

29th Fiscal Period Financial Report (REIT)

July 15, 2016

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

Stock Exchange Listing: TSE
 URL: <http://www.heiwa-re.co.jp/>
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 30, 2016
 Scheduled date of commencement of distribution payments: August 15, 2016
 Supplementary materials: Attached
 IR Conference: Yes (for institutional investors, securities analysts)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets for the 29th Fiscal Period

29th Fiscal Period (29th FP): Fiscal period ended May 2016 (from December 1, 2015 to May 31, 2016)

(1) Management

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

	Operating revenue		Operating income		Ordinary income		Net income	
29th FP	¥5,632 million	(4.9%)	¥2,394 million	(14.1%)	¥1,795 million	(14.9%)	¥1,794 million	(14.9%)
28th FP	¥5,923 million	9.4%	¥2,787 million	58.3%	¥2,110 million	89.7%	¥2,109 million	89.8%

	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
29th FP	¥1,777	2.0%	1.0%	31.9%
28th FP	¥2,218	2.4%	1.3%	35.6%

(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)
29th FP	¥1,808	¥1,834 million	¥0	¥0 million	102.2%	2.0%
28th FP	¥1,719	¥1,635 million	¥0	¥0 million	77.5%	1.9%

(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) Total distributions (¥1,635 million) for the 28th Fiscal Period are net income less internal reserve of ¥474 million, and the amount therefore differs from the amount of net income.

(Note 4) Total distributions (¥1,834 million) for the 29th Fiscal Period include the reversal of the reserve for adjustment of temporary differences of ¥40 million (¥40 per unit), and the amount therefore differs from the amount of net income.

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
29th FP	¥176,235 million	¥92,823 million	52.7%	¥91,465
28th FP	¥167,037 million	¥87,877 million	52.6%	¥92,391

(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
29th FP	¥2,682 million	(¥9,317 million)	¥7,227 million	¥8,033 million
28th FP	¥7,173 million	(¥6,461 million)	(¥607 million)	¥7,441 million

2. Management Status Forecasts for the 30th Fiscal Period

30th Fiscal Period (30th FP): Fiscal period ending November 2016 (from June 1, 2016 to November 30, 2016)

[% 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	Amount						
30th FP	¥5,682 million	0.9%	¥2,392 million	(0.1%)	¥1,840 million	2.5%	¥1,839 million	2.5%	¥1,852	¥0

(Reference) Estimated net income per unit for the 30th Fiscal Period: ¥1,812

(Note) The 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 (¥40 per unit), and they therefore differ from the amount 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):	29th Fiscal Period:	1,014,847 units	28th Fiscal Period:	951,147 units
(ii) Number of own investment units at end of period:	29th Fiscal Period:	– units	28th Fiscal Period:	– 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 30 of the Japanese version of the “29th Fiscal Period Financial Report (REIT)” for the period ended May 2016.

* Statement on Status of Review Procedures

Financial statement review procedures based on the Financial Instruments and Exchange Act are still ongoing at the time of disclosure of this financial report.

* Explanation on the Appropriate Use of the Management Status Forecasts, and Other Matters of Special Note

(Caution Concerning Forward-Looking Statements, Etc.)

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 Japanese version of the “Management status forecast assumptions for 30th Fiscal Period (from June 1, 2016 to November 30, 2016)” on page 8 for notes on assumptions used in management status forecasts and on the use of management status forecasts.

1. Related Corporations of the REIT

No disclosure necessary, since there have been no material changes from “Structure of the REIT” in the most recent Annual Securities Report (submitted February 29, 2016). As of the date of this financial report, the REIT has concluded a general administration service agreement with Sumitomo Mitsui Trust Bank, Ltd. concerning the administration of special accounts, and has entrusted the Bank with the business affairs (administrative affairs of special accounts) stipulated in Article 117, Item 2 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951 and subsequent amendments) (hereinafter the “Investment Trusts Act”). However, the REIT has decided to terminate this agreement on August 1, 2016 and consolidate the above business affairs to Mizuho Trust & Banking Co., Ltd. As a result, Sumitomo Mitsui Trust Bank, Ltd. will no longer be a related corporation of the REIT.

2. Operating Policies and Operations

(1) Operating policies

No disclosure necessary, since there have been no material changes from “Investment policies,” “Targets of investments” and “Distributions policy” in the most recent Annual Securities Report (submitted February 29, 2016).

(2) Operations

a. General situation during the 29th 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 “Active 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 29th 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 22nd 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 29th Fiscal Period (May 2016).

(ii) Operating environment

The Japanese economy during the 29th Fiscal Period faced uncertainty about the future due to adverse effects such as slowing economies in China and other emerging Asian countries, falling crude oil prices and the expected normalization of monetary policy in the United States. Entering the new year, the Bank of Japan decided to adopt quantitative and qualitative monetary easing with negative interest rates on January 29, 2016, hoping to achieve a price target of 2% as quickly as possible, stimulating the Japanese economy by encouraging capital investment among a reluctant corporate sector, and boosting consumer confidence. However, the economy continued to struggle with lackluster capital investment, reflecting a sense of a peaking in corporate earnings, mainly in manufacturing, as the yen appreciated on rumors about a rate hike by the U.S. Federal Reserve and the postponement of additional monetary easing by the Bank of Japan, in addition to continued sluggish growth in personal consumption due to the Kumamoto earthquakes, among other factors.

Under these circumstances, the TSE REIT Index fell from 1,752.65 points as of November 30, 2015, temporarily sinking to 1,620.89 points after the start of the year, but then recovered to 1,895.71 points as of May 31, 2016 attributable to the inflow of investment money into the REIT market reflecting the negative interest rate policy of the Bank of Japan.

(a) Office building leasing market

The latest office building market data from Miki Shoji Co., Ltd. shows a significant decline in the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Minato, Chuo, Shibuya and Shinjuku) to 4.05% at the end of the 29th Fiscal Period (May 2016) from 4.19% as of the end of the 28th Fiscal Period (November 2015), as a result of a sharp decline in the vacancy rate of new buildings as well as the steady reduction in vacancies at existing office buildings due to their consolidation and the increased floor area within the buildings. The office building leasing market is showing signs of a steady improvement trend driven by an increase in demand for office space backed by improved corporate economic sentiment. Average rents level also rose steadily from 17,637 yen per tsubo at the end of the previous Fiscal Period to 18,107 yen per tsubo at the end of the Fiscal Period under review, and there is a noticeable improvement trend in market rents.

(b) Residential leasing market

According to the IPD/Recruit Japan Residential Index, rents for rental apartments in the metropolitan areas in May 2016 rose 1.6% compared to the same month of the previous year, indicating that demand for rental housing is decent due to continuous net positive migration into the metropolitan areas and an increasing number of households with relatively few members, and since, in the meantime, new housing starts for rental housing were almost unchanged and supply remained limited, the supply-demand trend on the residential leasing market remained firm. For assets under management by the REIT, occupancy rates remained high throughout the Fiscal Period under review, and the number of properties with higher rent levels increased, contributing to a steady rise in profitability. The outlook for the residential market remains stable, although the economic trends continue to be uncertain.

(c) Real estate

According to official land prices as of January 1, 2016 announced in March 2016, average land prices in Japan's three major metropolitan areas (Tokyo, Osaka and Nagoya) maintained last year's upward trend in both the residential and commercial areas. A breakdown shows that in the Tokyo, Osaka and Nagoya areas, official land prices in residential areas continued to rise as modestly as in the previous year amid growth in housing demand fueled by improved economic sentiment, while official land prices in commercial areas climbed for the third straight year in all three areas, showing a more pronounced upward trend in the fiscal year under review. The rise in official land prices in residential areas can be largely attributed to strong housing demand driven by low interest rates and mortgage tax breaks, whilst the increase in official land prices in commercial areas is primarily attributable to increased demand for real estate for investment due to the favorable funding environment created mainly by low interest rates and due to the downward trend in the vacancy rate of office buildings in major city centers and signs of improvement in rents.

In contrast, official land prices in the regional areas continued to fall, both in the residential and commercial areas. However, official land prices in the cities designated by government ordinance in the regional areas, which the REIT considers to be investment targets, are showing growth in both the residential and commercial areas.

(iii) Management performance

(a) External growth

As key investment targets, the REIT acquired one office building (Of-37 NISSO 5 Building (trust beneficial interest, acquisition price 3,100 million yen) on December 21, 2015, and three residential buildings (Re-78 HF KANNAI RESIDENCE (trust beneficial interest, acquisition price 1,800 million yen), Re-79 HF MEIEKI-KITA RESIDENCE (trust beneficial interest, acquisition price 2,160 million yen), Re-80 HF HIGASHI-SAPPORO RESIDENCE (trust beneficial interest, acquisition price 1,560 million yen)) on December 18, 2015. As a result, portfolio assets as of the period end were 98 properties (total acquisition price 164,738 million yen), including 32 office buildings (total acquisition price of 74,256 million yen) and 66 residential buildings (total acquisition price 90,482 million yen).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 29th Fiscal Period, with the aim of maintaining the high occupancy rate achieved at the end of the previous fiscal period, the REIT continued to be engaged in tenant leasing activities, working to shorten

vacancy duration as well as systematic efforts to increase its investment value based on tenant needs and the characteristics of each individual property. Partly as a result of these initiatives to maintain and improve the competitiveness of its assets, the occupancy rate for all properties held by the REIT climbed further to 96.7% as at the end of the 29th Fiscal Period from 96.6% at the end of the previous fiscal period. The REIT successfully maintained high and stable occupancy throughout the period, resulting in a high average month-end occupancy rate of 96.5% for the fiscal period under review.

Moreover, as part of the initiatives that the REIT has been working on continuously, it changed the names of the following seven managed assets in the period between the start of the fiscal period under review and the date of this report, for the purpose of seeking to improve the caliber of its appeal to potential tenants and achieve more efficient leasing.

Properties renamed on February 1, 2016

Property no.	Former property name	New property name
Of-36	Kanda Ogawamachi TOSEI Building II	HF KANDA OGAWAMACHI BUILDING
Re-76	Relation Nishikoen	HF NISHI-KOEN RESIDENCE
Re-77	Relation Bansuidori	HF BANSUI-DORI RESIDENCE

Properties renamed on April 1, 2016

Property no.	Former property name	New property name
Of-12	Hatchobori SF Bldg	HF HATCHOBORI BUILDING
Re-78	Kensington Mansion Kannai	HF KANNAI RESIDENCE
Re-79	Frontier Tower Meieki	HF MEIEKI-KITA RESIDENCE
Re-80	Rose City Higashi Sapporo	HF HIGASHI-SAPPORO RESIDENCE

(iv) Procurement of funds

The REIT took out Term Loan 29 Tranche A (loan amount 2,500 million yen) and Tranche B (loan amount 1,400 million yen) on December 18, 2015 to procure funds mainly for acquiring properties. On the same day, the REIT took out Term Loan 30 Tranche A (loan amount 1,000 million yen) and Tranche B (loan amount 3,850 million yen) to repay Term Loan G (loan balance 2,350 million yen) and Term Loan 13 Tranche C (loan balance 2,500 million yen), the principal of which was maturing on May 31, 2015. An overview of the loans is provided below. This has enabled the REIT to extend its borrowing periods and diversify its maturities (average borrowing period as of the end of May: 6.3 years; average remaining period: 4.1 years) and to lower its borrowing cost (average borrowing interest rate as of the end of May: 1.03%). On March 31, 2016, the REIT executed interest rate swap agreements for the previously borrowed four term loans (loan balance 6,650 million yen, notional principal 6,650 million yen) to fix interest rates and to hedge against the risk of higher interest expenses in the event that rates rise in the future (ratio of fixed interest rate debt (Note) as of the end of May: 91.8% (including interest rate caps)).

(Note) Ratio of fixed interest rate debt = Total notional principal at the end of the fiscal period/ Total loan balance at the end of the fiscal period

[Term Loan 29 Tranche A]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Trust and Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited The Nomura Trust and Banking Co., Ltd.	2,500 million yen	October 31, 2019 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 29 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. The Nomura Trust and Banking Co., Ltd. Shinsei Bank, Limited	1,400 million yen	October 31, 2021 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 30 Tranche A]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Aozora Bank, 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 30 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Trust Bank, Limited	3,850 million yen	October 31, 2024 (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 loan amount at period end was 76,261 million yen (period end LTV: 43.27%).

The ratings of the REIT as of the date of this document are as follows:

Credit rating agency	Issuer rating
Rating and Investment Information, Inc. (R & I)	Rating: A-; Rating outlook: Stable
Japan Credit Rating Agency, Ltd. (JCR)	Rating: A; Rating outlook: Stable

(v) Performance and distributions

The management described above led to 29th Fiscal Period results of 5,632 million yen in operating revenues, 2,394 million yen in operating income, and after deducting interest expenses on loans, 1,795 million yen in ordinary income and 1,794 million yen in net income.

Concerning the distribution of monies (“distributions”) as prescribed in Article 137 of the Investment Trusts Act, the REIT shall not make distributions in excess of unappropriated retained earnings for the current fiscal period under review as stipulated in Article 32, paragraph 1 of its articles of incorporation (“bylaws”), and the amount of distributions shall be more than 90% of the earnings available for distribution in accordance with Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957 and subsequent amendments; “the Special Taxation Measures Act”). Based on the above policy, the REIT made a decision to pay out 1,834,843,376 yen as distributions from earnings by appropriating the reversal of the reserve for adjustment of temporary differences of 40,593,880 yen to 1,794,249,496 yen, which is the maximum value for the integral multiple of the total number of outstanding investment units, which is 1,014,847 units, within the range of net income. The resulting distributions per investment unit were 1,808 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 has endeavored in particular to enhance the quality of its portfolio and bolster its financial footing. It executed a capital increase through public offering during the Fiscal Period under review and applied the proceeds to acquire quality properties, while selling properties whose profitability was unlikely to improve in the previous fiscal period, thereby advancing both the quality enhancement of its portfolio and improvement of its financial health. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize investor value. Given the sound financing environment and the expectations for higher property prices on the back of the expected economic recovery, competitors are maintaining a strong appetite for the acquisition of properties. As a result, the property acquisition environment is likely to remain challenging. We will endeavor to promptly obtain information on excellent properties by using our pipeline with Heiwa Real Estate and building up our unique information routes as an asset management company. As a basic strategy, we aim to increase opportunities for primarily acquiring properties owned and developed by Heiwa Real Estate, and additionally for acquiring properties owned and developed by other developers to expand our portfolio, contributing to stable profitability over the medium to long term.

(b) Internal growth

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

(c) Financial strategy

The REIT is actively implementing measures in an effort to stabilize its financial foundations and achieve sustainable growth. Concerning borrowings, the REIT will continue to strive to extend its borrowing periods and diversify maturities by maintaining an appropriate loan-to-value ratio, while promoting measures to reduce risks from higher interest rates in the future and cut financial costs. It will also endeavor to further strengthen its bank formation by strengthening its relationships with financial institutions. 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

Not applicable

d. Outlook for the 30th Fiscal Period

Operations are forecast to be as follows during the 30th Fiscal Period (from June 1, 2016 to November 30, 2016). See “Management status forecast assumptions for 30th Fiscal Period (from June 1, 2016 to November 30, 2016)” below for assumptions used in this forecast.

Operating revenues	5,682 million yen
Operating income	2,392 million yen
Ordinary income	1,840 million yen
Net income	1,839 million yen
Distributions per unit	
(excluding distributions in excess of earnings)	1,852 yen
Distributions in excess of earnings per unit	– yen

(Note1) 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 (¥40 per unit), and they therefore differ from the amount of net income.

(Note2) 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 30th Fiscal Period (from June 1, 2016 to November 30, 2016)

Item	Assumptions
Management period	30th Fiscal Period: from June 1, 2016 to November 30, 2016 (183 days)
Assets under management	<ul style="list-style-type: none"> The assumption is 98 properties under management at the end of May 2016. The actual number of properties owned 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 2016.
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 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 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: 30th Fiscal Period (from June 1, 2016 to November 30, 2016) Public charges and taxes (fixed property tax, city planning tax, etc.): 410 million yen Maintenance and repair fees: 189 million yen Management commissions: 613 million yen Depreciation: 956 million yen 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"> Interest paid is expected to be 446 million yen. Additionally, 95 million yen as loan-related expenses and 17 million yen as amortization of investment unit issuance expenses are expected.
Interest-bearing liabilities	<ul style="list-style-type: none"> Of the balance of interest-bearing liabilities of 76,261 million yen as of the end of May 2016, we assume the full refinancing of borrowings of 5,857 million yen that will come due by the end of the fiscal period ending November 2016 (October 31, 2016). There are no other loans that will be due for final repayment during the fiscal period ending November 2016.

Item	Assumptions
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 assuming the distribution of monies policy prescribed by the REIT's bylaws. Total distributions for the 30th Fiscal Period are assumed to be 1,879 million yen (1,852 yen distribution per unit), based on the application of 40 million yen (40 yen per unit), which is the amount equal to the reversal of the reserve for adjustment of temporary differences, etc. to forecast net income of 1,839 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.
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.

(3) Investment risk

No disclosure necessary, since there have been no material changes from "Investment risk" in the most recent Annual Securities Report (submitted February 29, 2016).

3. Financial Statements

(1) Balance Sheet

(Unit: 1,000 yen)

	28th Fiscal Period (As of November 30, 2015)	29th Fiscal Period (As of May 31, 2016)
Assets		
Current assets		
Cash and deposits	7,723,610	8,107,992
Cash and deposits in trust	6,237,557	6,659,433
Operating accounts receivable	86,151	80,744
Prepaid expenses	219,072	193,230
Consumption taxes receivable, etc.	–	127,422
Other	2,859	8,139
Allowance for doubtful accounts	(340)	(417)
Total current assets	14,268,910	15,176,544
Noncurrent assets		
Property, plant and equipment		
Buildings	11,921,147	11,954,252
Accumulated depreciation	(3,275,846)	(3,459,087)
Buildings, net	8,645,300	8,495,164
Structures	71,191	71,191
Accumulated depreciation	(34,192)	(35,861)
Structures, net	36,998	35,330
Machinery and equipment	246,931	252,280
Accumulated depreciation	(129,882)	(137,484)
Machinery and equipment, net	117,048	114,796
Tools, furniture and fixture	133,167	136,693
Accumulated depreciation	(75,396)	(82,996)
Tools, furniture and fixtures, net	57,771	53,697
Land	25,945,334	25,945,334
Buildings in trust	45,129,839	48,850,218
Accumulated depreciation	(7,159,822)	(7,853,181)
Buildings in trust, net	37,970,016	40,997,036
Structures in trust	282,428	292,555
Accumulated depreciation	(60,386)	(66,342)
Structures in trust, net	222,041	226,213
Machinery and equipment in trust	408,727	430,872
Accumulated depreciation	(161,706)	(181,226)
Machinery and equipment in trust, net	247,021	249,645
Tools, furniture and fixtures in trust	681,512	736,081
Accumulated depreciation	(369,960)	(410,645)
Tools, furniture and fixtures in trust, net	311,551	325,436
Land in trust	74,430,093	79,858,725
Total property, plant and equipment	147,983,178	156,301,379
Intangible assets		
Leasehold right	715,719	715,719
Leasehold rights in trust	3,315,665	3,315,665
Other	325	242
Total intangible assets	4,031,711	4,031,627

(Unit: 1,000 yen)

	28th Fiscal Period (As of November 30, 2015)	29th Fiscal Period (As of May 31, 2016)
Investment and other assets		
Guarantee deposits	10,252	10,252
Long-term prepaid expenses	427,515	403,886
Derivatives	58,834	20,741
Other	221,652	236,413
Total investments and other assets	718,254	671,293
Total noncurrent assets	152,733,144	161,004,301
Deferred assets		
Investment unit issuance	34,946	54,318
Total deferred assets	34,946	54,318
Total assets	167,037,001	176,235,164
Liabilities		
Current liabilities		
Operating accounts payable	486,325	448,271
Current portion of long-term loans payable	10,707,000	10,122,000
Accrued expenses	680,236	687,026
Income taxes payable	–	429
Accrued consumption tax, etc.	112,843	–
Advances received	839,137	917,034
Derivative liabilities	–	4,829
Other	8,334	11,857
Total current liabilities	12,833,877	12,191,448
Noncurrent liabilities		
Long-term loans payable	61,654,700	66,139,700
Tenant leasehold and security deposits	927,237	893,683
Tenant leasehold and security deposits in trust	3,513,782	3,731,742
Derivative liabilities	229,932	454,949
Total noncurrent liabilities	66,325,653	71,220,074
Total liabilities	79,159,530	83,411,523
Net Assets		
Unitholders' equity		
Unitholders' capital / Surplus		
Investment surplus	7,406,652	7,406,652
Voluntary retained earnings		
Reserve for temporary differences, etc.	–	2,497,604
Total voluntary retained earnings	–	2,497,604
Unappropriated retained earnings (undisposed loss)	4,627,876	2,290,094
Total surplus	12,034,528	12,194,351
Total unitholders' equity	88,406,831	93,565,066
Valuation and translation adjustments		
Deferred hedge gain or loss	(529,361)	(741,425)
Total valuation and translation adjustments	(529,361)	(741,425)
Total net assets	87,877,470	92,823,640
Total liabilities and net assets	167,037,001	176,235,164

(2) Profit and Loss Statement

(Unit: 1,000 yen)

	28th Fiscal Period (June 1, 2015 – November 30, 2015)	29th Fiscal Period (December 1, 2015 – May 31, 2016)
Operating Revenues		
Rent revenue-real estate	4,933,587	5,141,840
Other lease business revenue	438,026	490,173
Gain on sales of real estate properties	551,736	–
Total operating revenue	5,923,350	5,632,013
Operating expenses		
Expenses related to rent business	2,421,490	2,530,807
Asset management fee	507,175	517,550
Asset custody fee	18,671	18,802
Administrative service fees	45,322	44,337
Directors' compensation	7,970	7,970
Audit fee	9,660	9,660
Other operating expenses	125,910	108,367
Total operating expenses	3,136,201	3,237,496
Operating income	2,787,149	2,394,516
Non-operating income		
Interest income	6,210	4,148
Reversal of dividends payable	593	552
Insurance income	3,119	6,194
Other	499	48
Total non-operating income	10,423	10,943
Non-operating expenses		
Interest expenses	498,079	482,724
Borrowing related expenses	169,450	106,754
Amortization of investment unit issuance expenses	17,834	17,643
Other	1,860	2,888
Total non-operating expenses	687,224	610,010
Ordinary income	2,110,347	1,795,449
Income before income taxes	2,110,347	1,795,449
Income taxes-current	605	605
Total income taxes	605	605
Net income	2,109,742	1,794,844
Retained earnings brought forward	2,518,133	495,249
Unappropriated retained earnings (undisposed loss)	4,627,876	2,290,094

(3) Statements of Changes in Net Assets (Unitholders' Equity)

28th Fiscal Period (June 1, 2015 – November 30, 2015)

(Unit: 1,000 yen)

	Unitholders' equity				
	Unitholders' capital / Total Capital	Surplus			Total unitholders' equity
		Investment surplus	Unappropriated retained earnings (undisposed loss)	Total surplus	
Balance at the beginning of the period	76,372,303	7,406,652	4,175,031	11,581,683	87,953,987
Changes of items during the period					
Dividends from surplus			(1,656,898)	(1,656,898)	(1,656,898)
Net income			2,109,742	2,109,742	2,109,742
Net changes of items other than unitholders' equity					
Total changes of items during the period	–	–	452,844	452,844	452,844
Balance at the end of the current period	76,372,303	7,406,652	4,627,876	12,034,528	88,406,831

	Valuation and translation adjustments		Total net assets
	Deferred hedge gain or loss	Total valuation and translation adjustments	
Balance at the beginning of the period	(445,640)	(445,640)	87,508,346
Changes of items during the period			
Dividends from surplus			(1,656,898)
Net income			2,109,742
Net changes of items other than unitholders' equity	(83,720)	(83,720)	(83,720)
Total changes of items during the period	(83,720)	(83,720)	369,124
Balance at the end of the current period	(529,361)	(529,361)	87,877,470

29th Fiscal Period (December 1, 2015 – May 31, 2016)

(Unit: 1,000 yen)

	Unitholders' equity				
	Unitholders' capital / Total Capital	Investment surplus	Surplus		Unappropriated retained earnings (or undisposed loss)
			Reserve for temporary differences, etc.	Total voluntary retained earnings	
Balance at the beginning of the period	76,372,303	7,406,652	–	–	4,627,876
Changes of items during the period					
Issuance of new investment units	4,998,411				
Provision of reserve for adjustment of temporary differences			2,497,604	2,497,604	(2,497,604)
Dividends from surplus					(1,635,021)
Net income					1,794,844
Net changes of items other than unitholders' equity					
Total changes of items during the period	4,998,411	–	2,497,604	2,497,604	(2,337,781)
Balance at the end of the current period	81,370,715	7,406,652	2,497,604	2,497,604	2,290,094

	Unitholders' equity		Valuation and translation adjustments		Total net assets
	Surplus	Total unitholders' equity	Deferred hedge gain or loss	Total valuation and translation adjustments	
	Total surplus				
Balance at the beginning of the period	12,034,528	88,406,831	(529,361)	(529,361)	87,877,470
Changes of items during the period					
Issuance of new investment units		4,998,411			4,998,411
Provision of reserve for adjustment of temporary differences	–	–			–
Dividends from surplus	(1,635,021)	(1,635,021)			(1,635,021)
Net income	1,794,844	1,794,844			1,794,844
Net changes of items other than unitholders' equity			(212,064)	(212,064)	(212,064)
Total changes of items during the period	159,823	5,158,234	(212,064)	(212,064)	4,946,170
Balance at the end of the current period	12,194,351	93,565,066	(741,425)	(741,425)	92,823,640

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	28th Fiscal Period (June 1, 2015 – November 30, 2015)	29th Fiscal Period (December 1, 2015 – May 31, 2016)
I. Unappropriated retained earnings	4,627,876,147	2,290,094,542
II. Reversal of voluntary retained earnings		
Reversal of reserve for adjustment of temporary differences	–	40,593,880
III. Distributions	1,635,021,693	1,834,843,376
Distributions per unit (excluding distributions in excess of earnings)	(1,719)	(1,808)
IV. Voluntary retained earnings		
Provision of reserve for adjustment of temporary differences	2,497,604,770	–
V. Retained earnings brought forward	495,249,684	495,845,046
How distributions were calculated	<p>Following the policy prescribed in Article 32-1 of the REIT's bylaws, distributions 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, up to the amount of the REIT's unappropriated retained earnings. However, even if the provisions of Article 67-15 of the Act on Special Measures concerning Taxation do not apply, taxable income did not arise in the fiscal period due to the carry-over of losses. Article 32-1 of its bylaws stipulates that distributions shall be an amount the REIT determines reasonable in such a case. Based on the above policy, the REIT made a decision to pay out 1,635,021,693 yen, which is the net income for the fiscal period of 2,109,742,987 yen less internal reserves of 474,721,294 yen, as distributions from earnings. The REIT does not distribute monies in excess of income as prescribed in Article 32-2 of its bylaws.</p>	<p>Following the policy prescribed in Article 32-1 of the REIT's bylaws, distributions 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, up to the amount of the REIT's unappropriated retained earnings. Based on this policy, the REIT made a decision to pay out 1,834,843,376 yen as distributions from earnings by appropriating the reversal of the reserve for adjustment of temporary differences of 40,593,880 yen to 1,794,249,496 yen, which is the maximum value for the integral multiple of the total number of outstanding investment units, which is 1,014,847 units, within the range of net income. The REIT does not distribute monies in excess of income as prescribed in Article 32-2 of its bylaws.</p>

(5) Cash Flow Statement

(Unit: 1,000 yen)

	28th Fiscal Period (June 1, 2015 – November 30, 2015)	29th Fiscal Period (December 1, 2015 – May 31, 2016)
Cash Flows from Operating Activities		
Income before income taxes	2,110,347	1,795,449
Depreciation	907,625	960,871
Increase (decrease) in allowance for doubtful accounts	127	77
Investment unit issuance expenses amortization	17,834	17,643
Interest income	(6,210)	(4,148)
Interest expenses	498,079	482,724
Decrease (increase) of operating accounts receivable	1,165	7,021
Decrease (increase) of consumption taxes receivable	144,396	(127,422)
Increase (decrease) in accrued consumption taxes	112,843	(112,843)
Decrease (increase) of long-term prepaid expenses	(28,022)	23,628
Increase (decrease) in operating accounts payable	21,975	(30,402)
Increase (decrease) in accrued expenses	23,434	9,151
Increase (decrease) in advances received	(16,891)	77,896
Increase (decrease) in deposits received	208	(416)
Decrease from sales of property, plant and equipment	3,858,819	–
Other	(3,281)	8,829
Subtotal	7,642,453	3,108,060
Interest income received	5,647	1,148
Interest expenses paid	(473,699)	(427,164)
Income taxes (paid) refund	(672)	366
Cash Flows from Operating Activities	7,173,728	2,682,410
Cash Flows from Investing Activities		
Payments into time deposits	(500,000)	–
Purchase of property, plant and equipment	(37,650)	(51,381)
Purchase of property, plant and equipment in trust	(5,935,042)	(9,232,106)
Purchase of intangible assets	–	(9)
Proceeds from receipt of tenant leasehold and security deposits	31,643	48,842
Repayments of tenant leasehold and security deposits	(20,402)	(82,520)
Proceeds from tenant leasehold and security deposits in trust	259,126	338,143
Repayments of tenant leasehold and security deposits in trust	(254,759)	(124,414)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	254,759	124,414
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(259,126)	(338,143)
Payments for guarantee deposits	(236)	–
Cash Flows from Investing Activities	(6,461,687)	(9,317,175)
Cash Flows from Financing Activities		
Proceeds from long-term loans payable	11,370,000	8,750,000
Repayment of investment corporation bonds	(10,320,000)	(4,850,000)
Proceeds from issuance of investment units	–	4,998,411
Payments for investment unit issuance expenses	–	(37,014)
Distributions paid	(1,657,377)	(1,634,103)
Cash Flows from Financing Activities	(607,377)	7,227,293
Increase (decrease) in cash and cash equivalents	104,664	592,528
Cash and cash equivalents at beginning of period	7,336,738	7,441,403
Cash and cash equivalents at end of period	7,441,403	8,033,932

4. Reference Information

(1) Investment status

Asset type	Use	Area	28th Fiscal Period (As of November 30, 2015)		29th Fiscal Period (As of May 31, 2016)	
			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	14,748	8.8	14,713	8.3
		Metropolitan Area (Note 3)	5,005	3.0	4,971	2.8
	Residence	Tokyo 23 Wards	11,695	7.0	11,635	6.6
		Metropolitan Area (Note 3)	4,068	2.4	4,039	2.3
	Subtotal		35,518	21.3	35,360	20.1
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	36,848	22.1	36,833	20.9
		Metropolitan Area (Note 3)	–	–	3,214	1.8
		Other (Note 4)	14,141	8.5	14,076	8.0
	Residence	Tokyo 23 Wards	48,040	28.8	47,857	27.2
		Metropolitan Area (Note 3)	1,192	0.7	3,027	1.7
		Other (Note 4)	16,273	9.7	19,962	11.3
	Subtotal		116,496	69.7	124,972	70.9
Real estate, etc., subtotal			152,014	91.0	160,332	91.0
Deposits and other assets			15,022	9.0	15,902	9.0
Total assets			167,037	100.0	176,235	100.0

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

(Note 2) Values for “Real estate” and “Real estate in trust” do not include value of assets under construction.

(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.

	28th Fiscal Period (As of November 30, 2015)		29th Fiscal Period (As of May 31, 2016)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	79,159	47.4	83,411	47.3
Net assets	87,877	52.6	92,823	52.7

(2) 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-01	HF GOTANDA BUILDING	Shinagawa-ku, Tokyo	Trust beneficial interest	1,356	1,331	1,290	0.78
Of-05	Suitengu Heiwa Bldg	Chuo-ku, Tokyo	Trust beneficial interest	1,378	1,444	1,550	0.94
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,510	2,357	2,500	1.52
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,510	1,547	1,530	0.93
Of-08	Kokusai Tameike Bldg	Minato-ku, Tokyo	Trust beneficial interest	2,640	2,773	2,700	1.64
Of-09	Grace Building Sengakujimae	Minato-ku, Tokyo	Trust beneficial interest	1,590	1,158	1,220	0.74
Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	Real estate	1,090	1,375	1,550	0.94
Of-11	Nihonbashi Daiichi Bldg	Chuo-ku, Tokyo	Trust beneficial interest	1,900	2,230	2,150	1.31
Of-12	HG HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,460	3,109	3,092	1.88
Of-13	Shibuya AX Hills	Shibuya-ku, Tokyo	Real estate	1,500	1,817	1,860	1.13
Of-15	HF NAKAMEGURO BUILDING	Meguro-ku, Tokyo	Real estate	2,180	2,885	2,870	1.74
Of-16	Anwa Tsukasacho Bldg	Chiyoda-ku, Tokyo	Real estate	1,180	1,290	1,385	0.84
Of-17	Hatchobori MF Bldg	Chuo-ku, Tokyo	Real estate	981	1,115	1,110	0.67
Of-18	M2 Harajuku	Shibuya-ku, Tokyo	Trust beneficial interest	4,666	3,474	3,418	2.07
Of-20	Funabashi Face Bldg	Funabashi-shi, Chiba	Real estate	3,160	3,596	3,900	2.37
Of-21	Adesso Nishiazabu	Minato-ku, Tokyo	Trust beneficial interest	490	618	640	0.39
Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	Real estate	1,357	1,719	1,675	1.02
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,240	1,319	1,314	0.80
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,420	1,457	1,434	0.87
Of-25	Kayabacho Heiwa Bldg	Chuo-ku, Tokyo	Trust beneficial interest	6,130	4,792	4,798	2.91
Of-26	HIROKOJI AQUA PLACE	Nagoya-shi, Aichi	Trust beneficial interest	4,574	2,773	2,930	1.78
Of-27	Kobe Kyukyoryuchi Heiwa Building	Kobe-shi, Hyogo	Trust beneficial interest	2,780	2,244	2,310	1.40
Of-28	Mita Heiwa Building (leasehold land)	Minato-ku, Tokyo	Trust beneficial interest	2,678	2,269	2,230	1.35
Of-29	Sakae Minami Heiwa Building	Nagoya-shi, Aichi	Trust beneficial interest	1,960	1,519	1,580	0.96
Of-30	HF SAKURADORI Building	Nagoya-shi, Aichi	Trust beneficial interest	5,650	4,765	4,900	2.97
Of-31	HF Nihonbashi Hamacho Building	Chuo-ku, Tokyo	Trust beneficial interest	2,290	1,930	1,900	1.15
Of-32	HF Sendai Honcho Building	Sendai-shi, Miyagi	Trust beneficial interest	3,160	2,772	2,700	1.64
Of-33	Daiwa Ueno Building	Taito-ku, Tokyo	Trust beneficial interest	4,010	3,517	3,400	2.06
Of-34	Kojimachi HF Building	Chiyoda-ku, Tokyo	Trust beneficial interest	1,870	1,365	1,350	0.82
Of-35	HF Kudanminami Building	Chiyoda-ku, Tokyo	Trust beneficial interest	3,070	2,746	2,720	1.65
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,760	3,276	3,150	1.91
Of-37	NISSO 5 Building	Yokohama-shi, Kanagawa	Trust beneficial interest	3,350	3,214	3,100	1.88
Office subtotal				79,890	73,809	74,256	45.08

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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-shi, Chiba	Trust beneficial interest	518	389	430	0.26
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	662	638	660	0.40
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	714	600	650	0.39
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	4,022	3,186	3,610	2.19
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,590	1,455	1,560	0.95
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,308	1,303	1,370	0.83
Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,140	1,158	1,260	0.76
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	936	923	1,000	0.61
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,290	937	1,100	0.67
Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,500	1,039	1,210	0.73
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	763	590	690	0.42
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	4,260	3,787	4,030	2.45
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	962	1,003	1,070	0.65
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,050	1,074	1,130	0.69
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	962	887	950	0.58
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,110	1,086	1,100	0.67
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Trust beneficial interest	4,730	5,616	5,940	3.61
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	Real estate	2,650	3,090	3,350	2.03
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	Real estate	1,810	2,296	2,350	1.43
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,300	1,548	1,630	0.99
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,180	1,584	1,650	1.00
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,080	1,024	1,050	0.64
Re-34	HF TANASHI RESIDENCE	Nishitokyo-shi, Tokyo	Real estate	758	948	911	0.55
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	823	797	836	0.51
Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,190	1,029	1,080	0.66
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	838	733	749	0.45
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	848	700	730	0.44
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,600	1,426	1,460	0.89
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,060	1,834	1,890	1.15
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	Trust beneficial interest	945	730	793	0.48
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,110	860	944	0.57
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	6,860	6,537	6,520	3.96
Re-44	HF UMEDA RESIDENCE TOWER	Osaka-shi, Osaka	Trust beneficial interest	2,050	1,733	1,920	1.17
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	490	453	453	0.27
Re-46	HF AWAZA RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	680	541	577	0.35

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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-47	HF MARUNOUCHI RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	698	555	624	0.38
Re-48	HF HIRAO RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	1,930	1,712	1,780	1.08
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	557	502	534	0.32
Re-52	HF TENJIN-HIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	599	437	502	0.30
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	2,160	1,697	1,820	1.10
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	922	785	820	0.50
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	987	828	870	0.53
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	663	584	615	0.37
Re-57	HF MUSASHI KOYAMA RESIDENCE	Shinagawa-ku, Tokyo	Trust beneficial interest	1,040	803	842	0.51
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji-shi, Tokyo	Trust beneficial interest	936	798	839	0.51
Re-59	HF HISAYAODORI RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	1,210	1,022	1,080	0.66
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	645	536	572	0.35
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,370	1,980	1,990	1.21
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,360	1,163	1,170	0.71
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,530	1,288	1,360	0.83
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	640	539	566	0.34
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,050	746	809	0.49
Re-66	HF ATAGOBASHI RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	855	614	684	0.42
Re-67	HF KYUDAIBYOINMAE RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	485	392	426	0.26
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	900	732	771	0.47
Re-69	HF ICHIBANCHO RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,050	770	834	0.51
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,030	898	942	0.57
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,380	2,003	2,090	1.27
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	987	837	872	0.53
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,390	1,191	1,158	0.70
Re-75	HF Sendai Residence EAST	Sendai-shi, Miyagi	Trust beneficial interest	1,760	1,664	1,638	0.99
Re-76	HF NISHI-KOEN RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,430	1,398	1,310	0.80
Re-77	HF BANSUI-DORI RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	880	845	790	0.48
Re-78	HF KANNAI RESIDENCE	Yokohama-shi, Kanagawa	Trust beneficial interest	1,960	1,839	1,800	1.09
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	2,260	2,201	2,160	1.31
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo-shi, Hokkaido	Trust beneficial interest	1,640	1,596	1,560	0.95
Residence subtotal				94,093	86,523	90,482	54.92
Total				173,983	160,332	164,738	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 acquisition-related costs and subsequent capital expenditures) minus cumulated depreciation as of May 31, 2016.
- (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 (36 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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