>	<i>(yen)</i>	<i>(U.S. dollars)</i>
Net assets per unit	¥ 293,878	¥ 299,006	\$2,933
Net income per unit	¥ 7,973	¥ 7,373	\$72

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

DHI implemented a 2-for-1 split of its investment units on March 1, 2013.

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

	<b>From March 1, 2013 to August 31, 2013</b>	<b>From September 1, 2013 to February 28, 2014</b>	
	<i>(Thousands of yen)</i>	<i>(Thousands of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Net income	¥ 2,779,454	¥ 2,703,929	\$26,524
Amount not attributable to common unitholders	—	—	—
Net income attributable to common units	¥ 2,779,454	¥ 2,703,929	\$26,524
Average number of investment units during the period (in units)	348,567	366,698	366,698

## 16. Net Assets

DHI shall maintain net assets of at least ¥50,000 thousand (\$490 thousand) as required by Clause 4 of Article 67 of the Investment Trust Law.

## **17. Significant Subsequent Events**

(a) For the period from March 1, 2013 to August 31, 2013

### **1. Cash dividends**

On October 10, 2013, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥8,300 per unit, aggregating to ¥2,920,521,000, to unitholders of record as of August 31, 2013.

(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, ¥2,920,521,000 (¥8,300 per unit) was set as the amount for distribution of dividends.

The amount is the total of the current period's unappropriated income of ¥2,779,454,398 and the reversal of reserve for distribution of ¥141,066,602.

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

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

## 1. Cash dividends

On April 10, 2014, DHI's Board of Directors approved a resolution for the payment of cash dividends of ¥8,688 (\$85) per unit, aggregating to ¥3,248,182,560 (\$31,863,670), to unitholders of record as of February 28, 2014.

(Method of calculation of cash dividends)

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

Also, DHI implemented its policy of stabilized distributions by utilizing the reserve fund for distribution. In accordance with the foresaid policy, ¥3,248,182,560 (\$31,863,670) (¥8,688 per unit) (\$85 per unit) was set as the amount for distribution of dividends. The amount is the total of the current period's unappropriated income of ¥2,703,929,077 (\$26,524,711) and the reversal of reserve for distribution of ¥544,253,483 (\$5,338,959).

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

## 2. Acquisition of properties

DHI acquired the following asset on March 28, 2014.

Property Name (Note 1)	Royal Parks Wakabadai
Asset Type	Beneficiary right in trust that places real estate in trust
Acquisition Price (Note 2) (Thousands of yen) (Thousands of U.S. dollars)	¥4,360,000 (\$42,770)
Seller (Note 3)	Daiwa House Industry Co., Ltd.
Execution Date of Agreement	March 28, 2014
Acquisition Date	March 28, 2014

(Note 1) The asset is Royal Parks Wakabadai (residential tower) and Frespo Wakabadai East (retail tower), and these are collectively referred to as "Royal Parks Wakabadai."

(Note 2) Excluding such amounts as expenses related to the acquisition, reimbursement of taxes and dues, etc., and consumption taxes.

(Note 3) The seller constitutes an interested party of DHI or the Asset Management Company. Consequently, such transactions have undergone the procedures required by the Interested-Party Transaction Rules bylaws of the Asset Management Company.

## 18. Changes in Investment Units Issued

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

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

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

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

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

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

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

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

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

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

## 19. Other Supplementary Information

1) Detailed Schedule of Portfolio  
Not applicable.

2) Contract Amount and Fair Value of Derivative Transactions as of February 28, 2014

(Thousands of yen)

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

(Thousands of U.S. dollars)

Category	Type	Contract amount		Fair value
			Due after one year	
Over-the-counter transaction	Interest-rate swap agreements	\$879,046	\$879,046	—
Total		\$879,046	\$879,046	—

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

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

3) General Overview of Detailed Schedule of Real Estate as of February 28, 2014

(Thousands of yen)

Type of asset		Balance at beginning of the period	Increase during the period	Decrease during the period	Balance at end of the period	Less accumulated depreciation or accumulated amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	¥ 28,026,484	¥ 35,504	—	¥28,061,989	¥ 2,167,160	¥284,279	¥25,894,828
	Structures	239,378	5,139	—	244,517	19,513	2,645	225,004
	Machinery and equipment	432,205	—	—	432,205	59,908	7,884	372,297
	Tools, furniture and fixtures	651,242	2,470	¥504	653,208	182,640	22,271	470,568
	Land	21,150,419	—	—	21,150,419	—	—	21,150,419
	Buildings in trust	94,869,545	3,202,643	266,076	97,806,111	8,994,003	1,177,243	88,812,107
	Structures in trust	732,015	29,882	2,682	759,216	80,733	14,841	678,482
	Machinery and equipment in trust	1,511,116	38,076	—	1,549,192	397,853	54,177	1,151,339
	Tools, furniture and fixtures in trust	308,265	33,486	3,475	338,277	125,565	17,926	212,711
	Land in trust	76,137,759	7,374,173	1,148,555	82,363,377	—	—	82,363,377
Total		¥ 224,058,433	¥ 10,721,377	¥1,421,294	¥233,358,516	¥12,027,380	¥1,581,269	¥221,331,135
Intangible fixed assets	Leasehold rights in trust	¥ 2,569,367	—	—	¥2,569,367	¥33,095	¥8,691	¥2,536,272
	Trademark rights	8,738	—	—	8,738	3,582	546	5,155
	Total	¥ 2,578,106	—	—	¥2,578,106	¥36,678	¥9,238	¥2,541,428

## 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 amortization		Net book value at end of the period
							Depreciation or amortization for the period	
Tangible fixed assets	Buildings	\$274,931	\$348	–	\$275,279	\$ 21,259	\$2,788	\$254,020
	Structures	2,348	50	–	2,398	191	25	2,207
	Machinery and equipment	4,239	–	–	4,239	587	77	3,652
	Tools, furniture and fixtures	6,388	24	\$4	6,407	1,791	218	4,616
	Land	207,479	–	–	207,479	–	–	207,479
	Buildings in trust	930,641	31,416	2,610	959,447	88,228	11,548	871,219
	Structures in trust	7,180	293	26	7,447	791	145	6,655
	Machinery and equipment in trust	14,823	373	–	15,197	3,902	531	11,294
	Tools, furniture and fixtures in trust	3,023	328	34	3,318	1,231	175	2,086
	Land in trust	746,887	72,338	11,266	807,959	–	–	807,959
	Total	\$2,197,944	\$105,173	\$13,942	\$2,289,175	\$117,984	\$15,511	\$2,171,190
Intangible fixed assets	Leasehold rights in trust	\$25,204	–	–	\$25,204	\$324	\$85	\$24,880
	Trademark rights	85	–	–	85	35	5	50
	Total	\$25,290	–	–	\$25,290	\$359	\$90	\$24,930

(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)

Shibuya-ku, Tokyo	Castalia Hatsudai II	Building in trust etc.	¥ 672,805
Shibuya-ku, Tokyo	Castalia Ebisu	Building in trust etc.	¥ 471,986
Shinagawa-ku, Tokyo	Castalia Meguro Chojyamaru	Building in trust etc.	¥ 544,263
Meguro-ku, Tokyo	Castalia Meguro Takaban	Building in trust etc.	¥ 206,052
Shinagawa-ku, Tokyo	Castalia Omori III	Building in trust etc.	¥ 680,573
Kawasaki City, Kanagawa	Castalia Musashikosugi	Building in trust etc.	¥ 636,360

(Thousands of U.S. dollars)

Shibuya-ku, Tokyo	Castalia Hatsudai II	Building in trust etc.	\$ 6,600
Shibuya-ku, Tokyo	Castalia Ebisu	Building in trust etc.	\$ 4,630
Shinagawa-ku, Tokyo	Castalia Meguro Chojyamaru	Building in trust etc.	\$ 5,339
Meguro-ku, Tokyo	Castalia Meguro Takaban	Building in trust etc.	\$ 2,021
Shinagawa-ku, Tokyo	Castalia Omori III	Building in trust etc.	\$ 6,676
Kawasaki City, Kanagawa	Castalia Musashikosugi	Building in trust etc.	\$ 6,242

## 19. Other Supplementary Information (continued)

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

(Thousands of yen)

Shibuya-ku, Tokyo	Castalia Hatsudai II	Land in trust	¥ 1,282,840
Shibuya-ku, Tokyo	Castalia Ebisu	Land in trust	¥ 990,120
Shinagawa-ku, Tokyo	Castalia Meguro Chojoyamaru	Land in trust	¥ 1,536,500
Meguro-ku, Tokyo	Castalia Meguro Takaban	Land in trust	¥ 1,577,898
Shinagawa-ku, Tokyo	Castalia Omori III	Land in trust	¥ 891,254
Kawasaki City, Kanagawa	Castalia Musashikosugi	Land in trust	¥ 1,095,558

(Thousands of U.S. dollars)

Shibuya-ku, Tokyo	Castalia Hatsudai II	Land in trust	\$ 12,584
Shibuya-ku, Tokyo	Castalia Ebisu	Land in trust	\$ 9,712
Shinagawa-ku, Tokyo	Castalia Meguro Chojoyamaru	Land in trust	\$ 15,072
Meguro-ku, Tokyo	Castalia Meguro Takaban	Land in trust	\$ 15,478
Shinagawa-ku, Tokyo	Castalia Omori III	Land in trust	\$ 8,742
Kawasaki City, Kanagawa	Castalia Musashikosugi	Land in trust	\$ 10,747

### 3. Decrease in buildings in trust etc. (decrease by acquisition and disposition etc.)

(Thousands of yen)

Yamato Koriyama City, Nara	FOLEO TOWN Tsutsui	Building in trust etc.	¥ 268,759
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(Thousands of U.S. dollars)

Yamato Koriyama City, Nara	FOLEO TOWN Tsutsui	Building in trust etc.	\$ 2,636
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### 4. Decrease in land in trust (decrease by acquisition and disposition etc.)

(Thousands of yen)

Yamato Koriyama City, Nara	FOLEO TOWN Tsutsui	Land in trust	¥ 1,148,555
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(Thousands of U.S. dollars)

Yamato Koriyama City, Nara	FOLEO TOWN Tsutsui	Land in trust	\$ 11,266
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## 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 First Series Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	¥3,000,000	—	¥3,000,000	1.12%	March 9, 2017	(Note 2)	Unsecured

(Thousands of U.S. dollars)

Name of bond	Date of issuance	Balance at beginning of the period	Decrease during the period	Balance at end of the period	Interest rate	Repayment deadline	Purpose of use	Comments
Daiwa House Residential Investment Corporation First Series Unsecured Investment Corporation Bonds (Note 1)	March 9, 2012	\$29,429	—	\$29,429	1.12%	March 9, 2017	(Note 2)	Unsecured

(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) Scheduled payment per year for the investment corporation bonds within a period of 5 years subsequent to February 28, 2014 is as follows.

(Thousands of yen)

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

(Thousands of U.S. dollars)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	—	—	\$29,429	—
Total	—	—	\$29,429	—

(Note 4) Please refer to the following 7) Detailed Schedule of Rehabilitation Obligations as of February 28, 2014.



## 19. Other Supplementary Information (continued)

### 6) Detailed Schedule of Loans as of February 28, 2014

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Short-term loans	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	—	¥1,750,000 (\$17,166)	¥1,750,000 (\$17,166)	—	0.95%	September 26, 2014	(Note 10)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	—	1,750,000 (17,166)	1,750,000 (17,166)	—				
	Sumitomo Mitsui Trust Bank, Limited.	—	1,750,000 (17,166)	1,750,000 (17,166)	—				
	Mizuho Bank, Ltd.	—	1,750,000 (17,166)	1,750,000 (17,166)	—				
	Subtotal	—	7,000,000 (68,667)	7,000,000 (68,667)	—	—	—	—	—
Long-term loans	Sumitomo Mitsui Banking Corporation	¥1,800,000 (\$17,657)	—	—	¥1,800,000 (\$17,657)	1.40% (Note 2)	December 28, 2015	(Note 11)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	1,800,000 (17,657)	—	—	1,800,000 (17,657)				
	Mizuho Bank, Ltd.	1,800,000 (17,657)	—	—	1,800,000 (17,657)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,800,000 (17,657)	—	—	1,800,000 (17,657)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,400,000 (13,733)	—	—	1,400,000 (13,733)				
	Resona Bank, Ltd.	1,400,000 (13,733)	—	—	1,400,000 (13,733)				
	Shinsei Bank, Limited.	500,000 (4,904)	—	—	500,000 (4,904)	1.10% (Note 3)	September 30, 2016	(Note 12)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	5,200,000 (51,010)	—	—	5,200,000 (51,010)				
	Sumitomo Mitsui Banking Corporation	5,200,000 (51,010)	—	—	5,200,000 (51,010)				
	Mizuho Bank, Ltd.	5,200,000 (51,010)	—	—	5,200,000 (51,010)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,200,000 (51,010)	—	—	5,200,000 (51,010)				
	Aozora Bank, Ltd.	4,500,000 (44,143)	—	—	4,500,000 (44,143)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	3,000,000 (29,429)	—	—	3,000,000 (29,429)				
	Resona Bank, Ltd.	2,500,000 (24,524)	—	—	2,500,000 (24,524)				
	Shinsei Bank, Limited.	1,000,000 (9,809)	—	—	1,000,000 (9,809)				

## 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 Banking Corporation	¥3,000,000 (\$29,429)	—	—	¥3,000,000 (\$29,429)	1.03% (Note 4)	March 31, 2017	(Note 13)	Unsecured without warranty
	Aozora Bank, Ltd.	1,500,000 (14,714)	—	—	1,500,000 (14,714)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	1,500,000 (14,714)	—	—	1,500,000 (14,714)				
	Shinkin Central Bank	1,000,000 (9,809)	—	—	1,000,000 (9,809)				
	Mizuho Bank, Ltd.	3,000,000 (29,429)	—	—	3,000,000 (29,429)	1.03% (Note 4)	March 31, 2017	(Note 13)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,000,000 (29,429)	—	—	3,000,000 (29,429)				
	Mizuho Trust & Banking Co., Ltd.	1,000,000 (9,809)	—	—	1,000,000 (9,809)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000,000 (39,238)	—	—	4,000,000 (39,238)	1.07% (Note 5)	March 27, 2019	(Note 13)	Unsecured without warranty
	Resona Bank, Ltd.	1,095,000 (10,741)	—	—	1,095,000 (10,741)	0.83%	March 31, 2017	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.	3,480,000 (34,137)	—	—	3,480,000 (34,137)	0.70% (Note 6)	July 31, 2017	(Note 14)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,480,000 (34,137)	—	—	3,480,000 (34,137)				
	Mizuho Bank, Ltd.	3,480,000 (34,137)	—	—	3,480,000 (34,137)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,960,000 (19,226)	—	—	1,960,000 (19,226)				
	Sumitomo Mitsui Trust Bank, Limited.	2,000,000 (19,619)	—	—	2,000,000 (19,619)	0.45%	March 31, 2016	(Note 15)	Unsecured without warranty
	Aozora Bank, Ltd.	2,000,000 (19,619)	—	—	2,000,000 (19,619)				
	The Norinchukin Bank	1,000,000 (9,809)	—	—	1,000,000 (9,809)				
	The Chiba Bank, Ltd.	600,000 (5,885)	—	—	600,000 (5,885)				
	Sumitomo Mitsui Banking Corporation	500,000 (4,904)	—	—	500,000 (4,904)				
	Mizuho Bank, Ltd.	500,000 (4,904)	—	—	500,000 (4,904)				
	The Shizuoka Bank, Ltd.	500,000 (4,904)	—	—	500,000 (4,904)				
	The Bank of Fukuoka	500,000 (4,904)	—	—	500,000 (4,904)				

## 19. Other Supplementary Information (continued)

Classification	Lender	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Long-term loans	Sumitomo Mitsui Trust Bank, Limited.	¥4,430,000 (\$43,456)	—	—	¥4,430,000 (\$43,456)	0.96% (Note 7)	January 31, 2020	(Note 15)	Unsecured without warranty
	Sumitomo Mitsui Banking Corporation	3,260,000 (31,979)	—	—	3,260,000 (31,979)				
	Aozora Bank, Ltd.	2,700,000 (26,486)	—	—	2,700,000 (26,486)				
	Mizuho Bank, Ltd.	1,930,000 (18,932)	—	—	1,930,000 (18,932)				
	Mizuho Trust & Banking Co., Ltd.	1,830,000 (17,951)	—	—	1,830,000 (17,951)				
	The Bank of Tokyo -Mitsubishi UFJ, Ltd.	1,350,000 (13,243)	—	—	1,350,000 (13,243)				
	The Norinchukin Bank	1,000,000 (9,809)	—	—	1,000,000 (9,809)				
	Mitsubishi UFJ Trust and Banking Co., Ltd.	910,000 (8,926)	—	—	910,000 (8,926)	0.96% (Note 8)	January 31, 2020	(Note 15)	Unsecured without warranty
	Development Bank of Japan Inc.	1,500,000 (14,714)	—	—	1,500,000 (14,714)				
	The Norinchukin Bank	—	3,500,000 (34,333)	—	3,500,000 (34,333)	0.56% (Note 9)	January 31, 2021	(Note 15)	Unsecured without warranty
	Subtotal	100,305,000 (983,961)	3,500,000 (34,333)	—	103,805,000 (1,018,295)	—	—	—	—
Total		¥100,305,000 (\$983,961)	¥10,500,000 (\$103,001)	¥7,000,000 (\$68,667)	¥103,805,000 (\$1,018,295)	—	—	—	—

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

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

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

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

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

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

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

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

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

(Note 10) To be used to acquire trust beneficiary rights and real estate (including these co-ownership interests).

(Note 11) To be used to purchase rehabilitation obligations (others), purchase rehabilitation obligations (investment corporation bonds) and repayment of part of rehabilitation obligations (loans).

(Note 12) To be used to refinance existing loans and rehabilitation obligations with right of separate satisfaction (refinance fund).

(Note 13) To be used to purchase rehabilitation obligations (investment corporation bonds) and repayment of rehabilitation obligations (loans).

(Note 14) To be used to repayment of existing loans (refinance fund).

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

## 19. Other Supplementary Information (continued)

(Note 16) Payment schedule for long-term loans over five years subsequent to February 28, 2014 is as follows:

(Thousands of yen)

Classification	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥10,500,000	¥39,400,000	¥27,495,000	—

(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	\$103,001	\$386,501	\$269,717	—

### 7) Detailed Schedule of Rehabilitation Obligations as of February 28, 2014

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Current portion of rehabilitation obligations (Loans)	The Norinchukin Bank	January 5, 2010 (Note 3)	¥3,039,055 (\$29,812)	—	¥3,039,055 (\$29,812)	—	1.23%	January 31, 2014	(Note 5)	Unsecured without warranty
	Sumitomo Mitsui Trust Bank, Limited.		—	¥3,218,197 (\$31,569)	—	¥3,218,197 (\$31,569)	1.73% (Note 4)	January 30, 2015		
	The Norinchukin Bank		—	3,039,249 (29,814)	—	3,039,249 (29,814)				
	Aozora Bank, Ltd.		—	2,353,296 (23,085)	—	2,353,296 (23,085)				
	Sumitomo Mitsui Banking Corporation		—	1,883,981 (18,481)	—	1,883,981 (18,481)				
	Mizuho Bank, Ltd.		—	1,215,563 (11,924)	—	1,215,563 (11,924)				
	Mizuho Trust & Banking Co., Ltd.		—	914,765 (8,973)	—	914,765 (8,973)				
	Development Bank of Japan Inc.		—	516,699 (5,068)	—	516,699 (5,068)				
	Mitsubishi UFJ Trust and Banking Corporation		—	455,846 (4,471)	—	455,846 (4,471)				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		—	425,564 (4,174)	—	425,564 (4,174)				
	The Chiba Bank, Ltd.		—	303,898 (2,981)	—	303,898 (2,981)				
			Subtotal	—	3,039,055 (29,812)	14,327,064 (140,544)	3,039,055 (29,812)	14,327,064 (140,544)		
Current portion of rehabilitation obligations (Investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 2)	January 5, 2010 (Note 3)	534,789 (5,246)	—	534,789 (5,246)	—	1.23%	January 31, 2014	(Note 6)	Unsecured without warranty
			—	534,823 (5,246)	—	534,823 (5,246)	1.73% (Note 4)	January 30, 2015		
		Subtotal	—	534,789 (5,246)	534,823 (5,246)	534,789 (5,246)	534,823 (5,246)	—	—	—
Total		—	¥3,573,845 (\$35,058)	¥14,861,887 (\$145,790)	¥3,573,845 (\$35,058)	¥14,861,887 (\$145,790)	—	—	—	—

Classification		Date of modification of rights	Balance at beginning of the period (Thousands of yen) (Thousands of U.S. dollars)	Increase during the period (Thousands of yen) (Thousands of U.S. dollars)	Decrease during the period (Thousands of yen) (Thousands of U.S. dollars)	Balance at end of the period (Thousands of yen) (Thousands of U.S. dollars)	Average interest rate (Note 1)	Repayment deadline	Purpose of use	Comments
Rehabilitation obligations (loans)	Sumitomo Mitsui Trust Bank, Limited.	January 5, 2010 (Note 3)	¥3,218,197 (\$31,569)	—	¥3,218,197 (\$31,569)	—	1.73% (Note 4)	January 30, 2015	(Note 5)	Unsecured without warranty
	The Norinchukin Bank		3,039,249 (29,814)	—	3,039,249 (29,814)	—				
	Aozora Bank, Ltd.		2,353,296 (23,085)	—	2,353,296 (23,085)	—				
	Sumitomo Mitsui Banking Corporation		1,883,981 (18,481)	—	1,883,981 (18,481)	—				
	Mizuho Bank, Ltd.		1,215,563 (11,924)	—	1,215,563 (11,924)	—				
	Mizuho Trust & Banking Co., Ltd.		914,765 (8,973)	—	914,765 (8,973)	—				
	Development Bank of Japan Inc.		516,699 (5,068)	—	516,699 (5,068)	—				
	Mitsubishi UFJ Trust and Banking Corporation		455,846 (4,471)	—	455,846 (4,471)	—				
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.		425,564 (4,174)	—	425,564 (4,174)	—				
	The Chiba Bank, Ltd.		303,898 (2,981)	—	303,898 (2,981)	—				
	Subtotal	—	14,327,064 (140,544)	—	14,327,064 (140,544)	—	—	—	—	—
Rehabilitation obligations (investment corporation bonds)	First Series Unsecured Investment Corporation Bonds (Note 2)	January 5, 2010 (Note 3)	534,823 (5,246)	—	534,823 (5,246)	—	1.73% (Note 4)	January 30, 2015	(Note 6)	Unsecured without warranty
	Subtotal	—	534,823 (5,246)	—	534,823 (5,246)	—	—	—	—	—
Total		—	14,861,887 (145,790)	—	14,861,887 (145,790)	—	—	—	—	—
Total rehabilitation obligations		—	¥18,435,733 (\$180,848)	¥14,861,887 (\$145,790)	¥18,435,733 (\$180,848)	¥14,861,887 (\$145,790)	—	—	—	—

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

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

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

(Note 4) With regard to each rehabilitation obligation, a fixed interest rate has been applied to the balance of the principal with a maturity of January 30, 2015 (¥14,861,887 thousand at end of the period) (\$145,790 thousand) from September 1, 2010.

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

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