

37th Fiscal Period Financial Report (REIT)

July 15, 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/>
 (Name) Aya Motomura

Asset Management Company: HEIWA REAL ESTATE Asset Management CO., LTD.
 Representative: (Title) President & Representative Director
 Inquiries: (Title) General Manager, Planning & Finance Department
 TEL: +81-3-3669-8771

(Name) Masanori Hirano
 (Name) Yoshio Ito

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 28, 2020

Scheduled date of commencement of distribution payments: August 14, 2020

Supplementary materials: Attached

IR Conference: Yes (Plan to distribute a video of the financial briefing as a measure to prevent the spread of COVID-19)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets for the 37th Fiscal Period

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

	Operating revenue		Operating income		Ordinary income		Net income	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
37th FP	¥6,588 million	4.1%	¥3,206 million	8.1%	¥2,788 million	11.2%	¥2,788 million	11.2%
36th FP	¥6,328 million	(0.9%)	¥2,967 million	(2.3%)	¥2,507 million	(2.8%)	¥2,506 million	(2.8%)

	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
	37th FP	¥2,747	2.9%	1.5%
36th FP	¥2,469	2.6%	1.3%	39.6%

(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)
	37th FP	¥2,550	¥2,587 million	¥-	¥- million	92.8%
36th FP	¥2,500	¥2,537 million	¥-	¥- million	101.2%	2.7%

(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 (¥2,537 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.

(Note 4) The amount of total distributions (¥2,587 million) for the 37th 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 ¥241 million.

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	37th FP	¥188,326 million	¥95,974 million	51.0%
36th FP	¥185,927 million	¥95,647 million	51.4%	¥94,248

(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
	37th FP	¥4,829 million	(¥6,153 million)	(¥336 million)
36th FP	¥4,877 million	(¥3,374 million)	(¥2,480 million)	¥13,986 million

2. Management Status Forecasts for the 38th and 39th Fiscal Periods

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

39th Fiscal Period (39th FP): Fiscal period ending May 2021 (from December 1, 2020 to May 31, 2021)

[% 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
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change		
38th FP	¥7,098 million	7.8%	¥3,706 million	15.6%	¥3,297 million	18.2%	¥3,296 million	18.2%	¥2,650	¥-
39th FP	¥6,259 million	(11.8%)	¥2,865 million	(22.7%)	¥2,477 million	(24.9%)	¥2,477 million	(24.9%)	¥2,650	¥-

(Reference) Estimated net income per unit: 38th Fiscal Period: ¥3,248 39th Fiscal Period: ¥2,440

(Note) Funds for the payment of distributions for the 38th Fiscal Period include ¥40million (¥40 per unit) that will be released from the reserve for temporary difference adjustment. Funds for the payment of distributions for the 39th Fiscal Period include ¥213 million (¥210 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:

37th FP:	1,014,847 units	36th FP:	1,014,847 units
37th FP:	– units	36th 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 32 of the Japanese version of the “37th Fiscal Period Financial Report (REIT)” for the period ended May 2020.

* 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 38th Fiscal Period (from June 1, 2020 to November 30, 2020) and 39th Fiscal Period (from December 1, 2020 to May 31, 2021)” on page 6 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 37th 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 37th 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 37th fiscal period (May 2020).

(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 and underpinned by recovery in foreign demand and firm domestic demand, despite the impact of the consumption tax hike on consumer spending from October 2019, which was limited. However, the COVID-19 pandemic has already caused a significant downturn and the outlook is increasingly uncertain.

In this environment, the TSE REIT index, which stood at 2,219.74 points at the end of the previous fiscal period (November 30, 2019), continued to hover above the 2,100 points mark, mainly due to a decline in long-term interest rates and expectations of rent increases against the backdrop of favorable real estate market conditions and, on February 20, 2020, it had risen to its highest level since the collapse of Lehman Brothers, reaching 2,250.65 points. However, due to the global stock market crash triggered by COVID-19 pandemic, the TSE REIT index stood at 1,701.03 points at the end of the fiscal period under review, marking a decrease of 518.71 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, rising from 1.56% at the end of the previous fiscal period to 1.64% at the end of the fiscal period under review. However, vacant office space of all business districts in Tokyo increased slightly because some newly completed buildings were still seeking tenants and moves to cancel contracts in connection with office downsizing were seen. The average rent, which rose from 22,066 yen/tsubo at the end of the previous fiscal period to 22,836/tsubo at the end of the fiscal period under review, remains steady, maintaining the level above 22,000 yen/tsubo in the rent market, and the average rent in Tokyo’s business districts rose for the 77th consecutive month.

Future market trends will be monitored carefully as the impact of COVID-19 on the office building market has begun to emerge in some areas and signs of a slowdown in movement among tenants to conclude contracts can be seen across all regions of Japan.

(b) Residential leasing market

According to At Home Co., Ltd., the used condominium contract rent index in the Tokyo metropolitan area rose in Tokyo’s 23 wards, Kanagawa Prefecture and Saitama Prefecture in May 2020 year on year, and 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 May 2020, the number of new housing starts (rental housing) decreased for the twenty-first consecutive month. With supply stabilizing as in the previous fiscal period, demand and supply trends remained steady. However, the COVID-19 pandemic caused the number of move-ins and move-outs to decrease and the residential rental market shows a tendency towards stagnation. 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 January 1, 2020, which was announced in March 2020, 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 in the Tokyo and Osaka metropolitan areas.

Similarly, prices for all types of land in regional areas continued to rise and, 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 the upward trend intensified.

However, the Japanese economy deteriorated rapidly from February 2020 due to the COVID-19 pandemic and since the situation is certain to drag on, future market trends require careful consideration.

(iii) Management performance

(a) External growth

The REIT acquired one residence (Re-89 HF SENDAI NAGAMACHI RESIDENCE [real estate, acquisition price: 1,030 million yen]) on January 17, 2020, one residence (RE-90 HF SHOKOJI AKABANE RESIDENCE [real estate and land lease rights, acquisition price: 1,150 million yen]) on March 19, 2020, one residence (Re-91 HF SENDAI HONCHO RESIDENCE [real estate, acquisition price: 1,070 million yen]) on April 24, 2020, and one office building (of-45 KABUTO-CHO UNI-SQUARE [trust beneficiary rights, acquisition price: 2,100 million yen]) on May 28, 2020 and sold one residence (Re-15 HF AZABUJUBAN RESIDENCE [trust beneficiary rights, acquisition price: 1,260 million yen]) on May 28, 2020.

As a result, portfolio assets as of the end of the period were 107 properties (total acquisition price: 178,796 million yen), including 32 office buildings (total acquisition price of 78,421 million yen) and 75 residential buildings (total acquisition price of 100,375 million yen).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 37th 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 was 96.6% as at the end of the 37th fiscal period, and the REIT was able to steadily maintain high and stable occupancy throughout the period from 98.1% at the end of the previous fiscal period. This resulted in a high average month-end occupancy rate of 97.7% for the fiscal period under review. The occupancy rate of offices and residences remained at a stable high level throughout the period.

Meanwhile, in terms of renaming managed assets, which has been a consistent focus for some time, the REIT renamed the two properties shown below with the aim of providing reassurance to existing tenants, increasing the appeal of the properties to prospective tenants and conducting leasing activities more efficiently.

Property renamed on March 1, 2020

Property no.	Old name	New name
Of-41	Itopia Nihonbashi SA Building	Nihonbashi Horidomecho First

Property renamed on April 1, 2020

Property no.	Old name	New name
Of-11	NIHONBASHI DAIICHI BUILDING	HF NIHONBASHI ODENMACHO BUILDING

(iv) Procurement of funds

The REIT took out Term Loan 45 (loan amount: 1,100 million yen) on March 19, 2020 and Term Loan 47 (loan amount: 1,100 million yen) on April 24, 2020 to use for funds to acquire properties. In addition, the REIT took out Term Loan 46 (Tranche A [loan amount: 1,000 million yen], Tranche B [loan amount: 1,000 million yen] and Tranche C [loan amount: 3,520 million yen]) on the same day to repay Term Loan 19 (loan balance: 5,520 million yen), whose principal repayment dates were March 31, 2020.

An overview of the loans is provided below. These loans enabled the REIT to reduce the concentration of redemption dates (average borrowing period as of May 31: 6.9 years; average remaining period: 3.9 years) while at the same time achieving the borrowing cost at a low level (average borrowing interest rate as of May 31: 0.81%).

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 (contract period: from June 1, 2019 until May 31, 2020) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. and Mizuho Bank, Ltd. On May 26, 2020, the REIT increased the maximum total limit of the commitment line with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd. and Resona Bank Ltd. to 7,000 million yen (contract period: from June 1, 2020 to May 31, 2021).

[Term Loan 45]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation	1,100 million yen	May 31, 2021 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 46 Tranche A]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Mizuho Trust & Banking Co., Ltd.	1,000 million yen	October 31, 2022 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 46 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited.	1,000 million yen	October 31, 2024 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 46 Tranche C]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited. Mizuho Trust & Banking Co., Ltd.	3,520 million yen	May 31, 2027 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 47]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
The 77 Bank, Ltd.	1,100 million yen	May 31, 2027 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	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 84,667 million yen (period end LTV (Note): 44.96%).

(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 37th fiscal period results of 6,588 million yen in operating revenues, 3,206 million yen in operating income, after deducting interest expenses on loans, 2,788 million yen in ordinary income, and 2,788 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 2,587,859,850 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 241,054,054 yen from net income of 2,788,320,024 yen. As a result, distributions per unit have come to 2,550 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. Although the situation with regard to the financing environment and expectations for higher property prices on the back of the economic recovery may change due to COVID-19, competitors’ appetite for the acquisition of properties is unlikely to weaken dramatically and the acquisition environment is likely to remain extremely 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. The REIT expects that COVID-19 will have a limited impact on the office building leasing market in the next fiscal period because, generally speaking, it takes time for the effects of economic fluctuations to ripple out through the office leasing market. It will, however, be necessary to monitor changes in office demand stemming from more widespread teleworking in addition to changing economic, business and other trends in Japan and overseas. Meanwhile, in the residential leasing market, the REIT expects COVID-19 to have minimal impact because net migration to central parts of metropolitan areas is likely to continue despite potential changes in property demand associated with the normalization of teleworking and a potential tendency to move to the suburbs to avoid high-density areas, and because rent volatility in the event of an economic downturn is also low. Against this background, the REIT will continue actively endeavoring to revise rents to reasonable levels to maintain and increase rent levels. 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. Moreover, as part of its unitholder returns policy, the REIT will also consider the acquisition and cancellation of treasury investment units based on comprehensive consideration of factors such as the level of the investment unit price, the situation of cash reserves, financial conditions and the market environment. 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

A. Asset Acquisitions

The REIT concluded a sale and purchase agreement on July 6, 2020 with respect to the transfer of the asset shown below owned by the REIT in accordance with the basic policy, etc. set out in its bylaws.

Property no.: Re-44; Property name: HF UMEDA RESIDENCE TOWER

Asset to be transferred	Trust beneficial interest
-------------------------	---------------------------

Location (residential address)	1-3-6, Sonezaki, Kita-ku, Osaka City, Osaka
Transfer value (Note 1)	2,620 million yen
Book value (Note 2)	1,695 million yen
Agreement execution date	July 6, 2020
Scheduled transfer date	August 5, 2020
Transferee	Undisclosed (Note 3)

(Note 1) “Transfer value” is the price described in the trust beneficial interest transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) “Book value” is estimated amount as of May 31, 2020.

(Note 3) Undisclosed as consent cannot be obtained from the transferee

B. Acquisition of Own Investment Units

The REIT decided at its Board of Directors Meeting held on July 15, 2020 the matters regarding the acquisition of own investment units based on the provisions of Article 80-2 of the Act on Investment Trusts and Investment Corporations which is applied by replacing the terms and phrases pursuant to the provisions of Paragraph 2, Article 80-5 of the said Act. Moreover, all the own investment units are scheduled to be cancelled during the fiscal period ending November, 2020.

(i) Reason for acquisition of own investment units

While the investment unit price of the Investment Corporation has fallen sharply due to the effect of the COVID-19, as a result of comprehensive consideration of the status of cash on hand, financial situation, market environment, etc., the acquisition and cancellation of own investment units will improve capital efficiency etc., and contribute to the enhancement of the return of unitholders over the medium to long term.

(ii) Summary of matters concerning acquisition of own investment units

Total number of investment units that can be acquired	25,000 units (upper limit)
Total acquisition price of investment units	1,700 million yen (upper limit)
Acquisition period	From July 16, 2020 to September 15, 2020
Acquisition method	Market purchase based on discretionary transactions with securities company

d. Outlook for the 38th and 39th fiscal periods

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 38th fiscal period (from June 1, 2020 to November 30, 2020) and 39th fiscal period (from December 1, 2020 to May 31, 2021)” below for assumptions used in this forecast.

Operating revenues	7,098 million yen
Operating income	3,706 million yen
Ordinary income	3,297 million yen
Net income	3,296 million yen
Distributions per unit (excluding distributions in excess of earnings)	2,650 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 40 million yen (40 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 39th fiscal period (from December 1, 2020 to May 31, 2021). See “Management status forecast assumptions for 38th fiscal period (from June 1, 2020 to November 30, 2020) and 39th fiscal period (from December 1, 2020 to May 31, 2021)” below for assumptions used in this forecast.

Operating revenues	6,259 million yen
Operating income	2,865 million yen
Ordinary income	2,477 million yen
Net income	2,477 million yen
Distributions per unit (excluding distributions in excess of earnings)	2,650 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 213 million yen (210 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 38th fiscal period (from June 1, 2020 to November 30, 2020) and 39th fiscal period (from December 1, 2020 to May 31, 2021)

Item	Assumptions
Management period	38th fiscal period: from June 1, 2020 to November 30, 2020 (183 days) 39th fiscal period: from December 1, 2020 to May 31, 2021 (182 days)
Assets under management	<ul style="list-style-type: none"> Assumptions are made based on 106 properties, excluding HF UMEDA RESIDENCE TOWER, which will be transferred on August 5, 2020, pursuant to the agreement concluded on July 6, 2020, from the 107 properties owned by the REIT as of May 31, 2020. The actual number may vary if properties are newly acquired, transferred, etc.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> 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 May 2020. The acquisition/cancellation of own investment units described in “c. Significant subsequent events” is not taken into consideration.
Operating revenues	<ul style="list-style-type: none"> Operating revenues are calculated based on the assumption of the above assets under management. Operating revenues are expect to gain 878 million yen in the fiscal period ending November 2020 as a gain on the sale of real estate property of "HF UMEDA RESIDENCE TOWER" scheduled to be transferred on August 5, 2020. 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. Operating revenues are calculated giving some consideration to the effects of COVID-19 such as decreased rental revenue.
Operating expenses	<ul style="list-style-type: none"> Operating expenses are calculated based on the assumption of the above assets under management. Assumptions concerning major operating expenses are as follows: 38th fiscal period (from June 1, 2020 to November 30, 2020) Public charges and taxes (fixed property tax, city planning tax, etc.): 397 million yen Maintenance and repair fees: 228 million yen Management commissions: 643 million yen Depreciation: 947 million yen 39th fiscal period (from December 1, 2020 to May 31, 2021) Public charges and taxes (fixed property tax, city planning tax, etc.): 394 million yen Maintenance and repair fees: 239 million yen Management commissions: 663 million yen Depreciation: 937 million yen 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. For maintenance and repair fees, an amount deemed necessary during the period based on the maintenance and repair plans for the properties is posted. Emergency costs may arise as a result of unforeseeable factors, and actual operating expenses may therefore vary significantly from the forecast.
Non-operating expenses	<ul style="list-style-type: none"> The REIT assumes 402 million yen and 384 million yen as interest expenses (including interest expenses on investment corporation bonds) and borrowing-related expenses for the fiscal period ending November 2020 and the fiscal period ending May 2021 respectively. Moreover, the REIT assumes 3 million yen and 4 million yen as amortization of investment corporation bond issuance expenses for the fiscal period ending November 2020 and the fiscal period ending May 2021 respectively.
Interest-bearing liabilities	<ul style="list-style-type: none"> Interest-bearing liabilities as of May 31, 2020 are 84,667 million yen. Interest-bearing liabilities due in October 2020 and May 2021 are subject to the issuance and refinancing of investment corporation bonds.
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> 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 November 30, 2020 are made based on the distribution of a total of 2,689 million yen (distribution of 2,650 yen per unit), which includes 40 million yen that will be released from the reserve for temporary difference adjustment (the expected reserve reversal of 40 yen per unit) and appropriated to the expected net income of 3,296 million yen. Assumptions on distributions for the fiscal period ending May 31, 2021 are made based on the distribution of a total of 2,689 million yen (distribution of 2,650 yen per unit), which includes 40 million yen that will be released from the reserve for temporary difference adjustment (the expected reserve reversal of 40 yen per unit) and appropriated to the expected net income of 2,477 million yen. 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.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> We do not expect any distributions in excess of earnings at this time.

Item	Assumptions
Other	<ul style="list-style-type: none"> • 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. • We assume that no major unforeseen changes will occur in the general economic trends, real estate market conditions, etc.

(2) Investment risk

As a result of the COVID-19 pandemic and the Civil Code amendments based on the *Act Partially Amending the Civil Code (Act No. 44 of 2017)*, the parts of the “Investment risk” section of the most recent Annual Securities Report (submitted February 27, 2020) headed “(1) Risk factors/ a. Risks related to investment securities and investment corporation bonds/ (b) risk of fluctuation in market prices of investment securities and investment corporation bonds” and “(1)Risk factors/ c. Risks related to real estate and trust beneficiary rights/ (b)Risks related to real estate defects, faults, etc., (c) Risks related to damage, loss or degradation of building due to disaster and (u) Risks related to beneficiary rights” have changed as shown below as of the date of filing of this financial report, and “(1) Risk factors/ e. Other risks/ (e) Risk of the spread of COVID-19” has been added. The changes are underlined.

(1) Risk factors

<Omitted>

a. Risks related to investment securities and investment corporation bonds

(b) risk of fluctuation in market prices of investment securities and investment corporation bonds

Recently, the COVID-19 pandemic has led to business stagnation and disrupted economic activity, and the market prices of J-REIT securities have also been negatively affected. The REIT’s portfolio consists mainly of office buildings and residences and is unlikely to be impacted immediately. However, if the COVID-19 pandemic drags on or escalates further in the future, there is no guarantee that the REIT’s portfolio and the environment surrounding its tenants will not be severely affected. Such a situation could also adversely affect the market price of the REIT’s investment units.

In addition to the foregoing, the market prices of the investment securities and investment corporation bonds issued by the REIT are affected by supply and demand in the financial instruments exchange market and are also influenced by interest rates, economic conditions and a variety of market-related factors. The market prices of investment securities and investment corporation bonds issued by the REIT could also fall due to the financial condition of the REIT, interest rates, economic conditions, real estate market conditions and other conditions.

<Omitted>

c. Risks related to real estate and trust beneficiary rights

(b)Risks related to real estate defects, faults, etc.

(i) Risks related to real estate defects, faults, etc.

Real estate may contain defects, faults, etc. in relation to rights, geological conditions, structure, etc. (including but not limited to problems that occur during construction and diversion and modification of construction data in the construction report). When making a judgment on the selection and acquisition of real estate for investment, etc., the asset management company’s policy is to conduct a property inspection, including obtaining a building condition survey report from a reputable specialist about real estate for investment, and also to obtain certain representations and warranties at the time of assignment from the former owner or former beneficiary of the real estate for investment. Depending on the situation, the asset management company may also require the former owner or former beneficiary to assume some degree of liability against defects or non-conformance liability. However, defects, faults, etc. could be discovered after acquisition with respect to items which were not identified in the building condition survey report. Even in the case of real estate in relation to which the procedures required by laws and regulations such as the Building Standards Law have been carried out, the building might not have been properly constructed by the construction company or subcontractor that was contracted to carry out the building construction work and there is also no guarantee that the building has the safety or structural resistance required by building standards-related regulations. Additionally, there is no guarantee that the representations and warranties of the former owner or former beneficiary covered all defects, faults, etc., and it is normal practice for the period of defect liability or non-conformance liability as well as the amount of liability to be restricted to a certain limit or a representation or warranty may be ineffective because the former owner or former beneficiary is dissolved or is insolvent. In such cases, the REIT, who is the buyer, may have to bear unexpected costs related to the repair of such defect, fault, etc., reconstruction or other.

(ii) Risks related to relationship of rights, etc.

Due to the complexity of the relationship of rights and obligations surrounding real estate, real estate-related rights are restricted by third-party rights and laws and regulations and a violation of third-party rights may be discovered at a later time. This could adversely affect the REIT’s earnings.

Even if the REIT pursues a claim of liability for damages or a claim for defect liability or non-conformance liability against the former owner or former beneficiary on the grounds that a fact represented or warranted by the former owner or former beneficiary was untrue, circumstances such as that the period of the liability for damages, defect liability or non-conformance liability of the former owner or former beneficiary is limited or that the former owner or beneficiary does not possess sufficient means or that the former owner or former beneficiary no longer exists due to dissolution, may render such representation or warranty ineffective. Since many of the previous sellers of managed assets and assets acquired during the fiscal period are corporations established for the sole purpose of holding real estate trust beneficial interests, such corporations may not possess sufficient means to assume defect liability or non-conformance liability even if the sale and purchase agreement states that the seller shall assume defect liability or non-conformance liability.

Furthermore, the REIT may acquire real estate even though there is no representation or warranty or assumption of defect liability or non-conformance liability by the seller. For example, the REIT may acquire real estate that has been auctioned and may be unable to pursue a claim for defects liability or non-conformance liability in the event of defects, etc. in such real estate.

(iii) Risks of assuming defects liability or liability for non-conformity with agreement

Since the REIT is a *deemed*- building lots and buildings transaction business operator under the *Building Lots and Buildings Transaction Business Act (Act No. 176 of 1952, including subsequent amendments)* (hereinafter the “*Building Lots and Buildings*

Transaction Business Act”) (the same also applies to the trust bank which is the trustee registered under the *Building Lots and Buildings Transaction Business Act*), if the counterparty to the sale of the real estate is not a building lots and buildings transaction business operator, the REIT cannot, in principle, be excluded from defects liability or non-conformance liability under the Civil Code as a seller of real estate. Accordingly, if the REIT or the trustee is the seller of real estate, the REIT or the trustee may be required to assume some degree of defects liability or non-conformance liability.

<Omitted>

(c) Risks related to damage, loss or degradation of building due to disaster

Real estate in which the REIT invests may be destroyed, degraded or damaged or its value may be affected by fire, explosion, lightning, wind, hail, snow, flooding, earthquake, volcanic eruption, tidal wave, or an electrical or mechanical fault or other unforeseen accident or by war, riot, disorder, or an act of terror, etc. (hereinafter disaster, etc.). An infectious disease outbreak within the real estate or its surrounding area could also prevent the real estate from operating normally or affect its value. In such an event, the building may be forced to shut down for a certain period to repair destroyed, degraded or damaged parts, leading to a decrease in rental revenues or a fall in the value of the real estate in which the REIT has invested, and investors or investment corporation creditors may incur damage as a result. However, the REIT’s policy is to purchase fire insurance and liability insurance to cover any damage caused by disaster, etc. (please refer to “2. Investment Policy (1) Investment policy c. Insurance requirements” earlier in this report) (the REIT will, however, purchase earthquake insurance for a managed asset if the PML is in excess of 20%), and, by taking out multiple insurance policies in this way, even if the risk of disaster, etc. materializes, the REIT can be expected to take measures to restore real estate to its original conditions within the limits of the insurance term and insured amount under such insurance. However, in the event of failure to conclude an insurance contract due to the specific circumstances of real estate in which the REIT has invested, the occurrence of damage exceeding the upper limit payable under the insurance policy, the occurrence of disaster, etc. not covered by the insurance policy, or non-payment, reduced payment or delayed payment of an insurance claim by the insurance company for whatever reason, the REIT’s earnings may be adversely affected. If real estate is prevented from operating normally due to disaster, etc. or an infectious disease outbreak, etc., the ability of tenants to pay rent could be adversely affected. The REIT’s insurance policy is determined based upon comparison and consideration of the impact of disaster, etc. and the cost of insurance premiums. Even if an insurance claim is paid, it may be impossible to restore the real estate in which the REIT has invested to its condition prior to the disaster, etc. due to regulations or other reasons.

<Omitted>

(u) Risks related to beneficiary rights

<Omitted>

(ii) Liquidity risks of trust beneficial interests

If the REIT manages trust beneficial interests and if the REIT disposes of real estate as trust property through the trustee, this involves the real estate liquidity risks explained already. Moreover, the assignment of a trust beneficial interest usually requires the approval of the trustee as contract terms” (Article 94 of the new Trust Act). Real estate trust beneficial interests except for trust beneficial interests pertaining to a trust that issues certificates of beneficial interests provided for from Article 185 of the new Trust Act are deemed as securities under the Financial Instruments and Exchange Act. This does not mean, however, that they have as much liquidity as typical securities such as share certificates and bond certificates because assignment is by the same method used for the assignment of claims. In addition, since the trustee does not engage in the sale of the real estate in trust in a manner which involves assumption of defect liability or non-conformance liability, the sale of real estate which is trust property directly to a third party may not be possible regardless of the REIT’s wishes. The Financial Instruments and Exchange Act states that only a business operator registered by the Prime Minister may engage in the business of purchase and sale of a beneficial interest in trust or in the *intermediation, brokerage, or agency* for the *purchase and sale* of a beneficial interest in trust (Financial Instruments and Exchange Act, Article 29, Article 28, Paragraph 2, and Article 2, Paragraph 8 (i)).

<Omitted>

(iv) Risks associated with improper conduct by the trustee of the trust

If the trustee for the trust property disposes of real estate which is trust property in a manner which goes against the purpose of the trust or assumes an obligation of some nature using real estate which is trust property as security, the REIT which holds beneficial interests in trust, with real estate as the trust property, may suffer unforeseen damage. To guard against this risk, the old Trust Act stated that a beneficiary may rescind any act of disposal of trust property which went against the spirit of the trust (old Trust Act, Article 31). The new Trust Act also states that if the trustee conducts an act which does not fall within the scope of the trustee’s powers, a beneficiary may rescind such act (new Trust Act, Article 27, Paragraph 1 and Paragraph 2). However, the REIT will not necessarily be able repair the damage through exercise of such right.

Moreover, if the initial trustor assumes a certain degree of defects liability or non-conformance liability in relation to the trustee for defects, faults, etc. in the real estate in trust which already existed at inception of the trust, the trustee’s failure or inability to properly pursue a claim for such defects liability or non-conformance liability may result in the REIT incurring unforeseen damage or may be detrimental to investors or the investment corporation’s creditors.

<Omitted>

e. Other risks

<Omitted>

(e) Risk of the spread of COVID-19

The COVID-19 pandemic has brought economic activity to a standstill not only in Japan but all around the world. Although the declaration of a state of emergency issued on April 7, 2020 was completely lifted on May 25, social and economic activity has by no means returned to normal and further COVID-19 outbreaks are anticipated. If the COVID-19 pandemic drags on, tenants may ask for lower rent or fall into rent arrears due to a deterioration in their business results, decline in their creditworthiness or other reasons and the risk of tenants moving out and creating vacancies may materialize.

Meanwhile, the asset management company has urged its officers and employees to work remotely from home to prevent the spread of the virus but many types of business operations are not suited to this style of working and if the COVID-19 crisis drags on, this may hinder the asset management company’s business operations and the REIT’s asset management may be negatively affected as a result.

Since it is still unclear when the COVID-19 pandemic will come to an end and its ultimate impact is also difficult to forecast, other risks besides the aforementioned negative effects may also materialize and the REIT’s earnings may be negatively impacted as a result.

2. Financial Statements

(1) Balance Sheet

(Unit: 1,000 yen)

	36th Fiscal Period (As of November 30, 2019)	37th Fiscal Period (As of May 31, 2020)
Assets		
Current assets		
Cash and deposits	13,956,919	12,276,641
Cash and deposits in trust	3,356,732	3,476,218
Operating accounts receivable	47,450	60,832
Prepaid expenses	141,194	129,710
Other	4,376	2,216
Allowance for doubtful accounts	(77)	△99
Total current assets	17,506,595	15,945,520
Noncurrent assets		
Property, plant and equipment		
Buildings	13,878,172	15,396,247
Accumulated depreciation	(4,232,153)	(4,434,403)
Buildings, net	9,646,018	10,961,843
Structures	69,402	77,367
Accumulated depreciation	(39,059)	(41,083)
Structures, net	30,342	36,284
Machinery and equipment	272,682	279,096
Accumulated depreciation	(199,427)	(207,144)
Machinery and equipment, net	73,255	71,952
Tools, furniture and fixture	198,580	218,648
Accumulated depreciation	(133,192)	(141,910)
Tools, furniture and fixtures, net	65,387	76,738
Land	29,462,479	30,680,398
Buildings in trust	48,711,978	48,591,753
Accumulated depreciation	(11,358,585)	(11,774,871)
Buildings in trust, net	37,353,393	36,816,881
Structures in trust	279,867	276,315
Accumulated depreciation	(94,434)	(95,316)
Structures in trust, net	185,433	180,999
Machinery and equipment in trust	637,868	631,223
Accumulated depreciation	(302,769)	(308,690)
Machinery and equipment in trust, net	335,098	322,533
Tools, furniture and fixtures in trust	1,067,695	1,122,278
Accumulated depreciation	(703,257)	(752,388)
Tools, furniture and fixtures in trust, net	364,437	369,889
Land in trust	85,722,111	86,910,985
Total property, plant and equipment	163,237,957	166,428,505
Intangible assets		
Leasehold right	1,193,875	1,910,049
Leasehold rights in trust	3,315,665	3,315,665
Software	4,962	4,285
Other	227	227
Total intangible assets	4,514,730	5,230,228

(Unit: 1,000 yen)

	36th Fiscal Period (As of November 30, 2019)	37th Fiscal Period (As of May 31, 2020)
Investment and other assets		
Guarantee deposits	14,617	14,617
Long-term prepaid expenses	243,445	254,569
Derivatives	4,791	65,393
Other	361,785	347,525
Total investments and other assets	624,640	682,106
Total noncurrent assets	168,377,328	172,340,840
Deferred assets		
Investment corporation bond issuance costs	44,041	40,606
Total deferred assets	44,041	40,606
Total assets	185,927,964	188,326,967
Liabilities		
Current liabilities		
Operating accounts payable	737,128	471,246
Current portion of long-term loans payable	11,550,000	11,914,200
Accrued expenses	709,527	730,698
Income taxes payable	225	594
Accrued consumption tax, etc.	76,507	54,944
Advances received	1,032,126	1,050,248
Other	38,754	41,746
Total current liabilities	14,144,269	14,263,678
Noncurrent liabilities		
Investment corporation bonds	6,400,000	6,400,000
Long-term loans payable	64,517,200	66,353,000
Tenant leasehold and security deposits	703,047	712,675
Tenant leasehold and security deposits in trust	4,308,792	4,420,602
Derivative liabilities	206,732	202,353
Total noncurrent liabilities	76,135,772	78,088,631
Total liabilities	90,280,041	92,352,310
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 1,785,190	*3 1,744,597
Total voluntary retained earnings	2,200,874	2,160,280
Unappropriated retained earnings (undisposed loss)	4,913,382	5,205,178
Total surplus	14,520,908	14,772,110
Total unitholders' equity	95,891,623	96,142,826
Valuation and translation adjustments		
Deferred hedge gain or loss	(243,700)	(168,168)
Total valuation and translation adjustments	(243,700)	(168,168)
Total net assets	*2 95,647,923	*2 95,974,657
Total liabilities and net assets	185,927,964	188,326,967

(2) Profit and Loss Statement

(Unit: 1,000 yen)

	36th Fiscal Period (June 1, 2019 – November 30, 2019)		37th Fiscal Period (December 1, 2019 – May 31, 2020)	
Operating Revenues				
Rent revenue-real estate	*1	5,664,093	*1	5,769,961
Other lease business revenue	*1	462,252	*1	486,708
Gain on sales of real estate properties	*2*3	201,840	*2*3	331,669
Total operating revenue		6,328,186		6,588,338
Operating expenses				
Expenses related to rent business	*1, *3	2,584,288	*1, *3	2,583,827
Asset management fee		576,282		580,720
Asset custody fee		11,080		11,247
Administrative service fees		40,444		41,293
Directors' compensation		7,122		6,289
Audit fee		9,660		13,660
Other operating expenses		131,771		144,868
Total operating expenses		3,360,650		3,381,906
Operating income		2,967,536		3,206,432
Non-operating income				
Interest income		1,249		1,118
Reversal of dividends payable		584		737
Insurance income		2,804		2,680
Compensation income		–		8,365
Other		548		839
Total non-operating income		5,186		13,740
Non-operating expenses				
Interest expenses		379,191		351,626
Borrowing related expenses		61,114		55,430
Interest expenses on investment corporation bonds		19,271		19,460
Amortization of investment corporation bond issuance costs		3,434		3,434
Other		2,623		1,296
Total non-operating expenses		465,635		431,248
Ordinary income		2,507,087		2,788,925
Income before income taxes		2,507,087		2,788,925
Income taxes-current		605		605
Total income taxes		605		605
Net income		2,506,482		2,788,320
Retained earnings brought forward		2,406,900		2,416,858
Unappropriated retained earnings (undisposed loss)		4,913,382		5,205,178

(3) Statements of Changes in Net Assets (Unitholders' Equity)
36th Fiscal Period (June 1, 2019 – November 30, 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	1,825,784	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

	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	1,785,190	2,200,874
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	1,744,597	2,160,280

	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	4,913,382	14,520,908	95,891,623	(243,700)	(243,700)	95,647,923
Changes of items during the period						
Reversal of reserve for adjustment of temporary differences	40,593	–	–			–
Dividends from surplus	(2,537,117)	(2,537,117)	(2,537,117)			(2,537,117)
Net income	2,788,320	2,788,320	2,788,320			2,788,320
Net changes of items other than unitholders' equity				75,531	75,531	75,531
Total changes of items during the period	291,796	251,202	251,202	75,531	75,531	326,734
Balance at the end of the period	5,205,178	14,772,110	96,142,826	(168,168)	(168,168)	95,974,657

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	36th Fiscal Period (June 1, 2019 – November 30, 2019)	37th Fiscal Period (December 1, 2019 – May 31, 2020)
I. Unappropriated retained earnings	4,913,382,375	5,205,178,779
II. Reversal of voluntary retained earnings		
Reversal of reserve for adjustment of temporary differences	*1 40,593,880	*1 40,593,880
III. Distributions	2,537,117,500	2,587,859,850
Distributions per unit (excluding distributions in excess of earnings)	(2,500)	(2,550)
IV. Retained earnings brought forward	2,416,858,755	2,657,912,809
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 2,537,117,500 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>	<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 2,587,859,850 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 241,054,054 yen, from the net income of 2,788,320,024 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)

	36th Fiscal Period (June 1, 2019 – November 30, 2019)	37th Fiscal Period (December 1, 2019 – May 31, 2020)
Cash Flows from Operating Activities		
Income before income taxes	2,507,087	2,788,925
Depreciation	943,822	964,743
Increase (decrease) in allowance for doubtful accounts	(718)	21
Amortization of investment corporation bond issuance costs	3,434	3,434
Interest income	(1,249)	(1,118)
Interest expenses	398,463	371,086
Decrease (increase) of operating accounts receivable	5,525	(12,332)
Increase (decrease) in accrued consumption taxes	42,674	(21,563)
Decrease (increase) of long-term prepaid expenses	15,678	(11,123)
Increase (decrease) in operating accounts payable	72,629	(55,660)
Increase (decrease) in accrued expenses	(3,809)	21,117
Increase (decrease) in advances received	5,777	18,122
Increase (decrease) in deposits received	458	(205)
Decrease due to sale of property, plant and equipment in trust	1,294,548	1,092,477
Other	(40,134)	28,211
Subtotal	5,244,186	5,186,137
Interest income received	2,477	68
Interest expenses paid	(368,549)	(356,632)
Income taxes (paid) refund	(973)	(235)
Net Cash Provided by (Used in) Operating Activities	4,877,141	4,829,336
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	(37,596)	(2,831,262)
Purchase of property, plant and equipment in trust	(3,327,795)	(2,602,759)
Purchase of intangible assets	–	(716,174)
Proceeds from receipt of tenant leasehold and security deposits	37,555	39,344
Repayments of tenant leasehold and security deposits	(41,046)	(29,695)
Proceeds from tenant leasehold and security deposits in trust	292,137	190,084
Repayments of tenant leasehold and security deposits in trust	(216,503)	(102,950)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	44,529	5,924
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(126,012)	(105,673)
Net Cash Provided by (Used in) Investing Activities	(3,374,733)	(6,153,162)
Cash Flows from Financing Activities		
Decrease in short-term loans payable	(500,000)	–
Proceeds from long-term loans payable	6,000,000	7,720,000
Decrease in long-term loans payable	(8,100,000)	(5,520,000)
Proceeds from issuance of investment corporation bonds	2,581,406	–
Distributions paid	(2,461,847)	(2,536,714)
Net Cash Provided by (Used in) Financing Activities	(2,480,441)	(336,714)
Increase (decrease) in cash and cash equivalents	(978,033)	(1,660,540)
Cash and cash equivalents at beginning of period	14,964,758	13,986,725
Cash and cash equivalents at end of period	*1 13,986,725	*1 12,326,184

(6) Precaution about going concern assumptions

Not applicable

3. Reference Information

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

a. Investment status

Asset type	Use	Area	36th Fiscal Period (As of November 30, 2019)		37th Fiscal Period (As of May 31, 2020)	
			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	7,670	4.1	7,645	4.1
		Metropolitan Area (Note 3)	3,489	1.9	3,483	1.8
	Residence	Tokyo 23 Wards	22,412	12.1	23,523	12.5
		Metropolitan Area (Note 3)	5,048	2.7	5,021	2.7
		Other (Note 4)	1,851	1.0	4,062	2.2
	Subtotal		40,471	21.8	43,737	23.2
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	48,432	26.0	50,494	26.8
		Metropolitan Area (Note 3)	4,846	2.6	4,849	2.6
		Other (Note 4)	11,259	6.1	11,169	5.9
	Residence	Tokyo 23 Wards	41,187	22.2	39,954	21.2
		Metropolitan Area (Note 3)	2,921	1.6	2,909	1.5
		Other (Note 4)	18,628	10.0	18,538	9.8
	Subtotal		127,276	68.5	127,916	67.9
Real estate, etc., subtotal		167,747	90.2	171,654	91.1	
Deposits and other assets		18,180	9.8	16,672	8.9	
Total assets		185,927	100.0	188,326	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.

	36th Fiscal Period (As of November 30, 2019)		37th Fiscal Period (As of May 31, 2020)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	90,280	48.6	92,352	49.0
Net assets	95,647	51.4	95,974	51.0

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	1,390	1,550	0.87
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,890	2,244	2,500	1.40
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,860	1,524	1,530	0.86
Of-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	Trust beneficial interest	3,040	2,751	2,700	1.51
Of-09	GRACE BUILDING SENGAKUJIMAE	Minato-ku, Tokyo	Trust beneficial interest	1,690	1,119	1,220	0.68
Of-11	HF NIHONBASHI ODENMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,230	2,166	2,150	1.20
Of-12	HG HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,710	3,043	3,092	1.73
Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	Real estate	1,040	1,099	1,110	0.62
Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	Trust beneficial interest	5,115	3,418	3,418	1.91
Of-20	FUNABASHI FACE BUILDING	Funabashi City, Chiba	Real estate	3,420	3,483	3,900	2.18
Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	Real estate	517	600	640	0.36
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,460	1,292	1,314	0.73
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,690	1,610	1,624	0.91
Of-25	KAYABACHO HEIWA Bldg.	Chuo-ku, Tokyo	Trust beneficial interest	6,860	4,743	4,798	2.68
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	Trust beneficial interest	3,400	2,566	2,310	1.29
Of-29	SAKAE MINAMI HEIWA BUILDING	Nagoya City, Aichi	Trust beneficial interest	2,280	1,501	1,580	0.88
Of-30	HF SAKURADORI BUILDING	Nagoya City, Aichi	Trust beneficial interest	6,410	4,515	4,900	2.74
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,630	1,931	1,900	1.06

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	3,640	2,586	2,700	1.51
Of-33	HF UENO BUILDING	Taito-ku, Tokyo	Trust beneficial interest	4,220	3,469	3,400	1.90
Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	2,160	1,370	1,350	0.76
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,390	2,755	2,720	1.52
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	4,270	3,228	3,150	1.76
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Trust beneficial interest	3,780	3,200	3,100	1.73
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,780	3,353	3,250	1.82
Of-39	SENJU MILDIX II BANKAN	Adachi-ku, Tokyo	Trust beneficial interest	1,950	1,622	1,650	0.92
Of-40	ARK Mori Building	Minato-ku, Tokyo	Trust beneficial interest	3,570	3,133	3,085	1.73
Of-41	Nihonbashi Horidomecho First	Chuo-ku, Tokyo	Trust beneficial interest	2,320	2,156	2,140	1.20
Of-42	SOUTHERN SKY TOWER HACHIOJI	Hachioji City, Tokyo	Trust beneficial interest	1,890	1,648	1,600	0.89
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,350	3,120	3,100	1.73
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Trust beneficial interest	2,940	2,864	2,840	1.59
Of-45	KABUTO-CHO UNI-SQUARE	Chuo-ku, Tokyo	Trust beneficial interest	2,260	2,130	2,100	1.17
Office subtotal				94,461	77,643	78,421	43.86

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	374	430	0.24
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	738	616	660	0.37
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	887	580	650	0.36
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	4,480	3,143	3,610	2.02
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,820	1,405	1,560	0.87
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,478	1,296	1,370	0.77
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,020	889	1,000	0.56
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,470	865	1,100	0.62
Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,730	963	1,210	0.68
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	879	549	690	0.39
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	5,280	3,622	4,030	2.25
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	1,060	969	1,070	0.60
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,190	1,041	1,130	0.63
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	1,050	845	950	0.53
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,240	1,050	1,100	0.62
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Real estate	5,430	5,486	5,940	3.32
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama City, Kanagawa	Real estate	2,860	2,951	3,350	1.87
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	Real estate	2,040	2,228	2,350	1.31
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,450	1,479	1,630	0.91
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,310	1,540	1,650	0.92
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,190	988	1,050	0.59
Re-34	HF TANASHI RESIDENCE	Nishitokyo City, Tokyo	Real estate	782	894	911	0.51
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	908	797	836	0.47

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-36	HF MITA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,310	1,019	1,080	0.60
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	967	708	749	0.42
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	947	703	730	0.41
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,850	1,359	1,460	0.82
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,290	1,744	1,890	1.06
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	Trust beneficial interest	1,060	706	793	0.44
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,270	823	944	0.53
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	7,530	6,398	6,520	3.65
Re-44	HF UMEDA RESIDENCE TOWER	Osaka City, Osaka	Trust beneficial interest	2,180	1,695	1,920	1.07
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka City, Osaka	Trust beneficial interest	526	422	453	0.25
Re-46	HF AWAZA RESIDENCE	Osaka City, Osaka	Trust beneficial interest	720	495	577	0.32
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	746	507	624	0.35
Re-48	HF HIRAO RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	2,200	1,569	1,780	1.00
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	606	481	534	0.30
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	2,370	1,632	1,820	1.02
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	1,000	762	820	0.46
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	1,070	802	870	0.49
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	714	589	615	0.34

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	784	842	0.47
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji City, Tokyo	Trust beneficial interest	1,050	780	839	0.47
Re-59	HF HISAYAODORI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	1,310	978	1,080	0.60
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	691	516	572	0.32
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,660	1,939	1,990	1.11
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,570	1,136	1,170	0.65
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,690	1,256	1,360	0.76
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka City, Osaka	Trust beneficial interest	695	521	566	0.32
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,160	708	809	0.45
Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	942	581	684	0.38
Re-67	HF KYUDAIBYOINMAE RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	525	371	426	0.24
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	989	712	771	0.43
Re-69	HF ICHIBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,150	741	834	0.47
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,110	871	942	0.53
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,700	1,956	2,090	1.17
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	1,100	815	872	0.49
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,620	1,170	1,158	0.65
Re-75	HF Sendai Residence EAST	Sendai City, Miyagi	Trust beneficial interest	1,950	1,552	1,638	0.92
Re-76	HF NISHI-KOEN RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,410	1,312	1,310	0.73

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	914	792	790	0.44
Re-78	HF KANNAI RESIDENCE	Yokohama City, Kanagawa	Trust beneficial interest	2,130	1,755	1,800	1.01
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	2,310	2,154	2,160	1.21
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo City, Hokkaido	Trust beneficial interest	1,720	1,501	1,560	0.87
Re-81	HF HAKATA-HIGASHI RESIDENCE	Fukuoka City, Fukuoka	Real estate	932	929	880	0.49
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	Sendai City, Miyagi	Real estate	906	913	850	0.48
Re-83	HF TABATA RESIDENCE	Kita-ku, Tokyo	Real estate	1,370	1,104	1,100	0.62
Re-84	HF RYOGOKU RESIDENCE	Sumida-ku, Tokyo	Real estate	1,630	1,417	1,400	0.78
Re-85	HF HACHIOJI RESIDENCE	Hachioji City, Tokyo	Real estate	1,210	1,175	1,120	0.63
Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	Real estate	1,350	1,236	1,210	0.68
Re-87	HF MONZENNAKACHO RESIDENCE	Koto-ku, Tokyo	Real estate	1,110	967	945	0.53
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	Koto-ku, Tokyo	Real estate	994	919	900	0.50
Re-89	HF SENDAI NAGAMACHI RESIDENCE	Sendai City, Miyagi	Real estate	1,110	1,096	1,030	0.58
Re-90	HF SHOKOJI AKABANE RESIDENCE	Kita-ku, Tokyo	Real estate	1,290	1,207	1,150	0.64
Re-91	HF SENDAI HONCHO RESIDENCE	Sendai City, Miyagi	Real estate	1,140	1,124	1,070	0.60
Residence subtotal				115,776	94,010	100,375	56.14
Total				210,237	171,654	178,796	100.00

(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 May 31, 2020, 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.

DISCLAIMER:

Heiwa Real Estate REIT, Inc. makes no assurance or warranty with respect to the completeness or accuracy of this English translation. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail. For complete and accurate information, please refer to the Japanese original.