

### 36th Fiscal Period Financial Report (REIT)

January 16, 2020

REIT Issuer: HEIWA REAL ESTATE REIT, Inc.  
Securities Code: 8966  
Representative: (Title) Executive Director

Stock Exchange Listing: TSE  
URL: <https://www.heiwa-re.co.jp/>  
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Representative: (Title) President & Representative Director  
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 27, 2020  
Scheduled date of commencement of distribution payments: February 14, 2020  
Supplementary materials: Attached  
IR Conference: Yes (for institutional investors, securities analysts)

[Amounts are rounded down to the nearest million yen]

## 1. Status of Management and Assets for the 36th Fiscal Period

**36th Fiscal Period (36th FP): Fiscal period ended November 2019 (from June 1, 2019 to November 30, 2019)**

(1) Management		[% figures show the period-on-period increase (decrease)]					
	Operating revenue		Operating income		Ordinary income		Net income
36th FP	¥6,328 million	(0.9%)	¥2,967 million	(2.3%)	¥2,507 million	(2.8%)	¥2,506 million (2.8%)
35th FP	¥6,382 million	2.7%	¥3,036 million	3.2%	¥2,578 million	3.7%	¥2,578 million 3.7%

  

	Net income per unit	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
36th FP	¥2,469	2.6%	1.4%	39.6%
35th FP	¥2,540	2.7%	1.4%	40.4%

(2) Distributions						
	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio (Note 1)	Ratio of distributions to net assets (Note 2)
36th FP	¥2,500	¥2,537 million	¥-	¥- million	101.2%	2.7%
35th FP	¥2,425	¥2,461 million	¥-	¥- million	95.5%	2.6%

(Note 1) Payout ratio shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ Net income × 100

(Note 2) Ratio of distributions to net assets shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(Note 3) The amount of total distributions (¥2,461 million) for the 35th Fiscal Period are calculated as follows and therefore differ from the amount of net income. The reversal of the reserve for adjustment of temporary differences of ¥40 million (¥40 per unit) is appropriated to the balance excluding the net income provision of internal reserve of ¥157 million, which constitutes a part of the gain on sales of real estate properties.

(Note 4) The amount of total distributions (¥2,537 million) for the 36th Fiscal Period are calculated as follows and therefore differ from the amount of net income. The reversal of the reserve for adjustment of temporary differences of ¥40 million (¥40 per unit) is appropriated to the balance excluding the net income provision of internal reserve of ¥9 million.

## (3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
36th FP	¥185,927 million	¥95,647 million	51.4%	¥94,248
35th FP	¥185,504 million	¥95,462 million	51.5%	¥94,065

## (4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
36th FP	¥4,877 million	(¥3,374 million)	(¥2,480 million)	¥13,986 million
35th FP	¥5,044 million	(¥6,358 million)	(¥685 million)	¥14,964 million

## 2. Management Status Forecasts for the 37th and 38th Fiscal Periods

**37th Fiscal Period (37th FP): Fiscal period ending May 2020 (from December 1, 2019 to May 31, 2020)**

**38th Fiscal Period (38th FP): Fiscal period ending November 2020 (from June 1, 2020 to November 30, 2020)**

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings) (Note)	Distribution in excess of earnings per unit
37th FP	¥6,233 million	(1.5%)	¥2,822 million	(4.9%)	¥2,388 million	(4.7%)	¥2,387 million	(4.7%)	¥2,525	¥–
38th FP	¥6,227 million	(0.1%)	¥2,829 million	0.3%	¥2,417 million	1.2%	¥2,416 million	1.2%	¥2,525	¥–

(Reference) Estimated net income per unit: 37th Fiscal Period: ¥2,352 38th Fiscal Period: ¥2,381

(Note) Funds for the payment of distributions for the 37th Fiscal Period include ¥175 million (¥173 per unit) that will be released from the reserve for temporary difference adjustment. Funds for the payment of distributions for the 38th Fiscal Period include ¥146 million (¥144 per unit) that will be released from the reserve for temporary difference adjustment. Therefore, the amount of such funds is not equal to that of net income.

### \* Other

#### (1) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- (ii) Changes in accounting policies other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatements: No

#### (2) Total Number of Investment Units Issued and Outstanding

- (i) Total number of investment units issued and outstanding at end of period (including own investment units):
- (ii) Number of own investment units at end of period:

36th FP:	1,014,847 units	35th FP:	1,014,847 units
36th FP:	– units	35th FP:	– units

(Note) For the number of investment units on which the calculation of net income per unit is based, see “Note on per-unit information” on page 31 of the Japanese version of the “36th Fiscal Period Financial Report (REIT)” for the period ended November 2019.

\* This financial report is not subject to audits by certified public accountants or audit companies.

### \* Special note

The management status outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by the Investment Corporation. Accordingly, actual management status and other results may vary materially due to various factors. This forecast is not a guarantee of actual distributions paid. See the “Management status forecast assumptions for 37th Fiscal Period (from December 1, 2019 to May 31, 2020) and 38th Fiscal Period (from June 1, 2020 to November 30, 2020)” on page 10 for notes on assumptions used in management status forecasts and on the use of management status forecasts.

## 1. Operations

### (1) Operations

#### a. General situation during the 36th Fiscal Period

The REIT is striving based on its Basic Philosophy of “Steady Growth of Assets Under Management” and “Stable Medium- to Long-Term Profits,” as well as “cooperation with and use of the Heiwa Real Estate Group” (below, collectively referring to Heiwa Real Estate Co., Ltd. [below, “Heiwa Real Estate”] and the subsidiaries of Heiwa Real Estate; the same hereinafter) to manage its assets with the purpose of maximizing investor’s value. Following is a summary of our asset management during the 36th Fiscal Period.

#### (i) Brief background of the REIT

Investment units in the REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (below, TSE) since March 8, 2005 (Securities Code: 8966). Subsequently, the REIT executed a capital increase through public offering and underwriting of new investment units issued through private placement on several occasions and an investment unit split and investment unit issuance through a merger with Japan Single-residence REIT Inc. on October 1, 2010 (below, this event is referred to as the merger) by the previous Fiscal Period. As a result, total investment units outstanding were 1,014,847 and unitholders' capital was 81,370 million yen as of the end of the 36th Fiscal Period (November 2019).

#### (ii) Operating environment

During the Fiscal Period under review, the Japanese economy generally remained on a moderate recovery path, reflecting an increase in capital spending on the back of continuing improvements in corporate earnings and improvements in the employment/income conditions, despite the obvious impacts of successive natural disasters such as large typhoons and the slowdown of overseas economies.

The impact of the consumption tax increase from October was limited as the pullback in demand followed the last-minute surge ahead of the hike was not as serious as last time, and the economy is expected to continue recovering at a modest pace, supported by a recovery in foreign demand and firm domestic demand.

In this environment, the TSE REIT index fell slightly from 1,916.92 points at the end of the previous Fiscal Period (May 31, 2019) to 1,898.63 points in early June. Subsequently, it made an upturn in the middle of the period mainly due to a decline in long-term interest rates and expectations of rent increases against the backdrop of favorable real estate market conditions, temporarily reaching 2,257.08 points in early November. It stood at 2,219.74 points at the end of the Fiscal Period under review, which was an increase of approximately 300 points from the level at the end of the previous Fiscal Period.

#### (a) Office building leasing market

The latest office building market data from Miki Shoji Co., Ltd. shows that the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) remained low throughout the period, falling from 1.64% at the end of the previous Fiscal Period to 1.56% at the end of the Fiscal Period under review. This reflects a minor decrease in the vacant office space of all business districts in Tokyo due to the conclusion of contracts for large vacancies at existing buildings and the limited impact of contract cancellations, despite the fact that some newly completed buildings were still seeking tenants and activities to find tenants for large buildings were seen. Corporate demand for office space remains strong due to improved economic sentiment. The average rent, which rose from 21,396 yen/tsubo at the end of the previous Fiscal Period to 22,066 yen/tsubo at the end of the Fiscal Period under review, remains steady, maintaining the level above 21,000 yen/tsubo in the rent market.

#### (b) Residential leasing market

According to At Home Co., Ltd., the used condominium contract rent index in the Tokyo metropolitan area fell 1.8 percentage points in November 2019 year on year, but demand for rental housing remains strong due to an excess of population inflow into the metropolitan area and an upward trend in the number of small households. According to the Survey Report on the Statistics of Construction Starts published in November 2019, the number of new housing starts (rental housing) decreased for the fifteenth consecutive month. With the level of increases in supply being stabilized as in the previous Fiscal Period, demand and supply trends remained steady in the residential rental market. The residential assets in the REIT’s portfolio also maintained a stable performance, with occupancy rates remaining at a high level through the period and rents also continuing their upward trend.

#### (c) Real estate

According to data based on the Land Price Survey conducted by prefectural governments as of July 1, 2019, which was announced in September 2019, each of Japan’s three major metropolitan areas saw continuous increases in the average price for all types of land and prices for land in residential, industrial and commercial areas respectively, and the upward trend intensified. A breakdown of the data shows that prices for land in residential areas continued to increase in the Tokyo, Osaka and Nagoya areas amid growing residential demand fueled by improvement in economic sentiment. Similarly, prices for land in commercial areas climbed for the seventh straight year and the upward trend continued to intensify. In residential areas, the upward trend is attributable to solid housing demand mainly in areas with traffic convenience and a good living environment as employment/income environments continue to improve and continued low interest rates further stoke demand. In commercial areas, the trend is mainly attributable to factors such as firm office building demand in major city centers on the back of the favorable funding environment and an increase in the demand for stores and hotels in regions that appear increasingly prosperous due to the growing number of foreign tourists and progress of redevelopment and other projects.

Looking at regional areas, prices for land in residential areas continued to show a trend for smaller declines whilst prices for land in commercial areas rose for the first time in 28 years since 1991. In government ordinance-designated regional cities, which the REIT considers to be investment targets, land prices continued to increase in both residential and commercial areas and prices are expected to further rise.

(iii) Management performance

(a) External growth

The REIT acquired one office building (Of-44, KINSHICHO SQUARE BUILDING [trust beneficiary rights, acquisition price: 2,840 million yen]) on September 20, 2019 and sold one office building (Of-01 HF GOTANDA BUILDING [trust beneficiary right, acquisition price: 1,290 million yen]) on the same day to improve profitability and the quality of its portfolio.

As a result, portfolio assets as of the end of the period were 104 properties (total acquisition price: 174,706 million yen), including 31 office buildings (total acquisition price of 76,321 million yen) and 73 residential buildings (total acquisition price of 98,385 million yen).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 36th Fiscal Period, the REIT continued to be engaged in tenant leasing activities, working to shorten vacancy duration as well as systematic efforts to increase its investment value based on tenant needs and the characteristics of each individual property. Partly as a result of these initiatives to maintain and improve the competitiveness of its assets, the occupancy rate for all properties held by the REIT climbed further to 98.1% as at the end of the 36th Fiscal Period from 97.9% at the end of the previous Fiscal Period. The REIT successfully maintained high and stable occupancy throughout the period, resulting in a high average month-end occupancy rate of 97.8% for the Fiscal Period under review. The average occupancy rate of offices reached a record high and the occupancy rate of residences remained at a stable high level throughout the period.

(iv) Procurement of funds

The REIT issued the Fourth Series of Unsecured Investment Corporation Bonds (total issue value: 1,000 million yen) and the Fifth Series of Unsecured Investment Corporation Bonds (total issue value: 1,600 million yen) for the purpose of establishing a stronger financial base by extending the term for interest-bearing liabilities, dispersing repayment dates and diversifying financing methods and applied the proceeds to the early repayment of some loans on June 12, 2019. The REIT took out Term Loan 44 (Tranche A [loan amount: 2,700 million yen]), Tranche B [loan amount: 1,200 million yen] and Tranche C [loan amount 2,100 million yen]) on the same day to repay Term Loan 17 (loan balance: 3,500 million yen) and Term Loan 29 (Tranche A [loan balance: 2,500 million yen]), whose principal repayment dates were October 31, 2019.

An overview of the loans is provided below. These loans enabled the REIT to extend its borrowing periods and reduce the concentration of redemption dates (average borrowing period as of November 30: 7.1 years; average remaining period: 4.0 years) while at the same time maintaining the borrowing cost at a low level (average borrowing interest rate as of November 30: 0.86%).

In addition, to secure financial creditworthiness by increasing the means of flexible and stable fundraising and liquidity on hand, the REIT has established the commitment line with a maximum total limit of 6,000 million yen with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. and Mizuho Bank, Ltd.

[Fourth series of unsecured investment corporation bonds]

Name	HEIWA REAL ESTATE REIT, Inc. Fourth Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds)
Total amount of investment corporation bonds	1,000 million yen
Payment date	June 4, 2019
Paid-in amount	100 yen per 100 yen of each investment corporation bond
Interest rate	0.410% per annum
Attachment of security and guarantee	Unsecured and without guarantee
Redemption date	The REIT will conduct the redemption of the total amount on May 31, 2024. The REIT has the option of buying back and retiring the Investment Corporation Bonds anytime on and after the following day of the payment date, unless otherwise provided for in laws, regulations, or other rules in the operational regulations of Japan Securities Depository Center, Inc., which is a transfer institution.
Interest payment date	May 31 and November 30 every year (The first payment of interest will occur on November 30, 2019)
Use of funds	Funds were appropriated to some of funds for the repayment of existing loans (Term Loan 39 and Term Loan 41) before their redemption dates.

[Fifth series of unsecured investment corporation bonds]

Name	HEIWA REAL ESTATE REIT, Inc. Fifth Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds)
Total amount of investment corporation bonds	1,600 million yen
Payment date	June 4, 2019
Paid-in amount	100 yen per 100 yen of each investment corporation bond
Interest rate	0.820% per annum
Attachment of security and guarantee	Unsecured and without guarantee
Redemption date	The REIT will conduct the redemption of the total amount on May 31, 2029. The REIT has the option of buying back and retiring the Investment Corporation Bonds anytime on and after the following day of the payment date, unless otherwise provided for in laws, regulations, or other rules in the operational regulations of Japan Securities Depository Center, Inc., which is a transfer institution.
Interest payment date	May 31 and November 30 every year (The first payment of interest will occur on November 30, 2019)
Use of funds	Funds were appropriated to some of funds for the repayment of existing loans (Term Loan 39 and Term Loan 41) before their redemption dates.

[Term Loan 44 Tranche A]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited. Sumitomo Mitsui Trust Bank, Limited The Nomura Trust and Banking Co., Ltd. Shinsei Bank, Limited	2,700 million yen	May 31, 2023 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 44 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd.	1,200 million yen	May 31, 2025 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 44 Tranche C]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited. Aozora Bank, Ltd. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Shinsei Bank, Limited	2,100 million yen	November 30, 2026 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

(Note) Or the previous business day if the date shown is not a business day.

As a result, the total interest-bearing liabilities amount (Note) at period end was 82,467 million yen (period end LTV (Note): 44.35%).

(Note) Interest-bearing liabilities = Short-term loans + Long-term loans due within one year + Investment corporation bonds + Long-term loans

Closing ratio of interest-bearing liabilities to total assets = Closing amount of interest-bearing liabilities / Closing amount of total assets × 100

A rating for the REIT as of the date of this document is presented below.

Credit rating agency	Issuer rating
Japan Credit Rating Agency, Ltd. (JCR)	Rating: A+; Rating outlook: Stable

(v) Performance and distributions

The management described above led to 36th Fiscal Period results of 6,328 million yen in operating revenues, 2,967 million yen in operating income, after deducting interest expenses on loans, 2,507 million yen in ordinary income, and 2,506 million yen in net income. With respect to the distribution of monies (“distributions”) stipulated in Article 137 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951 and subsequent amendments), distributions shall be not more than the amount of unappropriated retained earnings at the end of the Fiscal Period under review and are defined as anything in excess of 90% of the “amount of distributable income” stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957 and subsequent amendments; the “Special Taxation Measures Act”) in accordance with the stipulations of Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on such policy, the REIT made a decision to pay out 2,537,117,500 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to the balance, excluding internal reserve of 9,958,716 yen from net income of 2,506,482,336 yen. As a result, distributions per unit have come to 2,500 yen.

b. Outlook for next period

Management policy and future issues

The REIT has developed and managed a high quality portfolio, primarily consisting of office and residence properties located in Tokyo 23 Wards, with the aim of maximizing investor value through our Basic Philosophy of “Steady Growth of Assets under Management” and “Stable Medium- to Long-Term Profits” as well as through “cooperation with and use of the Heiwa Real Estate Group.” In subsequent periods, we will continue to adhere to the above philosophy, aiming to further maximize investor value through the stable management of our portfolio and pursuing a strategy of steady growth.

(a) External growth

The REIT attempted to increase and enhance the volume and quality of its portfolio and increase its revenues by acquiring one new property of good quality, in addition to selling one property from the previous Fiscal Period to the Fiscal Period under review. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize investor value. Given the sound financing environment and the expectations for higher property prices on the back of the expected economic recovery, competitors are maintaining a strong appetite for the acquisition of properties. As a result, the property acquisition environment is likely to remain challenging. We will endeavor to promptly obtain information on excellent properties by using our pipeline with Heiwa Real Estate and building up our unique information routes as an asset management company. As a basic strategy, we aim to increase opportunities for primarily acquiring properties owned and developed by Heiwa Real Estate, and additionally for acquiring properties owned and developed by other developers to expand our portfolio, contributing to stable profitability over the medium to long term.

(b) Internal growth

The REIT believes that by using the database and information network developed by the Heiwa Real Estate Group and its property management company, it can quickly detect leasing market trends and conduct precise property management, enabling it to maintain and increase occupancy rates and rent levels in assets under management. To maintain and increase rent levels, the REIT will continue actively endeavoring to revise rents to reasonable levels against the backdrop of improvement in the leasing market. Meanwhile, to maintain and increase occupancy rates, it will deal with tenants by focusing on minimizing departures and will undertake leasing management, including reducing the period of time for work for restoration to the original state, to shorten the period between the time when properties are vacated and the acquisition of new tenants. To make our properties more competitive, we continuously and actively make value-building investments in repairs and improvements of assets under management to maintain and enhance their medium- to long-term value, taking into account each property’s asset age, facility level and other aspects. Through these measures, our goal is to maintain and further improve occupancy rates at high and stable levels.

(c) Financial strategy

The REIT is actively implementing measures in an effort to stabilize its financial foundations and achieve sustainable growth. Concerning borrowings, the REIT will continue to strive to extend its borrowing periods and diversify maturities by maintaining an appropriate loan-to-value ratio, while promoting measures to reduce risks from higher interest rates in the future and cut financial costs. It will also endeavor to further strengthen its bank formation by strengthening its relationships with financial institutions. The REIT will also issue investment corporation bonds, while keeping a close watch on the effect of reducing financial costs and trends in the financial market. By implementing these measures and initiatives on a continuous basis, the REIT will strive to build sound financial systems that are resilient to changes in the funding environment.

(d) Promotion of more timely disclosure

We practice information disclosure that is accurate, fair and timely, complying with the TSE’s Securities Listing Regulations and other regulations, laws, etc. relating to timely disclosure. The REIT discloses information on its decisions on the acquisition of new properties, etc. as a rule at the time of the decision by a REIT organization such as the Board of Directors, while events such as damage to assets under management resulting from incidental occurrences are disclosed at the time they are discovered. As a rule, REIT information is disclosed through the TSE’s TDnet, press releases to the TSE press club (Kabuto Club), Ministry of Land, Infrastructure, Transport and Tourism Press Club, etc., and through the REIT’s website.

c. Significant subsequent events

Asset Acquisitions

The REIT concluded an agreement on the sale and purchase of real estate for one property (proposed acquisition price: 1,070 million yen) on December 26, 2019 in accordance with the basic policy, etc. set out in its bylaws.

Property name: HF SENDAI HONCHO RESIDENCE (Note 1)

Type of asset to be acquired	Real estate
Contract date (Note 2)	December 26, 2019
Scheduled acquisition date (Note 2) (Note 3)	April 24, 2020
Proposed acquisition price(Note 4)	1,070 million yen
Location (residential address)	Honcho 2-chome, Aoba-ku, Sendai City, Miyagi (TBD)
Use (Note 5)	Co-housing
Completed	Scheduled for completion in April 2020
Structure (Note 5)	Reinforced concrete flat-roofed 10-story structure
Total floor area (Note 5)	1,917.04 m <sup>2</sup>
Total rentable area	1,654.38 m <sup>2</sup>

(Note 1) The asset to be acquired has not been completed as of today and the planned property name at the acquisition by the REIT is indicated.

(Note 2) The Agreement on the Sale and Purchase of Real Estate regarding acquisition of the property (hereinafter in Note 2 referred to as the “Agreement”) falls under forward commitments, etc. by investment corporations as stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” issued by the Financial Services Agency. Under the Agreement, if the Agreement is canceled due to a cause attributable to the REIT or the counterparty, the defaulting party shall pay a cancelation penalty charge equal to 10% of the transaction price of the real estate subject to the sale and purchase. The REIT will allot funds in hand or funds borrowed to acquire financing for the property. In consideration of cash and deposits held by the REIT today and cash flow conditions of the REIT, the REIT does not consider that there will be any concern over acquisition of the property to be acquired with funds in hand. Therefore, it believes that the possibility of the property to be acquired having a material impact on the REIT’s financial conditions and payment of distributions is low.

The REIT has acquired a real estate appraisal report for the property from JLL Morii Valuation & Advisory K.K. with October 31, 2019 as the valuation date and the appraised value of the property as of said date is 1,140 million yen.

(Note 3) At this time, the scheduled acquisition date is set on April 24, 2020, while the property could be acquired after April 24, 2020, depending on progress in the construction work.

(Note 4) “Proposed acquisition price” is the price described in the real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 5) Based on details indicated in the building status survey report of Tokyo Bldg-Tech Center Co., Ltd., with November 6, 2019 as the survey date.



d. Outlook for the 37th and 38th Fiscal Periods

Operations are forecast to be as follows during the 37th Fiscal Period (from December 1, 2019 to May 31, 2020). See “Management status forecast assumptions for 37th Fiscal Period (from December 1, 2019 to May 31, 2020) and 38th Fiscal Period (from June 1, 2020 to November 30, 2020)” below for assumptions used in this forecast.

Operating revenues	6,233 million yen
Operating income	2,822 million yen
Ordinary income	2,388 million yen
Net income	2,387 million yen
Distributions per unit (excluding distributions in excess of earnings)	2,525 yen
Distributions in excess of earnings per unit	– yen

(Note 1) Sources of funds for paying total distributions include the planned amount of the reversal of the reserve for adjustment of temporary differences of 175 million yen (173 yen per unit), and they therefore differ from the amount of net income.

(Note 2) The above forecast figures were calculated using a fixed set of assumptions and are valid as of the time of this notice. Actual net income, distributions, etc., may vary due to changes in conditions. Forecast figures are not a guarantee of the amount of distributions.

Operations are forecast to be as follows during the 38th Fiscal Period (from June 1, 2020 to November 30, 2020). See “Management status forecast assumptions for 37th Fiscal Period (from December 1, 2019 to May 31, 2020) and 38th Fiscal Period (from June 1, 2020 to November 30, 2020)” below for assumptions used in this forecast.

Operating revenues	6,227 million yen
Operating income	2,829 million yen
Ordinary income	2,417 million yen
Net income	2,416 million yen
Distributions per unit (excluding distributions in excess of earnings)	2,525 yen
Distributions in excess of earnings per unit	– yen

(Note 1) Sources of funds for paying total distributions include the planned amount of the reversal of the reserve for adjustment of temporary differences of 146 million yen (144 yen per unit), and they therefore differ from the amount of net income.

(Note 2) The above forecast figures were calculated using a fixed set of assumptions and are valid as of the time of this notice. Actual net income, distributions, etc., may vary due to changes in conditions. Forecast figures are not a guarantee of the amount of distributions.

Management status forecast assumptions for 37th Fiscal Period (from December 1, 2019 to May 31, 2020) and 38th Fiscal Period (from June 1, 2020 to November 30, 2020)

Item	Assumptions
Management period	37th Fiscal Period: from December 1, 2019 to May 31, 2020 (183 days) 38th Fiscal Period: from June 1, 2020 to November 30, 2020 (183 days)
Assets under management	<ul style="list-style-type: none"> <li>Assumptions are made based on 106 properties including HF SENDAI NAGAMACHI RESIDENCE, which will be acquired on January 17, 2020, pursuant to the agreement concluded on May 27, 2019 and HF SENDAI HONCHO RESIDENCE, which will be acquired on April 24, 2020 pursuant to the agreement concluded on December 26, 2019, and added to 104 properties owned by the REIT as of November 30, 2019. The actual number may vary if properties are newly acquired, transferred, etc.</li> </ul>
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>The assumption is 1,014,847 units as the total number of investment units issued and outstanding at the end of the fiscal period ended November 2019.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>Operating revenues are calculated based on the assumption of the above assets under management.</li> <li>Operating revenues are calculated taking into account such factors as cancellation notices currently received and the future market environment, using the history of acquired assets as our standard.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Operating expenses are calculated based on the assumption of the above assets under management.</li> <li>Assumptions concerning major operating expenses are as follows:  37th Fiscal Period (from December 1, 2019 to May 31, 2020)  Public charges and taxes (fixed property tax, city planning tax, etc.): 396 million yen  Maintenance and repair fees: 250 million yen  Management commissions: 659 million yen  Depreciation: 960 million yen  38th Fiscal Period (from June 1, 2020 to November 30, 2020)  Public charges and taxes (fixed property tax, city planning tax, etc.): 400 million yen  Maintenance and repair fees: 230 million yen  Management commissions: 646 million yen  Depreciation: 964 million yen </li> <li>Fixed property tax, city planning tax, etc. associated with properties held are accounted for as expenses related to the lending business by posting the amounts corresponding to the relevant calculation period from the amount of tax determined to be due. Although fixed property tax, city planning tax, etc., on the buying and selling of real estate properties is generally calculated on a pro-rata basis with former owners and settled at the time of acquisition, the amount equivalent to the settlement money is not expensed, as it is included in the acquisition cost.</li> <li>For maintenance and repair fees, an amount deemed necessary during the period based on the maintenance and repair plans for the properties is posted.</li> <li>Emergency costs may arise as a result of unforeseeable factors, and actual operating expenses may therefore vary significantly from the forecast.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>The REIT assumes 429 million yen and 408 million yen as interest expenses (including interest expenses on investment corporation bonds) and borrowing-related expenses for the fiscal period ending May 2020 and the fiscal period ending November 2020 respectively. Moreover, the REIT assumes 3 million yen and 3 million yen as amortization of investment corporation bond issuance expenses for the fiscal period ending May 2020 and the fiscal period ending November 2020, respectively.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>Interest-bearing liabilities as of November 30, 2019 are 82,467 million yen.</li> <li>The REIT assumes it take out loans totaling 1,070 million yen to partly finance the acquisition of the asset to be acquired in April 2020 and that interest-bearing liabilities will amount to 83,537 million yen as of May 31, 2020 and to 83,537 million yen as of November 30, 2020.</li> <li>The REIT assumes that it will refinance loans that become payable in March 2020 and October 2020.</li> </ul>
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>Distributions per unit (excluding distributions in excess of earnings) are calculated based on the cash distribution policy stipulated in the REIT's bylaws. Assumptions on distributions for the fiscal period ending May 31, 2020 are made based on the distribution of a total of 2,562 million yen (distribution of 2,525 yen per unit), which includes 175 million yen that will be released from the reserve for temporary difference adjustment (the expected reserve reversal of 173 yen per unit) and appropriated to the expected net income of 2,387 million yen. Assumptions on distributions for the fiscal period ending November 30, 2020 are made based on the distribution of a total of 2,562 million yen (distribution of 2,525 yen per unit), which includes 146 million yen that will be released from the reserve for temporary difference adjustment (the expected reserve reversal of 144 yen per unit) and appropriated to the expected net income of 2,416 million yen.</li> <li>Distributions per unit (excluding distributions in excess of earnings) may change because of various factors, including changes in leasing income attributable to changes of assets under management or changes in tenants or to unexpected maintenance and repair work.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>We do not expect any distributions in excess of earnings at this time.</li> </ul>

Item	Assumptions
Other	<ul style="list-style-type: none"> <li>• We assume no amendments to laws, the tax system, accounting standards, TSE rules, or The Investment Trusts Association, Japan rules, etc., that would affect the above forecast figures.</li> <li>• We assume that no major unforeseen changes will occur in the general economic trends, real estate market conditions, etc.</li> </ul>

(2) Investment risk

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent Annual Securities Report (submitted August 29, 2019).

## 2. Financial Statements

### (1) Balance Sheet

(Unit: 1,000 yen)

	35th Fiscal Period (As of May 31, 2019)	36th Fiscal Period (As of November 30, 2019)
Assets		
Current assets		
Cash and deposits	14,757,359	13,956,919
Cash and deposits in trust	3,452,841	3,356,732
Operating accounts receivable	54,203	47,450
Prepaid expenses	141,415	141,194
Other	5,657	4,376
Allowance for doubtful accounts	(796)	(77)
Total current assets	18,410,682	17,506,595
Noncurrent assets		
Property, plant and equipment		
Buildings	11,949,880	13,878,172
Accumulated depreciation	(3,373,117)	(4,232,153)
Buildings, net	8,576,763	9,646,018
Structures	60,406	69,402
Accumulated depreciation	(33,113)	(39,059)
Structures, net	27,293	30,342
Machinery and equipment	226,221	272,682
Accumulated depreciation	(157,269)	(199,427)
Machinery and equipment, net	68,951	73,255
Tools, furniture and fixture	161,269	198,580
Accumulated depreciation	(114,808)	(133,192)
Tools, furniture and fixtures, net	46,460	65,387
Land	24,580,632	29,462,479
Buildings in trust	50,348,902	48,711,978
Accumulated depreciation	(11,586,881)	(11,358,585)
Buildings in trust, net	38,762,021	37,353,393
Structures in trust	284,548	279,867
Accumulated depreciation	(93,764)	(94,434)
Structures in trust, net	190,783	185,433
Machinery and equipment in trust	657,299	637,868
Accumulated depreciation	(317,205)	(302,769)
Machinery and equipment in trust, net	340,094	335,098
Tools, furniture and fixtures in trust	1,030,081	1,067,695
Accumulated depreciation	(670,826)	(703,257)
Tools, furniture and fixtures in trust, net	359,255	364,437
Land in trust	89,003,291	85,722,111
Total property, plant and equipment	161,955,548	163,237,957
Intangible assets		
Leasehold right	1,193,875	1,193,875
Leasehold rights in trust	3,315,665	3,315,665
Software	5,639	4,962
Other	242	227
Total intangible assets	4,515,422	4,514,730

(Unit: 1,000 yen)

	35th Fiscal Period (As of May 31, 2019)	36th Fiscal Period (As of November 30, 2019)
Investment and other assets		
Guarantee deposits	14,617	14,617
Long-term prepaid expenses	259,123	243,445
Derivatives	96	4,791
Other	320,578	361,785
Total investments and other assets	594,415	624,640
Total noncurrent assets	167,065,386	168,377,328
Deferred assets		
Investment corporation bond issuance costs	28,881	44,041
Total deferred assets	28,881	44,041
Total assets	185,504,950	185,927,964
Liabilities		
Current liabilities		
Operating accounts payable	495,337	737,128
Short-term loans payable	500,000	—
Current portion of long-term loans payable	13,620,000	11,550,000
Accrued expenses	714,774	709,527
Income taxes payable	593	225
Accrued consumption tax, etc.	33,833	76,507
Advances received	1,026,348	1,032,126
Other	12,409	38,754
Total current liabilities	16,403,297	14,144,269
Noncurrent liabilities		
Investment corporation bonds	3,800,000	6,400,000
Long-term loans payable	64,547,200	64,517,200
Tenant leasehold and security deposits	647,342	703,047
Tenant leasehold and security deposits in trust	4,304,030	4,308,792
Derivative liabilities	340,866	206,732
Total noncurrent liabilities	73,639,438	76,135,772
Total liabilities	90,042,736	90,280,041
Net Assets		
Unitholders' equity		
Unitholders' capital	81,370,715	81,370,715
Surplus		
Investment surplus	7,406,652	7,406,652
Voluntary retained earnings		
Reserve for reduction entry	415,683	415,683
Reserve for temporary differences, etc.	*3 1,825,784	*3 1,785,190
Total voluntary retained earnings	2,241,467	2,200,874
Unappropriated retained earnings (undisposed loss)	4,827,310	4,913,382
Total surplus	14,475,430	14,520,908
Total unitholders' equity	95,846,145	95,891,623
Valuation and translation adjustments		
Deferred hedge gain or loss	(383,930)	(243,700)
Total valuation and translation adjustments	(383,930)	(243,700)
Total net assets	*2 95,462,214	*2 95,647,923
Total liabilities and net assets	185,504,950	185,927,964

## (2) Profit and Loss Statement

(Unit: 1,000 yen)

	35th Fiscal Period (December 1, 2018 – May 31, 2019)		36th Fiscal Period (June 1, 2019 – November 30, 2019)	
Operating Revenues				
Rent revenue-real estate	*1	5,617,426	*1	5,664,093
Other lease business revenue	*1	464,659	*1	462,252
Gain on sales of real estate properties	*2, *3	300,398	*2*3	201,840
Total operating revenue		6,382,484		6,328,186
Operating expenses				
Expenses related to rent business	*1, *3	2,572,968	*1, *3	2,584,288
Asset management fee		577,626		576,282
Asset custody fee		10,917		11,080
Administrative service fees		42,073		40,444
Directors' compensation		7,963		7,122
Audit fee		9,660		9,660
Other operating expenses		125,012		131,771
Total operating expenses		3,346,222		3,360,650
Operating income		3,036,262		2,967,536
Non-operating income				
Interest income		1,267		1,249
Reversal of dividends payable		606		584
Insurance income		2,986		2,804
Other		1,406		548
Total non-operating income		6,266		5,186
Non-operating expenses				
Interest expenses		382,712		379,191
Borrowing related expenses		62,528		61,114
Interest expenses on investment corporation bonds		10,850		19,271
Amortization of investment corporation bond issuance costs		2,094		3,434
Other		5,452		2,623
Total non-operating expenses		463,638		465,635
Ordinary income		2,578,890		2,507,087
Income before income taxes		2,578,890		2,507,087
Income taxes-current		605		605
Total income taxes		605		605
Net income		2,578,285		2,506,482
Retained earnings brought forward		2,249,024		2,406,900
Unappropriated retained earnings (undisposed loss)		4,827,310		4,913,382

(3) Statements of Changes in Net Assets (Unitholders' Equity)  
35th Fiscal Period (December 1, 2018 – May 31, 2019)

(Unit: 1,000 yen)

	Unitholders' equity				
	Unitholders' capital / total capital	Surplus			
		Investment surplus	Voluntary retained earnings		
			Reserve for reduction entry	Reserve for temporary differences, etc.	Total voluntary retained earnings
Balance at the beginning of the period	81,370,715	7,406,652	415,683	1,866,378	2,282,061
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences				(40,593)	(40,593)
Dividends from surplus					
Net income					
Net changes of items other than unitholders' equity					
Total changes of items during the period	—	—	—	(40,593)	(40,593)
Balance at the end of the period	*1 81,370,715	7,406,652	415,683	1,825,784	2,241,467

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred hedge gain or loss	Total valuation and translation adjustments	
	Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at the beginning of the period	4,593,321	14,282,034	95,652,750	(294,846)	(294,846)	95,357,903
Changes of items during the period						
Reversal of reserve for adjustment of temporary differences	40,593	—	—			—
Dividends from surplus	(2,384,890)	(2,384,890)	(2,384,890)			(2,384,890)
Net income	2,578,285	2,578,285	2,578,285			2,578,285
Net changes of items other than unitholders' equity				(89,084)	(89,084)	(89,084)
Total changes of items during the period	233,989	193,395	193,395	(89,084)	(89,084)	104,310
Balance at the end of the period	4,827,310	14,475,430	95,846,145	(383,930)	(383,930)	95,462,214

	Unitholders' equity				
	Unitholders' capital / total capital	Surplus			
		Investment surplus	Voluntary retained earnings		
			Reserve for reduction entry	Reserve for temporary differences, etc.	Total voluntary retained earnings
Balance at the beginning of the period	81,370,715	7,406,652	415,683	1,825,784	2,241,467
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences				(40,593)	(40,593)
Dividends from surplus					
Net income					
Net changes of items other than unitholders' equity					
Total changes of items during the period	—	—	—	(40,593)	(40,593)
Balance at the end of the period	*1 81,370,715	7,406,652	415,683	1,785,190	2,200,874

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred hedge gain or loss	Total valuation and translation adjustments	
	Unappropriated retained earnings (undisposed loss)	Total surplus				
Balance at the beginning of the period	4,827,310	14,475,430	95,846,145	(383,930)	(383,930)	95,462,214
Changes of items during the period						
Reversal of reserve for adjustment of temporary differences	40,593	—	—			—
Dividends from surplus	(2,461,003)	(2,461,003)	(2,461,003)			(2,461,003)
Net income	2,506,482	2,506,482	2,506,482			2,506,482
Net changes of items other than unitholders' equity				140,230	140,230	140,230
Total changes of items during the period	86,072	45,478	45,478	140,230	140,230	185,708
Balance at the end of the period	4,913,382	14,520,908	95,891,623	(243,700)	(243,700)	95,647,923



## (4) Statements of Cash Dividend Distributions

(Unit: yen)

	35th Fiscal Period (December 1, 2018 – May 31, 2019)	36th Fiscal Period (June 1, 2019 – November 30, 2019)
I. Unappropriated retained earnings	4,827,310,134	4,913,382,375
II. Reversal of voluntary retained earnings		
Reversal of reserve for adjustment of temporary differences	*1 40,593,880	*1 40,593,880
III. Distributions	2,461,003,975	2,537,117,500
Distributions per unit (excluding distributions in excess of earnings)	(2,425)	(2,500)
IV. Retained earnings brought forward	2,406,900,039	2,416,858,755
How distributions were calculated	<p>Following the policy prescribed in Article 32, paragraph 1 of the REIT's bylaws, distributions shall be not more than the amount of unappropriated retained earnings at the end of the Fiscal Period under review and are defined as anything in excess of 90% of the "amount of distributable income" stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, the REIT made a decision to pay out 2,461,003,975 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to the balance excluding the internal reserve of 157,875,478 yen, which constitutes a part of the gain on sales of real estate properties from the net income of 2,578,285,573 yen for the Fiscal Period under review. The REIT does not distribute monies in excess of income as prescribed in Article 32, paragraph 2 of its bylaws.</p>	<p>Following the policy prescribed in Article 32, paragraph 1 of the REIT's bylaws, distributions shall be not more than the amount of unappropriated retained earnings at the end of the Fiscal Period under review and are defined as anything in excess of 90% of the "amount of distributable income" stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, the REIT made a decision to pay out 2,537,117,500 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to the balance excluding the internal reserve of 9,958,716 yen, from the net income of 2,506,482,336 yen for the Fiscal Period under review. The REIT does not distribute monies in excess of income as prescribed in Article 32, paragraph 2 of its bylaws.</p>

## (5) Cash Flow Statement

(Unit: 1,000 yen)

	35th Fiscal Period (December 1, 2018 – May 31, 2019)	36th Fiscal Period (June 1, 2019 – November 30, 2019)
Cash Flows from Operating Activities		
Income before income taxes	2,578,890	2,507,087
Depreciation	958,748	943,822
Increase (decrease) in allowance for doubtful accounts	(194)	(718)
Amortization of investment corporation bond issuance costs	2,094	3,434
Interest income	(1,267)	(1,249)
Interest expenses	393,562	398,463
Decrease (increase) of operating accounts receivable	7,834	5,525
Decrease (increase) of consumption taxes receivable	246,521	–
Increase (decrease) in accrued consumption taxes	33,833	42,674
Decrease (increase) of long-term prepaid expenses	20,961	15,678
Increase (decrease) in operating accounts payable	(45,961)	72,629
Increase (decrease) in accrued expenses	16,525	(3,809)
Increase (decrease) in advances received	25,443	5,777
Increase (decrease) in deposits received	55	458
Decrease due to sale of property, plant and equipment in trust	1,134,723	1,294,548
Other	31,164	(40,134)
Subtotal	5,402,935	5,244,186
Interest income received	74	2,477
Interest expenses paid	(358,397)	(368,549)
Income taxes (paid) refund	(237)	(973)
Net Cash Provided by (Used in) Operating Activities	5,044,374	4,877,141
Cash Flows from Investing Activities		
Proceeds from withdrawal of time deposits	–	3,000,000
Payments into time deposits	–	(3,000,000)
Purchase of property, plant and equipment	(3,210,285)	(37,596)
Purchase of property, plant and equipment in trust	(3,371,634)	(3,327,795)
Proceeds from receipt of tenant leasehold and security deposits	48,157	37,555
Repayments of tenant leasehold and security deposits	(21,247)	(41,046)
Proceeds from tenant leasehold and security deposits in trust	343,268	292,137
Repayments of tenant leasehold and security deposits in trust	(126,678)	(216,503)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	289	44,529
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(20,687)	(126,012)
Net Cash Provided by (Used in) Investing Activities	(6,358,817)	(3,374,733)
Cash Flows from Financing Activities		
Decrease in short-term loans payable	–	(500,000)
Proceeds from long-term loans payable	7,231,000	6,000,000
Decrease in long-term loans payable	(5,531,000)	(8,100,000)
Proceeds from issuance of investment corporation bonds	–	2,581,406
Distributions paid	(2,384,594)	(2,461,847)
Other	(1,357)	–
Net Cash Provided by (Used in) Financing Activities	(685,952)	(2,480,441)
Increase (decrease) in cash and cash equivalents	(2,000,396)	(978,033)
Cash and cash equivalents at beginning of period	16,965,154	14,964,758
Cash and cash equivalents at end of period	*1 14,964,758	*1 13,986,725

(6) Precaution about going concern assumptions

Not applicable

### 3. Reference Information

(1) Information on prices for assets under management, etc.

a. Investment status

2. Investment status						
Asset type	Use	Area	35th Fiscal Period (As of May 31, 2019)		36th Fiscal Period (As of November 30, 2019)	
			Value of holding (Million yen) (Note 1)	Ratio to total assets (%)	Value of holding (Million yen) (Note 1)	Ratio to total assets (%)
Real estate (Note 2)	Office	Tokyo 23 Wards	7,088	3.8	7,670	4.1
		Metropolitan Area (Note 3)	3,501	1.9	3,489	1.9
	Residence	Tokyo 23 Wards	16,967	9.1	22,412	12.1
		Metropolitan Area (Note 3)	5,074	2.7	5,048	2.7
		Other (Note 4)	1,862	1.0	1,851	1.0
	Subtotal		34,493	18.6	40,471	21.8
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	47,514	25.6	48,432	26.0
		Metropolitan Area (Note 3)	4,849	2.6	4,846	2.6
		Other (Note 4)	11,152	6.0	11,259	6.1
	Residence	Tokyo 23 Wards	46,753	25.2	41,187	22.2
		Metropolitan Area (Note 3)	2,932	1.6	2,921	1.6
		Other (Note 4)	18,769	10.1	18,628	10.0
	Subtotal		131,971	71.1	127,276	68.5
Real estate, etc., subtotal		166,465	89.7	167,747	90.2	
Deposits and other assets		19,039	10.3	18,180	9.8	
Total assets		185,504	100.0	185,927	100.0	

(Note 1) “Value of holding” is based on the balance sheet amount (carrying amount after depreciation and impairment accounting in the case of real estate and real estate in trust) as of the end of the period.

(Note 2) The land leasehold right, etc. owned in conjunction with a building, etc. is stated in the sections of “real estate” and “real estate in trust” by aggregating it with the building, etc.

(Note 3) “Metropolitan Area” refers to Tokyo (other than Tokyo 23 Wards) and Kanagawa, Saitama and Chiba prefectures.

(Note 4) “Other” refers to investment areas other than Tokyo 23 Wards and Metropolitan Area.

	35th Fiscal Period (As of May 31, 2019)		36th Fiscal Period (As of November 30, 2019)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	90,042	48.5	90,280	48.6
Net assets	95,462	51.5	95,647	51.4

b. Investment real estate properties

(i) Overview of portfolio assets

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Of-05	SUITENGU HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	1,699	1,397	1,550	0.89
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,830	2,259	2,500	1.43
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,840	1,527	1,530	0.88
Of-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	Trust beneficial interest	2,990	2,758	2,700	1.55
Of-09	GRACE BUILDING SENGAKUJIMAE	Minato-ku, Tokyo	Trust beneficial interest	1,670	1,125	1,220	0.70
Of-11	NIHONBASHI DAIICHI BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,210	2,180	2,150	1.23
Of-12	HG HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,700	3,052	3,092	1.77
Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	Real estate	1,030	1,103	1,110	0.64
Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	Trust beneficial interest	5,109	3,425	3,418	1.96
Of-20	FUNABASHI FACE BUILDING	Funabashi City, Chiba	Real estate	3,420	3,489	3,900	2.23
Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	Real estate	557	602	640	0.37
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,470	1,294	1,314	0.75
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,680	1,618	1,624	0.93
Of-25	KAYABACHO HEIWA Bldg.	Chuo-ku, Tokyo	Trust beneficial interest	6,860	4,752	4,798	2.75
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	Trust beneficial interest	3,400	2,577	2,310	1.32
Of-29	SAKAE MINAMI HEIWA BUILDING	Nagoya City, Aichi	Trust beneficial interest	2,280	1,511	1,580	0.90
Of-30	HF SAKURADORI BUILDING	Nagoya City, Aichi	Trust beneficial interest	6,400	4,551	4,900	2.80
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,590	1,941	1,900	1.09

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Of-32	HF SENDAI HONCHO BUILDING	Sendai City, Miyagi	Trust beneficial interest	3,630	2,617	2,700	1.55
Of-33	HF UENO BUILDING	Taito-ku, Tokyo	Trust beneficial interest	4,410	3,486	3,400	1.95
Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	2,250	1,376	1,350	0.77
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,390	2,764	2,720	1.56
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	4,300	3,236	3,150	1.80
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Trust beneficial interest	3,780	3,190	3,100	1.77
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,810	3,311	3,250	1.86
Of-39	SENJU MILDIX II BANKAN	Adachi-ku, Tokyo	Trust beneficial interest	1,960	1,631	1,650	0.94
Of-40	ARK Mori Building	Minato-ku, Tokyo	Trust beneficial interest	3,570	3,133	3,085	1.77
Of-41	Itopia Nihonbashi SA Building	Chuo-ku, Tokyo	Trust beneficial interest	2,320	2,150	2,140	1.22
Of-42	SOUTHERN SKY TOWER HACHIOJI	Hachioji City, Tokyo	Trust beneficial interest	1,890	1,656	1,600	0.92
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,350	3,102	3,100	1.77
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Trust beneficial interest	2,940	2,870	2,840	1.63
<b>Office subtotal</b>				<b>92,335</b>	<b>75,698</b>	<b>76,321</b>	<b>43.69</b>

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-03	HF ICHIKAWA RESIDENCE	Ichikawa City, Chiba	Trust beneficial interest	550	376	430	0.25
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	730	618	660	0.38
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	885	581	650	0.37
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	4,463	3,152	3,610	2.07
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,820	1,410	1,560	0.89
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,475	1,271	1,370	0.78
Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,300	1,099	1,260	0.72
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,020	892	1,000	0.57
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,460	875	1,100	0.63
Re-18	HF HIGASHINIHBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,710	973	1,210	0.69
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	872	555	690	0.39
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	5,190	3,641	4,030	2.31
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	1,050	974	1,070	0.61
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,190	1,045	1,130	0.65
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	1,050	846	950	0.54
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,240	1,055	1,100	0.63
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Real estate	5,370	5,510	5,940	3.40
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama City, Kanagawa	Real estate	2,860	2,969	3,350	1.92
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	Real estate	2,060	2,237	2,350	1.35
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,440	1,486	1,630	0.93
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,310	1,544	1,650	0.94
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,170	988	1,050	0.60
Re-34	HF TANASHI RESIDENCE	Nishitokyo City, Tokyo	Real estate	780	901	911	0.52

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	908	801	836	0.48
Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,300	1,024	1,080	0.62
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	966	711	749	0.43
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	947	706	730	0.42
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,830	1,368	1,460	0.84
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,270	1,756	1,890	1.08
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	Trust beneficial interest	1,040	712	793	0.45
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,270	807	944	0.54
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	7,520	6,432	6,520	3.73
Re-44	HF UMEDA RESIDENCE TOWER	Osaka City, Osaka	Trust beneficial interest	2,180	1,714	1,920	1.10
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka City, Osaka	Trust beneficial interest	526	427	453	0.26
Re-46	HF AWAZA RESIDENCE	Osaka City, Osaka	Trust beneficial interest	720	502	577	0.33
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	746	512	624	0.36
Re-48	HF HIRAO RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	2,180	1,588	1,780	1.02
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	605	484	534	0.31
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	2,370	1,639	1,820	1.04
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	1,000	765	820	0.47
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	1,070	806	870	0.50
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	713	592	615	0.35



Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-57	HF MUSASHI KOYAMA RESIDENCE	Shinagawa-ku, Tokyo	Trust beneficial interest	1,140	787	842	0.48
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji City, Tokyo	Trust beneficial interest	1,050	781	839	0.48
Re-59	HF HISAYAODORI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	1,310	982	1,080	0.62
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	691	518	572	0.33
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,660	1,945	1,990	1.14
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,570	1,138	1,170	0.67
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,690	1,261	1,360	0.78
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka City, Osaka	Trust beneficial interest	695	524	566	0.32
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,180	712	809	0.46
Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	957	585	684	0.39
Re-67	HF KYUDAIBYOINMAE RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	524	373	426	0.24
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	982	715	771	0.44
Re-69	HF ICHIBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,170	743	834	0.48
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,110	874	942	0.54
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,660	1,962	2,090	1.20
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	1,080	818	872	0.50
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,620	1,177	1,158	0.66
Re-75	HF Sendai Residence EAST	Sendai City, Miyagi	Trust beneficial interest	1,980	1,565	1,638	0.94
Re-76	HF NISHI-KOEN RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,480	1,322	1,310	0.75

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-77	HF BANSUI-DORI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	960	798	790	0.45
Re-78	HF KANNAI RESIDENCE	Yokohama City, Kanagawa	Trust beneficial interest	2,130	1,763	1,800	1.03
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	2,310	2,116	2,160	1.24
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo City, Hokkaido	Trust beneficial interest	1,730	1,513	1,560	0.89
Re-81	HF HAKATA-HIGASHI RESIDENCE	Fukuoka City, Fukuoka	Real estate	931	932	880	0.50
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	Sendai City, Miyagi	Real estate	904	918	850	0.49
Re-83	HF TABATA RESIDENCE	Kita-ku, Tokyo	Real estate	1,340	1,112	1,100	0.63
Re-84	HF RYOGOKU RESIDENCE	Sumida-ku, Tokyo	Real estate	1,630	1,425	1,400	0.80
Re-85	HF HACHIOJI RESIDENCE	Hachioji City, Tokyo	Real estate	1,210	1,176	1,120	0.64
Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	Real estate	1,350	1,238	1,210	0.69
Re-87	HF MONZENNAKACHO RESIDENCE	Koto-ku, Tokyo	Real estate	1,110	970	945	0.54
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	Koto-ku, Tokyo	Real estate	993	923	900	0.52
<b>Residence subtotal</b>				<b>113,303</b>	<b>92,049</b>	<b>98,385</b>	<b>56.31</b>
<b>Total</b>				<b>205,638</b>	<b>167,747</b>	<b>174,706</b>	<b>100.00</b>

(Note 1) The “Form of asset” column shows the REIT’s form of ownership of the asset. The form is shown as “Trust beneficial interest” if the REIT is listed as a beneficiary in the registry and as “Real estate” if the REIT is listed as the owner.

(Note 2) The “Balance sheet amount” column shows the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of November 30, 2019, after deducting the accumulated depreciation.

(Note 3) The “Acquisition price” column shows the sales value listed in the real estate sales agreement or trust beneficial interest sales agreement (not including amount corresponding to consumption taxes or costs necessary to make acquisition; same applies below). However, for properties acquired as a result of the merger (35 properties, from Re-35 HF SHIBA-KOEN RESIDENCE through Re-73 HF WASEDA RESIDENCE II), the column shows the appraisal value as of October 1, 2010, the day the merger took effect.

(Note 4) The “Percentage of investments” column shows the percentage of each property’s acquisition price to total acquisition price of all acquired assets, rounded to the nearest one-hundredth of one percent.

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