

38th Fiscal Period Financial Report (REIT)

January 20, 2021

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

Stock Exchange Listing: TSE
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 26, 2021

Scheduled date of commencement of distribution payments: February 16, 2021

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 38th Fiscal Period

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

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

	Operating revenue		Operating income		Ordinary income		Net income	
38th FP	¥7,072 million	7.3%	¥3,677 million	14.7%	¥3,276 million	17.5%	¥3,275 million	17.5%
37th FP	¥6,588 million	4.1%	¥3,206 million	8.1%	¥2,788 million	11.2%	¥2,788 million	11.2%

	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
38th FP	¥3,254	3.4%	1.7%	46.3%
37th FP	¥2,747	2.9%	1.5%	42.3%

(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)
38th FP	¥2,680	¥2,679 million	¥-	¥-	81.8%	2.8%
37th FP	¥2,550	¥2,587 million	¥-	¥-	92.8%	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 (¥2,587 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.

(Note 4) The amount of total distributions (¥2,679 million) for the 38th 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 ¥39 million (¥40 per unit) is appropriated to the balance excluding the net income provision of internal reserve of ¥635 million (including reserve for temporary difference adjustment ¥338 million).

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
38th FP	¥188,916 million	¥94,910 million	50.2%	¥94,916
37th FP	¥188,326 million	¥95,974 million	51.0%	¥94,570

(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
38th FP	¥6,175 million	(¥1,990 million)	(¥2,798 million)	¥13,712million
37th FP	¥4,829 million	(¥6,153 million)	(¥336 million)	¥12,326 million

2. Management Status Forecasts for the 39th and 40th Fiscal Periods

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

40th Fiscal Period (40th FP): Fiscal period ending November 2021 (from June 1, 2021 to November 30, 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	Amount	Amount
39th FP	¥6,679 million	(5.5%)	¥3,259 million	(11.4%)	¥2,870 million	(12.4%)	¥2,869 million	(12.4%)	¥2,800	¥-
40th FP	¥6,307 million	(5.6%)	¥2,894 million	(11.2%)	¥2,510 million	(12.5%)	¥2,510 million	(12.5%)	¥2,800	¥-

(Reference) Estimated net income per unit: 39th fiscal period: ¥2,869 40th fiscal period: ¥2,510

(Note) Funds for the payment of distributions for the 39th fiscal period include ¥39 million (¥40 per unit) that will be released from the reserve for temporary difference adjustment. Funds for the payment of distributions for the 40th fiscal period include ¥289 million (¥290 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:

38th FP:	999,933 units	37th FP:	1,014,847 units
38th FP:	– units	37th 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 33 of the Japanese version of the “38th fiscal period Financial Report (REIT)” for the period ended November 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 39th fiscal period (from December 1, 2020 to May 31, 2021) and 40th fiscal period (from June 1, 2021 to November 30, 2021)” on page 9 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 38th 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 38th 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). Between then and the start of the fiscal period under review, the REIT executed a capital increase through public offering and underwriting of new investment units issued through private placement on several occasions, 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) and a cancellation of treasury investment units on September 29, 2020. As a result, total investment units outstanding were 999,933 and unitholders’ capital was 81,370 million yen as of the end of the 38th fiscal period (November 2020).

(ii) Operating environment

During the fiscal period under review, the Japanese economy suffered an abrupt cessation of economic activity due to the COVID-19 pandemic and the ensuing declaration of a state of emergency, although domestic economic activity and consumption activity did then partially resume thanks to the lifting of the state of emergency and implementation of the Go To campaign. However, recently, COVID-19 cases are once again on the rise and the outlook remains uncertain and the situation is still unpredictable, with the declaration of a second state of emergency in Tokyo and other areas. Overseas developments probably also require attention given the continued uncertainty about foreign economic conditions amid ongoing US-China trade tensions and the protracted economic downturn induced by the COVID-19 pandemic.

In this environment, the TSE REIT index, which had fallen to 1,701.03 points at the end of the previous fiscal period (May 31, 2020) due to the declaration of a state of emergency and other effects of the COVID-19 pandemic, stood at 1,687.98 points at the end of the fiscal period under review (November 30, 2020). Whilst conditions continued to dampen the prospects for a rise, the index remained comparatively stable around the 1,700 points mark.

(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 but rose for nine consecutive months from March 2020, increasing from 1.64% at the end of the previous fiscal period to 4.33% at the end of the fiscal period under review and topping the 4% mark for the first time since June 2016. This increase reflected the persistence of conditions preventing moves to conclude contracts, in addition to the impact of contract cancellations by tenants as a result of widespread telework during the COVID-19 crisis and office downscaling and consolidation on concerns about the business outlook. Meanwhile, the average rent continued to trend upward, exceeding 23,000 yen/tsubo in July 2020. The level was mostly unchanged period on period, standing at 22,836 yen/tsubo at the end of the previous fiscal period and 22,223 yen/tsubo at the end of the fiscal period under review.

The impact of the COVID-19 pandemic on office building market conditions is emerging, and moves among tenants to downscale or cancel contracts observed nationwide deepened concerns that deterioration in market conditions would pick up pace.

(b) Residential leasing market

According to At Home Co., Ltd., the used condominium contract rent index in the Tokyo metropolitan area rose year on year for Tokyo’s 23 wards (excluding small units under 30m²), Kanagawa Prefecture, Saitama Prefecture and Nagoya City in November 2020 but fell year on year for Tokyo’s 23 wards (small units under 30m²), marking decline for five consecutive months. According to the Survey Report on the Statistics of Construction Starts published in November 2020, the number of new housing starts (rental housing) decreased for the twenty-seventh 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 rental housing demand appears lightly weaker. The occupancy rate of the residential assets in the REIT’s portfolio fell temporarily during the fiscal period but then improved, reaching a high level by the end. Rent volatility due to deteriorating economic conditions is also low and will, therefore have a limited impact, with the impact on operations in the short term likely to be insignificant.

(c) Real estate

According to data based on the Land Price Survey conducted by prefectural governments as of July 1, 2020, which was announced in September 2020, Japan’s three major metropolitan areas Tokyo, Osaka and Nagoya saw the average price for all types of land flatten after increasing for seven consecutive years since 2013. Prices for land in residential areas began to fall for the first time in seven years since 2013 while prices for land in industrial and commercial areas continued to rise but to a lesser extent than before. Meanwhile, in regional areas (other areas besides the three major metropolitan areas), prices for land in residential areas registered fell to an even greater extent while prices for land in commercial areas stopped trending upward and fell for the first time in two years since 2018. 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 but the increases were smaller.

The uncertainty injected into the economic outlook by the effects of the COVID-19 pandemic appears to have caused demand to weaken, leading prices in general to show smaller increases, to stop rising and flatten, or to start falling, 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-92 HF OHORI RESIDENCE BAYSIDE [real estate, acquisition price: 1,150 million yen]) on September 30, 2020, and sold one residence (Re-44 HF UMEDA RESIDENCE TOWER [trust beneficiary rights, acquisition price: 1,920 million yen]) on August 5, 2020, aiming to improve the profitability and quality of its portfolio.

As a result, portfolio assets as of the end of the period were 107 properties (total acquisition price: 178,026 million yen), including 32 office buildings (total acquisition price of 78,421 million yen) and 75 residential buildings (total acquisition price of 99,605 million yen).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 38th 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 97.9% as at the end of the fiscal period under review, and the average month-end occupancy rate for the period under review was 96.1%. The occupancy rate of offices remained comparatively stable throughout the period, while the occupancy rate for residences began dropping in April partly due to the effects of COVID-19, falling to 93.6% in August but was then successfully restored to 97.8% in November.

(iv) Procurement of funds

The REIT issued the Sixth Series of Unsecured Investment Corporation Bonds (total issue value: 1,500 million yen) on November 25, 2020 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 December 11, 2020 after the fiscal period end. The REIT took out Term Loan 48 (Tranche A [loan amount: 1,780 million yen]) and Tranche B [loan amount: 4,250 million yen]) on the same day to repay Term Loan 20 (loan balance: 1,230 million yen), Term Loan 21 Tranche B (loan balance: 3,600 million yen) and Term Loan 38 Tranche A (loan amount: 1,200 million yen), whose principal repayment dates were October 30, 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 November 30: 7.0 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 November 30: 0.78%).

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 7,000 million yen (contract period is from June 1, 2020 to May 31, 2021) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd and Resona Bank, Ltd.

[Sixth series of unsecured investment corporation bonds]

Name	HEIWA REAL ESTATE REIT, Inc. Sixth Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds)
Total amount of investment corporation bonds	1,500 million yen
Payment date	November 25, 2020
Paid-in amount	100 yen per 100 yen of each investment corporation bond
Interest rate	0.750% per annum
Attachment of security and guarantee	Unsecured and without guarantee
Redemption date	The REIT will conduct the redemption of the total amount on November 25, 2030. 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 25 and November 25 every year (The first payment of interest will occur on May 25, 2021)
Use of funds	The REIT plans to appropriate some of funds for the repayment of an existing loan (Term Loan 45) before its redemption date and to use the remainder to increase liquidity on hand and to partly fund the acquisition of specified assets in the future and the repayment of loans.

[Term Loan 48 Tranche A]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited. MUFG Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	1,780 million yen	October 31, 2023 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 48 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited. Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited	4,250 million yen	October 29, 2027 (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 86,167 million yen (period end LTV (Note): 45.61%).

(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 38th fiscal period results of 7,072 million yen in operating revenue, 3,677 million yen in operating income, after deducting interest expenses on loans, 3,276 million yen in ordinary income, and 3,275 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 this policy, the REIT made a decision to pay out 2,679,820,440 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 39,997,320 yen (40 yen per unit) to the balance excluding the internal reserve of 635,846,324 yen, from the net income of 3,275,669,444 yen for the fiscal period under review (including reserve for temporary difference adjustment ¥338 million). As a result, distributions per unit have come to 2,680 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 five new properties of good quality, in addition to selling two properties 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 the COVID-19 pandemic, companies’ 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 the COVID-19 pandemic 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, demand for small city-center units may decline judging from the signs of changes in property demand associated with the normalization of teleworking and a tendency to move to the suburbs to avoid high-density areas, but the REIT intends to exercise management carefully tailored to the characteristics of individual properties based on a close observation of market conditions.

In its dealings with tenants, it will continue focusing on minimizing departures to maintain and increase occupancy rates, and it will undertake leasing management, including reducing the period of time for work for restoration to the original state, in order 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.

(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. 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 acquired one property (acquisition price: 2,501 million yen) on December 17, 2020 in accordance with the basic policy, etc. set out in its bylaws.

Property no.: Of-46; Property name: TORYO BUILDING

Type of asset acquired	Real estate
Contract date	October 27, 2020
Acquisition date:	December 17, 2020
Acquisition price (Note 1)	2,501 million yen
Location (residential address)	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi
Use	Office and garage
Completed	March 25, 1996
Structure	Office: Reinforced concrete flat-roofed 9-story structure with a 1-story basement Garage: Steel framed flat-roofed structure
Total floor area	4,944.22 m ² (including attached building (garage) with area 51.57 m ²)
Total rentable area	3,212.49 m ²

(Note 1) The acquisition price is the sales price (excluding amounts equal to consumption taxes, etc.) stated in the Agreement on the Sale and Purchase of Real Estate and does not include the costs of acquisition, fixed property tax, city planning tax, etc

B. Asset Acquisitions

The REIT concluded a sale and purchase agreement on December 25, 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-37; Property name: HF TAKANAWA RESIDENCE

Asset to be transferred	Trust beneficial interest
Location (residential address)	4-17-22 Mita, Minato-ku, Tokyo
Transfer value (Note 1)	1,130 million yen
Book value (Note 2)	704 million yen
Agreement execution date	December 25, 2020
Scheduled transfer date	January 22, 2021
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 November 30, 2020.

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

C. Borrowing of Loans

The REIT took out loans (total loan amount: 1,000 million yen) on December 17, 2020, to partially fund the acquisition of one office property (see "A. Asset Acquisitions" above) acquired on the same date.

[Term Loan 49]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
The 77 Bank, Ltd.	1,000 million yen	November 30, 2028 (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.

d. Outlook for the 39th and 40th fiscal periods

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 39th fiscal period (from December 1, 2020 to May 31, 2021) and 40th fiscal period (from June 1, 2021 to November 30, 2021)” below for assumptions used in this forecast.

Operating revenue	6,679 million yen
Operating income	3,259 million yen
Ordinary income	2,870 million yen
Net income	2,869 million yen
Distributions per unit (excluding distributions in excess of earnings)	2,800 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 39 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 40th fiscal period (from June 1, 2021 to November 30, 2021). See “Management status forecast assumptions for 39th fiscal period (from December 1, 2020 to May 31, 2021) and 40th fiscal period (from June 1, 2021 to November 30, 2021)” below for assumptions used in this forecast.

Operating revenue	6,307 million yen
Operating income	2,894 million yen
Ordinary income	2,510 million yen
Net income	2,510 million yen
Distributions per unit (excluding distributions in excess of earnings)	2,800 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 289 million yen (290 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 39th fiscal period (from December 1, 2020 to May 31, 2021) and 40th fiscal period (from June 1, 2021 to November 30, 2021)

Item	Assumptions																				
Management period	39th fiscal period: from December 1, 2020 to May 31, 2021 (182 days) 40th fiscal period: from June 1, 2021 to November 30, 2021 (183 days)																				
Assets under management	<ul style="list-style-type: none"> Assumptions are made based on 107 properties, adding TOBISHI BUILDING acquired on December 17, 2020, pursuant to the agreement concluded on October 27, 2020, to the 107 properties owned by the REIT as of November 30, 2020, and excluding HF TAKANAWA RESIDENCE, which will be transferred on January 22, 2021, pursuant to the agreement concluded on December 25, 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 999,933 units as the total number of investment units issued and outstanding at the end of the fiscal period ended November 2020. 																				
Operating revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on the assumption of the above assets under management. Operating revenue is expected to gain 405 million yen in the fiscal period ending May 2021 as a gain on the sale of real estate property of "HF TAKANAWA RESIDENCE" scheduled to be transferred on January 22, 2021. Operating revenue is 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 the COVID-19 pandemic 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: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">39th fiscal period (from December 1, 2020 to May 31, 2021)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Public charges and taxes (fixed property tax, city planning tax, etc.):</td> <td style="text-align: right;">407 million yen</td> </tr> <tr> <td style="padding-left: 40px;">Maintenance and repair fees:</td> <td style="text-align: right;">221 million yen</td> </tr> <tr> <td style="padding-left: 40px;">Management commissions:</td> <td style="text-align: right;">674 million yen</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation:</td> <td style="text-align: right;">946 million yen</td> </tr> <tr> <td style="padding-left: 20px;">40th fiscal period (from June 1, 2021 to November 30, 2021)</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Public charges and taxes (fixed property tax, city planning tax, etc.):</td> <td style="text-align: right;">417 million yen</td> </tr> <tr> <td style="padding-left: 40px;">Maintenance and repair fees:</td> <td style="text-align: right;">238 million yen</td> </tr> <tr> <td style="padding-left: 40px;">Management commissions:</td> <td style="text-align: right;">654 million yen</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation:</td> <td style="text-align: right;">921 million yen</td> </tr> </table> 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. 	39th fiscal period (from December 1, 2020 to May 31, 2021)		Public charges and taxes (fixed property tax, city planning tax, etc.):	407 million yen	Maintenance and repair fees:	221 million yen	Management commissions:	674 million yen	Depreciation:	946 million yen	40th fiscal period (from June 1, 2021 to November 30, 2021)		Public charges and taxes (fixed property tax, city planning tax, etc.):	417 million yen	Maintenance and repair fees:	238 million yen	Management commissions:	654 million yen	Depreciation:	921 million yen
39th fiscal period (from December 1, 2020 to May 31, 2021)																					
Public charges and taxes (fixed property tax, city planning tax, etc.):	407 million yen																				
Maintenance and repair fees:	221 million yen																				
Management commissions:	674 million yen																				
Depreciation:	946 million yen																				
40th fiscal period (from June 1, 2021 to November 30, 2021)																					
Public charges and taxes (fixed property tax, city planning tax, etc.):	417 million yen																				
Maintenance and repair fees:	238 million yen																				
Management commissions:	654 million yen																				
Depreciation:	921 million yen																				
Non-operating expenses	<ul style="list-style-type: none"> The REIT assumes 386 million yen and 374 million yen as interest expenses (including interest expenses on investment corporation bonds) and borrowing-related expenses for the fiscal period ending May 2021 and the fiscal period ending November 2021 respectively. Moreover, the REIT assumes 4 million yen and 4 million yen as amortization of investment corporation bond issuance expenses for the fiscal period ending May 2021 and the fiscal period ending November 2021, respectively. 																				
Interest-bearing liabilities	<ul style="list-style-type: none"> The REIT assumes that, out of interest-bearing liabilities amounting to 86,167 million yen as of November 30, 2020, it will refinance loans that become payable in the fiscal period ending May 31, 2021 and the fiscal period ending November 30, 2021. 																				
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 May 31, 2021 are made based on the distribution of a total of 2,799 million yen (distribution of 2,800 yen per unit), which includes 39 million yen from the reversal of the reserve for temporary difference adjustment (the expected reserve reversal of 40 yen per unit) and appropriated to the balance of the expected net income after the provision of internal reserve of 108 million yen. Assumptions on distributions for the fiscal period ending November 30, 2021 are made based on the distribution of a total of 2,799 million yen (distribution of 2,800 yen per unit), which includes 289 million yen that will be released from the reserve for temporary difference adjustment (the expected reserve reversal of 290 yen per unit) and appropriated to the expected net income of 2,510 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

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent Annual Securities Report (submitted August 28, 2020).

2. Financial Statements

(1) Balance Sheet

(Unit: 1,000 yen)

	37th Fiscal Period (As of May 31, 2020)	38th Fiscal Period (As of November 30, 2020)
Assets		
Current assets		
Cash and deposits	12,276,641	13,630,841
Cash and deposits in trust	3,476,218	3,492,005
Operating accounts receivable	60,832	38,871
Prepaid expenses	129,710	127,810
Other	2,216	1,838
Allowance for doubtful accounts	(99)	(2)
Total current assets	15,945,520	17,291,364
Noncurrent assets		
Property, plant and equipment		
Buildings	15,396,247	15,849,108
Accumulated depreciation	(4,434,403)	(4,647,199)
Buildings, net	10,961,843	11,201,909
Structures	77,367	78,849
Accumulated depreciation	(41,083)	(43,237)
Structures, net	36,284	35,611
Machinery and equipment	279,096	295,496
Accumulated depreciation	(207,144)	(215,093)
Machinery and equipment, net	71,952	80,403
Tools, furniture and fixture	218,648	243,426
Accumulated depreciation	(141,910)	(151,897)
Tools, furniture and fixtures, net	76,738	91,529
Land	30,680,398	31,475,029
Construction in progress	–	251,683
Buildings in trust	48,591,753	47,307,050
Accumulated depreciation	(11,774,871)	(12,050,916)
Buildings in trust, net	36,816,881	35,256,133
Structures in trust	276,315	270,754
Accumulated depreciation	(95,316)	(99,918)
Structures in trust, net	180,999	170,835
Machinery and equipment in trust	631,223	591,806
Accumulated depreciation	(308,690)	(288,451)
Machinery and equipment in trust, net	322,533	303,354
Tools, furniture and fixtures in trust	1,122,278	1,096,045
Accumulated depreciation	(752,388)	(730,009)
Tools, furniture and fixtures in trust, net	369,889	366,035
Land in trust	86,910,985	86,446,317
Total property, plant and equipment	166,428,505	165,678,843
Intangible assets		
Leasehold right	1,910,049	1,910,049
Leasehold rights in trust	3,315,665	3,315,665
Software	4,285	3,609
Other	227	227
Total intangible assets	5,230,228	5,229,551

(Unit: 1,000 yen)

	37th Fiscal Period (As of May 31, 2020)	38th Fiscal Period (As of November 30, 2020)
Investment and other assets		
Guarantee deposits	14,617	14,617
Long-term prepaid expenses	254,569	235,228
Derivatives	65,393	36,349
Other	347,525	380,078
Total investments and other assets	682,106	666,273
Total noncurrent assets	172,340,840	171,574,669
Deferred assets		
Investment corporation bond issuance costs	40,606	50,563
Total deferred assets	40,606	50,563
Total assets	188,326,967	188,916,598
Liabilities		
Current liabilities		
Operating accounts payable	471,246	507,184
Current portion of long-term loans payable	11,914,200	11,904,200
Accrued expenses	730,698	732,134
Income taxes payable	594	271
Accrued consumption tax, etc.	54,944	160,415
Advances received	1,050,248	1,071,742
Other	41,746	25,029
Total current liabilities	14,263,678	14,400,978
Noncurrent liabilities		
Investment corporation bonds	6,400,000	7,900,000
Long-term loans payable	66,353,000	66,363,000
Tenant leasehold and security deposits	712,675	720,120
Tenant leasehold and security deposits in trust	4,420,602	4,381,685
Derivative liabilities	202,353	240,601
Total noncurrent liabilities	78,088,631	79,605,408
Total liabilities	92,352,310	94,006,386
Net Assets		
Unitholders' equity		
Unitholders' capital	81,370,715	81,370,715
Surplus		
Investment surplus	7,406,652	7,406,652
Deduction from unitholders' capital surplus	-	*3 (1,699,990)
Investment surplus, net	7,406,652	5,706,661
Voluntary retained earnings		
Reserve for reduction entry	415,683	415,683
Reserve for temporary differences, etc.	*4 1,744,597	*4 1,704,003
Total voluntary retained earnings	2,160,280	2,119,686
Unappropriated retained earnings (undisposed loss)	5,205,178	5,933,582
Total surplus	14,772,110	13,759,929
Total unitholders' equity	96,142,826	95,130,645
Valuation and translation adjustments		
Deferred hedge gain or loss	(168,168)	(220,434)
Total valuation and translation adjustments	(168,168)	(220,434)
Total net assets	*2 95,974,657	*2 94,910,211
Total liabilities and net assets	188,326,967	188,916,598

(2) Profit and Loss Statement

(Unit: 1,000 yen)

	37th Fiscal Period (December 1, 2019 – May 31, 2020)		38th Fiscal Period (June 1, 2020 – November 30, 2020)	
Operating Revenue				
Rent revenue-real estate	*1	5,769,961	*1	5,715,947
Other lease business revenue	*1	486,708	*1	465,482
Gain on sales of real estate properties	*2	331,669	*2	890,700
Total operating revenue		6,588,338		7,072,131
Operating expenses				
Expenses related to rent business	*1, *3	2,583,827	*1, *3	2,590,863
Asset management fee		580,720		586,845
Asset custody fee		11,247		11,473
Administrative service fees		41,293		39,215
Directors' compensation		6,289		6,293
Audit fee		13,660		11,660
Other operating expenses		144,868		148,308
Total operating expenses		3,381,906		3,394,658
Operating income		3,206,432		3,677,472
Non-operating income				
Interest income		1,118		1,118
Reversal of dividends payable		737		465
Insurance income		2,680		4,970
Compensation income		8,365		–
Other		839		375
Total non-operating income		13,740		6,930
Non-operating expenses				
Interest expenses		351,626		327,047
Borrowing related expenses		55,430		53,496
Interest expenses on investment corporation bonds		19,460		19,647
Amortization of investment corporation bond issuance costs		3,434		3,546
Other		1,296		4,390
Total non-operating expenses		431,248		408,128
Ordinary income		2,788,925		3,276,274
Income before income taxes		2,788,925		3,276,274
Income taxes-current		605		605
Total income taxes		605		605
Net income		2,788,320		3,275,669
Retained earnings brought forward		2,416,858		2,657,912
Unappropriated retained earnings (undisposed loss)		5,205,178		5,933,582

(3) Statements of Changes in Net Assets (Unitholders' Equity)
37th Fiscal Period (December 1, 2019 – May 31, 2020)

(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	1,785,190	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

	Unitholders' equity				
	Unitholders' capital / total capital	Surplus			Voluntary retained earnings
		Investment surplus	Deduction from unitholders' capital surplus	Investment surplus, net	Reserve for reduction entry
Balance at the beginning of the period	81,370,715	7,406,652	–	7,406,652	415,683
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences					
Dividends from surplus					
Net income					
Acquisition of own investment units					
Cancellation of treasury investment units			(1,699,990)	(1,699,990)	
Net changes of items other than unitholders' equity					
Total changes of items during the period	–	–	(1,699,990)	(1,699,990)	–
Balance at the end of the period	*1 81,370,715	7,406,652	(1,699,990)	5,706,661	415,683

	Unitholders' equity					
	Surplus				Treasury investment units	Total unitholders' equity
	Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus		
Reserve for temporary differences, etc.	Total voluntary retained earnings					
Balance at the beginning of the period	1,744,597	2,160,280	5,205,178	14,772,110		96,142,826
Changes of items during the period						
Reversal of reserve for adjustment of temporary differences	(40,593)	(40,593)	40,593	–		–
Dividends from surplus			(2,587,859)	(2,587,859)		(2,587,859)
Net income			3,275,669	3,275,669		3,275,669
Acquisition of own investment units				–	(1,699,990)	(1,699,990)
Cancellation of treasury investment units				(1,699,990)	1,699,990	–
Net changes of items other than unitholders' equity						
Total changes of items during the period	(40,593)	(40,593)	728,403	(1,012,096)	–	(1,012,181)
Balance at the end of the period	1,704,003	2,119,686	5,933,582	13,759,929	–	95,130,645

	Valuation and translation adjustments		Total net assets
	Deferred hedge gain or loss	Total valuation and translation adjustments	
Balance at the beginning of the period	(168,168)	(168,168)	95,974,657
Changes of items during the period			
Reversal of reserve for adjustment of temporary differences			–
Dividends from surplus			(2,587,859)
Net income			3,275,669
Acquisition of own investment units			(1,699,990)
Cancellation of treasury investment units			–
Net changes of items other than unitholders' equity	(52,265)	(52,265)	(52,265)
Total changes of items during the period	(52,265)	(52,265)	(1,064,446)
Balance at the end of the period	(220,434)	(220,434)	94,910,211

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	37th Fiscal Period (December 1, 2019 – May 31, 2020)	38th Fiscal Period (June 1, 2020 – November 30, 2020)
I. Unappropriated retained earnings	5,205,178,779	5,933,582,253
II. Reversal of voluntary retained earnings		
Reversal of reserve for adjustment of temporary differences	*1 40,593,880	*1 39,997,320
III. Distributions	2,587,859,850	2,679,820,440
Distributions per unit (excluding distributions in excess of earnings)	(2,550)	(2,680)
IV. Voluntary retained earnings		
Reserve for temporary difference adjustment	-	338,693,498
V. Retained earnings brought forward	2,657,912,809	2,955,065,635
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 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. 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 2,679,820,440 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 39,997,320 yen (40 yen per unit) to the balance excluding the internal reserve of 635,846,324 yen, from the net income of 3,275,669,444 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)

	37th Fiscal Period (December 1, 2019 – May 31, 2020)	38th Fiscal Period (June 1, 2020 – November 30, 2020)
Cash Flows from Operating Activities		
Income before income taxes	2,788,925	3,276,274
Depreciation	964,743	951,615
Increase (decrease) in allowance for doubtful accounts	21	(96)
Amortization of investment corporation bond issuance costs	3,434	3,546
Interest income	(1,118)	(1,118)
Interest expenses	371,086	346,695
Decrease (increase) of operating accounts receivable	(12,332)	20,601
Increase (decrease) in accrued consumption taxes	(21,563)	105,471
Decrease (increase) of long-term prepaid expenses	(11,123)	19,340
Increase (decrease) in operating accounts payable	(55,660)	148,877
Increase (decrease) in accrued expenses	21,117	2,964
Increase (decrease) in advances received	18,122	21,493
Increase (decrease) in deposits received	(205)	11
Decrease due to sale of property, plant and equipment in trust	1,092,477	1,685,113
Other	28,211	(27,424)
Subtotal	5,186,137	6,553,365
Interest income received	68	2,175
Interest expenses paid	(356,632)	(351,457)
Income taxes (paid) refund	(235)	(927)
Net Cash Provided by (Used in) Operating Activities	4,829,336	6,203,156
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	(2,831,262)	(1,521,296)
Purchase of property, plant and equipment in trust	(2,602,759)	(494,557)
Purchase of intangible assets	(716,174)	–
Proceeds from receipt of tenant leasehold and security deposits	39,344	28,573
Repayments of tenant leasehold and security deposits	(29,695)	(20,663)
Proceeds from tenant leasehold and security deposits in trust	190,084	206,764
Repayments of tenant leasehold and security deposits in trust	(102,950)	(233,231)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	5,924	16,473
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(105,673)	–
Net Cash Provided by (Used in) Investing Activities	(6,153,162)	(2,017,937)
Cash Flows from Financing Activities		
Proceeds from long-term loans payable	7,720,000	6,030,000
Decrease in long-term loans payable	(5,520,000)	(6,030,000)
Proceeds from issuance of investment corporation bonds	–	1,489,730
Purchase of treasury investment units	–	(1,699,990)
Distributions paid	(2,536,714)	(2,588,499)
Net Cash Provided by (Used in) Financing Activities	(336,714)	(2,798,759)
Increase (decrease) in cash and cash equivalents	(1,660,540)	1,386,459
Cash and cash equivalents at beginning of period	13,986,725	12,326,184
Cash and cash equivalents at end of period	*1 12,326,184	*1 13,712,643

(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	37th Fiscal Period (As of May 31, 2020)		38th Fiscal Period (As of November 30, 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	7,645	4.1	7,622	4.0
		Metropolitan Area (Note 3)	3,483	1.8	3,472	1.8
	Residence	Tokyo 23 Wards	23,523	12.5	23,468	12.4
		Metropolitan Area (Note 3)	5,021	2.7	4,994	2.6
		Other (Note 4)	4,062	2.2	5,237	2.8
	Subtotal		43,737	23.2	44,794	23.7
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	50,494	26.8	50,445	26.7
		Metropolitan Area (Note 3)	4,849	2.6	4,844	2.6
		Other (Note 4)	11,169	5.9	11,119	5.9
	Residence	Tokyo 23 Wards	39,954	21.2	39,816	21.1
		Metropolitan Area (Note 3)	2,909	1.5	2,897	1.5
		Other (Note 4)	18,538	9.8	16,734	8.9
	Subtotal		127,916	67.9	125,858	66.6
Real estate, etc., subtotal		171,654	91.1	170,652	90.3	
Deposits and other assets		16,672	8.9	18,263	9.7	
Total assets		188,326	100.0	188,916	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.

	37th Fiscal Period (As of May 31, 2020)		38th Fiscal Period (As of November 30, 2020)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	92,352	49.0	94,006	49.8
Net assets	95,974	51.0	94,910	50.2

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	1,701	1,382	1,550	0.87
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,880	2,232	2,500	1.40
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,890	1,516	1,530	0.86
Of-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	Trust beneficial interest	3,040	2,752	2,700	1.52
Of-09	GRACE BUILDING SENGAKUJIMAE	Minato-ku, Tokyo	Trust beneficial interest	1,670	1,118	1,220	0.69
Of-11	HF NIHONBASHI ODENMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,250	2,163	2,150	1.21
Of-12	HF HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,750	3,037	3,092	1.74
Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	Real estate	1,050	1,094	1,110	0.62
Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	Trust beneficial interest	5,123	3,410	3,418	1.92
Of-20	FUNABASHI FACE BUILDING	Funabashi City, Chiba	Real estate	3,420	3,472	3,900	2.19
Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	Real estate	509	598	640	0.36
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,500	1,288	1,314	0.74
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,700	1,603	1,624	0.91
Of-25	KAYABACHO HEIWA Bldg.	Chuo-ku, Tokyo	Trust beneficial interest	6,860	4,735	4,798	2.70
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	Trust beneficial interest	3,400	2,582	2,310	1.30
Of-29	SAKAE MINAMI HEIWA BUILDING	Nagoya City, Aichi	Trust beneficial interest	2,280	1,490	1,580	0.89
Of-30	HF SAKURADORI BUILDING	Nagoya City, Aichi	Trust beneficial interest	6,430	4,481	4,900	2.75
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,630	1,944	1,900	1.07

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	2,564	2,700	1.52
Of-33	HF UENO BUILDING	Taito-ku, Tokyo	Trust beneficial interest	4,220	3,475	3,400	1.91
Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	2,160	1,365	1,350	0.76
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,390	2,762	2,720	1.53
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	4,240	3,220	3,150	1.77
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Trust beneficial interest	3,820	3,199	3,100	1.74
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,780	3,349	3,250	1.83
Of-39	SENJU MILDIX II BANKAN	Adachi-ku, Tokyo	Trust beneficial interest	1,940	1,612	1,650	0.93
Of-40	ARK Mori Building	Minato-ku, Tokyo	Trust beneficial interest	3,570	3,132	3,085	1.73
Of-41	Nihonbashi Horidomecho First	Chuo-ku, Tokyo	Trust beneficial interest	2,320	2,157	2,140	1.20
Of-42	SOUTHERN SKY TOWER HACHIOJI	Hachioji City, Tokyo	Trust beneficial interest	1,890	1,644	1,600	0.90
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,350	3,128	3,100	1.74
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Trust beneficial interest	2,930	2,859	2,840	1.60
Of-45	KABUTO-CHO UNI-SQUARE	Chuo-ku, Tokyo	Trust beneficial interest	2,260	2,127	2,100	1.18
Office subtotal				94,593	77,504	78,421	44.05

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	560	373	430	0.24
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	751	613	660	0.37
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	915	577	650	0.37
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	4,602	3,129	3,610	2.03
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,854	1,401	1,560	0.88
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,511	1,293	1,370	0.77
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,040	886	1,000	0.56
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,480	857	1,100	0.62
Re-18	HF HIGASHINIHBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,730	955	1,210	0.68
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	887	543	690	0.39
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	5,320	3,604	4,030	2.26
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	1,060	965	1,070	0.60
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,200	1,075	1,130	0.63
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	1,050	839	950	0.53
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,250	1,071	1,100	0.62
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Real estate	5,450	5,476	5,940	3.34
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama City, Kanagawa	Real estate	2,920	2,933	3,350	1.88
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	Real estate	2,040	2,224	2,350	1.32
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,450	1,471	1,630	0.92
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,310	1,535	1,650	0.93
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,210	984	1,050	0.59
Re-34	HF TANASHI RESIDENCE	Nishitokyo City, Tokyo	Real estate	779	889	911	0.51
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	903	794	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	1,300	1,013	1,080	0.61
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	965	704	749	0.42
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	950	700	730	0.41
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,830	1,351	1,460	0.82
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,300	1,732	1,890	1.06
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	Trust beneficial interest	1,060	701	793	0.45
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,270	819	944	0.53
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	7,500	6,369	6,520	3.66
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka City, Osaka	Trust beneficial interest	526	418	453	0.25
Re-46	HF AWAZA RESIDENCE	Osaka City, Osaka	Trust beneficial interest	719	489	577	0.32
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	746	501	624	0.35
Re-48	HF HIRAO RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	2,230	1,554	1,780	1.00
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	606	478	534	0.30
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	2,360	1,623	1,820	1.02
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	1,000	760	820	0.46
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	1,070	800	870	0.49
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	714	587	615	0.35
Re-57	HF MUSASHI KOYAMA RESIDENCE	Shinagawa-ku, Tokyo	Trust beneficial interest	1,140	782	842	0.47
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji City, Tokyo	Trust beneficial interest	1,050	776	839	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-59	HF HISAYAODORI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	1,300	975	1,080	0.61
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	694	513	572	0.32
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,660	1,934	1,990	1.12
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,570	1,134	1,170	0.66
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,680	1,253	1,360	0.76
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka City, Osaka	Trust beneficial interest	695	519	566	0.32
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,160	706	809	0.45
Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	930	579	684	0.38
Re-67	HF KYUDAIBYOINMAE RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	535	368	426	0.24
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	991	710	771	0.43
Re-69	HF ICHIBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,150	737	834	0.47
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,110	869	942	0.53
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,690	1,951	2,090	1.17
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	1,100	813	872	0.49
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,650	1,163	1,158	0.65
Re-75	HF Sendai Residence EAST	Sendai City, Miyagi	Trust beneficial interest	1,960	1,537	1,638	0.92
Re-76	HF NISHI-KOEN RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,420	1,301	1,310	0.74
Re-77	HF BANSUI-DORI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	915	785	790	0.44
Re-78	HF KANNAI RESIDENCE	Yokohama City, Kanagawa	Trust beneficial interest	2,160	1,747	1,800	1.01

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-79	HF MEIEKI-KITA RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	2,310	2,152	2,160	1.21
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo City, Hokkaido	Trust beneficial interest	1,730	1,491	1,560	0.88
Re-81	HF HAKATA-HIGASHI RESIDENCE	Fukuoka City, Fukuoka	Real estate	929	925	880	0.49
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	Sendai City, Miyagi	Real estate	906	908	850	0.48
Re-83	HF TABATA RESIDENCE	Kita-ku, Tokyo	Real estate	1,390	1,097	1,100	0.62
Re-84	HF RYOGOKU RESIDENCE	Sumida-ku, Tokyo	Real estate	1,630	1,408	1,400	0.79
Re-85	HF HACHIOJI RESIDENCE	Hachioji City, Tokyo	Real estate	1,210	1,172	1,120	0.63
Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	Real estate	1,380	1,234	1,210	0.68
Re-87	HF MONZENNAKACHO RESIDENCE	Koto-ku, Tokyo	Real estate	1,150	964	945	0.53
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	Koto-ku, Tokyo	Real estate	1,010	917	900	0.51
Re-89	HF SENDAI NAGAMACHI RESIDENCE	Sendai City, Miyagi	Real estate	1,110	1,092	1,030	0.58
Re-90	HF SHOKOJI AKABANE RESIDENCE	Kita-ku, Tokyo	Real estate	1,290	1,209	1,150	0.65
Re-91	HF SENDAI HONCHO RESIDENCE	Sendai City, Miyagi	Real estate	1,140	1,120	1,070	0.60
Re-92	HF OHORI RESIDENCE BAYSIDE	Fukuoka City, Fukuoka	Real estate	1,250	1,190	1,150	0.65
Residence subtotal				115,413	93,148	99,605	55.95
Total				210,006	170,652	178,026	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 November 30, 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 (34 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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