

30th Fiscal Period Financial Report (REIT)

January 16, 2017

REIT Issuer: HEIWA REAL ESTATE REIT, Inc. Stock Exchange Listing: TSE
 Securities Code: 8966 URL: <http://www.heiwa-re.co.jp/>
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 27, 2017
 Scheduled date of commencement of distribution payments: February 15, 2017
 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 30th Fiscal Period

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

(1) Management

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

	Operating revenue		Operating income		Ordinary income		Net income	
30th FP	¥5,698 million	1.2%	¥2,374 million	(0.8%)	¥1,820 million	1.4%	¥1,085 million	(39.5%)
29th FP	¥5,632 million	(4.9%)	¥2,394 million	(14.1%)	¥1,795 million	(14.9%)	¥1,794 million	(14.9%)

	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
30th FP	¥1,069	1.2%	1.0%	31.9%
29th FP	¥1,777	2.0%	1.0%	31.9%

(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)
30th FP	¥1,884	¥1,911 million	¥0	¥0 million	176.1%	2.1%
29th FP	¥1,808	¥1,834 million	¥0	¥0 million	102.2%	2.0%

(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 (¥1,834 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.

(Note 4) In regards to total distributions (¥1,911 million) for the 30th Fiscal Period, the reversal of the reserve for the adjustment of temporary differences of ¥40 million (¥40 per unit) is added to net income, and for the purpose of stable distribution, the reversal of retained earnings brought forward from the previous period (¥495 million) and the reversal of the reserve for the adjustment of temporary differences (¥290 million) are allocated in the amount equivalent to the decrease in net income that arises from the posting of losses on sales of real estate properties and impairment losses. Therefore, they differ from the amount of net income.

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
30th FP	¥175,756 million	¥92,299 million	52.5%	¥90,948
29th FP	¥176,235 million	¥92,823 million	52.7%	¥91,465

(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

30th FP	¥5,033 million	(¥397 million)	(¥1,835 million)	¥10,835 million
29th FP	¥2,682 million	(¥9,317 million)	¥7,227 million	¥8,033 million

2. Management Status Forecasts for the 31st and 32nd Fiscal Period

31st Fiscal Period (31st FP): Fiscal period ending May 2017 (from December 1, 2016 to May 31, 2017)

32nd Fiscal Period (32nd FP): Fiscal period ending November 2017 (from June 1, 2017 to November 30, 2017)

[% 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	%	Amount	%	Amount	%	Amount	%	Amount	Amount
31st FP	¥5,809 million	1.9%	¥2,484 million	4.7%	¥1,970 million	8.2%	¥1,969 million	81.4%	¥1,980	¥-
32nd FP	¥5,804 million	(0.1%)	¥2,494 million	0.4%	¥1,970 million	0.0%	¥1,969 million	0.0%	¥1,980	¥-

(Reference) Estimated net income per unit: 31st Fiscal Period: ¥1,940 32nd Fiscal Period: ¥1,940

(Note) The sources of funds for paying the total distributions for the 31st and 32nd Fiscal Period include the planned amount of the reversal of the reserve for the adjustment of temporary differences of ¥40 million (¥40 per unit), respectively, 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):

30th Fiscal Period:	1,014,847 units	29th Fiscal Period:	1,014,847 units
30th Fiscal Period:	– units	29th Fiscal Period:	– units

- (ii) Number of own investment units at end of period:

* 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 31st Fiscal Period (from December 1, 2016 to May 31, 2017) and 32nd Fiscal Period (from June 1, 2017 to November 30, 2017)” on page 10 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 August 30, 2016).

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 August 30, 2016).

(2) Operations

a. General situation during the 30th 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 30th Fiscal Period.

(i) Brief background of the REIT

Investment units in the REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (below, TSE) since March 8, 2005 (Securities Code: 8966). Subsequently, the REIT executed a capital increase through public offering and underwriting of new investment units issued through private placement on several occasions and an investment unit split and investment unit issuance through a merger with Japan Single-residence REIT Inc. on October 1, 2010 (below, this event is referred to as the merger) by the previous fiscal period. As a result, total investment units outstanding were 1,014,847 and unitholders' capital was 81,370 million yen as of the end of the 30th Fiscal Period (November 2016).

(ii) Operating environment

The Japanese economy during the 30th Fiscal Period experienced uncertainty in the first half about the future due to the appreciating yen and falling stock prices, driven by the U.K.’s Brexit decision in June 2016 and overseas factors such as the slowdown in China and other emerging Asia economies, as well as unseasonable weather conditions. However, it remained on a moderate recovery path in general, supported by the continued improvement of employment and income conditions, reflecting solid corporate earnings. Especially in the second half, the recovery trend gained momentum, mainly boosted by the introduction of quantitative and qualitative monetary easing with the yield curve controlled by the Bank of Japan, establishment of the second supplementary budget, unexpected weakening of the yen and the rise in stock prices after the U.S. presidential election. That being said, however, there is growing uncertainty about the future, mainly reflecting industrial policies after the inauguration of the new president of the United States, changes in European political and economic systems such as negotiations on the U.K.’s withdrawal from the E.U., and the impact on economic growth due to capital outflows in emerging countries.

Under these circumstances, the TSE REIT index fell from 1,895.71 points, as of May 31, 2016, to 1,729.56 points on June 27, 2016, amid growing risk aversion among investors in the wake of the U.K.’s decision to leave the E.U. It then made recoveries reflecting the solid market situations of real estate and office buildings, but remained sluggish throughout the Fiscal Period under review due to an increase in long-term interest rates, declining approximately 100 points from May 31, 2016 to 1,796.89 points as of November 30, 2016.

(a) Office building leasing market

The latest office building market data from Miki Shoji Co., Ltd. shows a gradual decline in the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Minato, Chuo, Shibuya and Shinjuku) to 3.75% at the end of the 30th Fiscal Period (November 2016) from 4.05% as of the end of the 29th Fiscal Period (May 2016), 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 modestly but steadily from 18,107 yen per tsubo at the end of the previous Fiscal Period to 18,476 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 used condominiums in the Tokyo metropolitan area fell 0.2% in November 2016 compared to the same month in the previous year. Even so, demand for rental houses remained solid, reflecting the trend of continuous net positive influx of people into the Tokyo metropolitan area and the increasing number of households with few family members. Meanwhile, according to the Survey Report on the Statics of Construction Starts published in November of the same year, the number of new housing starts (rental housing) increased for the 13th straight month, indicating a firm supply-demand trend in the residential leasing market despite an increase in supply. For assets under management by the REIT, occupancy rates remained high through the Fiscal Period under review, and the number of properties indicative of higher rent levels rose, contributing to a steady rise in rent income. The outlook for the residential market remains stable, although the economic trends continue to be uncertain.

(c) Real estate

According to the Land Price Survey by the prefectural governments as of July 1, 2016, which was announced in September 2016, average land prices in Japan's three major metropolitan areas maintained last year's upward trend in both residential and commercial areas. A breakdown shows that the official prices in residential areas continued to increase modestly as in the previous year amid the growth in housing demand fueled by improved economic sentiment in the Tokyo, Osaka and Nagoya areas, although there was a slowdown in the upward trend in the Naoya area. In commercial areas, the upward trend maintained its momentum this year as the official land prices climbed for the third straight year in all three areas. The upward trend is attributable to the solid housing demand driven by low interest rates and mortgage tax breaks in residential areas, while in commercial areas, it is attributable to such factors as the increased demand for real estate investment on the back of the favorable funding environment created by low interest rates, the downward trend in the occupancy rate of office buildings in major city centers, an increase in the demand for stores and hotels arising from the growing number of foreign tourists, 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

The REIT sold one office building (Of-13, Shibuya AX Hills (real estate, acquisition price: 1,860 million yen)), for the purpose of increasing the profitability of its portfolio and improving its quality, on October 27, 2016. As a result, portfolio assets as of the period end were 97 properties (total acquisition price 162,878 million yen), including 31 office buildings (total acquisition price of 72,396 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 30th 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 97.8% as at the end of the 30th Fiscal Period from 96.7% at the end of the previous fiscal period. The REIT successfully maintained high and stable occupancy throughout the period, resulting in a high average month-end occupancy rate of 97.3% 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 one managed asset 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 September 1, 2016

Property no.	Former property name	New property name
Of-33	Daiwa Ueno Building	HF UENO BUILDING

(iv) Procurement of funds

The REIT took out Term Loan 31 (Tranche A (loan amount 2,000 million yen) and Tranche B (loan amount 3,857 million yen)) on October 31, 2016, to repay Term Loan 11 (loan amount 5,857 million yen), the principal of which matured on the same day. 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 November: 6.4 years; average remaining period: 4.1 years) and to lower its borrowing cost (average borrowing interest rate as of the end of November: 0.98%). The REIT also executed interest rate swap agreements 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 November: 84.1% (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 31 Tranche A]

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.	2,000 million yen	October 31, 2018 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 31 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Resona Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. ORIX Bank Corporation	3,857 million yen	May 31, 2025 (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: 43.39%).

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 30th Fiscal Period results of 5,698 million yen in operating revenues, 2,374 million yen in operating income, 1,820 million yen in ordinary income after deducting interest expenses on loans and 1,085 million yen in net income after deducting impairment loss of 734 million yen associated with the sale of the HF Nakameguro Building. Concerning the distribution of monies (“distributions”) prescribed in Article 137 of the Act on Investment Trusts and Investment Corporations, 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”) in accordance with stipulations in Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on the above policy, the REIT made a decision to pay out 1,911,971,748 yen, the sum calculated by adding an amount equal to reversal of reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to net income of 1,085,471,088 yen and appropriating 785,906,780 yen (including retained earnings brought forward of

495,845,046 yen and an amount equal to reversal of reserve for adjustment of temporary differences of 290,061,734 yen) from an amount equivalent to the sum of loss on sale of real estate properties and impairment loss, as distributions from earnings. As a result, distributions per investment unit came to 1,884 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 enhance the quality of its portfolio and increase its revenues by acquiring three new properties of good quality, in addition to selling two properties whose profitability could not be expected to improve from this fiscal period to the next. 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

A. Asset Acquisitions

Pursuant to the basic policy on asset management as prescribed in the REIT's bylaws, the REIT concluded an agreement on the succession of status in a sales contract for one property with real estate trust beneficiary rights (acquisition price: 1,650 million yen) on December 1, 2016, and acquired this property using funds on hand on December 15, 2016. In addition, the REIT concluded a sales contract for one property with real estate trust beneficiary rights (estimated acquisition price: 3,250 million yen) on October 17, 2016 and a sales contract for one additional property (acquisition price: 880 million yen) on December 26, 2016.

Property no.: Of-38 Property name: Across Shinkawa Building

Contract date (Note 1)	October 17, 2016
Scheduled acquisition date (Note 1)	January 20, 2017
Estimated acquisition price	3,250 million yen
Address (Indication of residential address)	8-8 and 8-15 Shinkawa 1-chome, Chuo-ku, Tokyo
Use (Note 2)	Offices and co-housing
Completed	June 27, 1994
Structure	Steel frame, steel-frame reinforced concrete flat-roofed 14-story structure with 2 underground levels
Total floor area (Note 3)	5,138.70 m ²
Total available rental area	3,204.21 m ²

(Note 1) The trust beneficiary rights sales contract concerning the acquisition of this property (in Note 1, the "contract") corresponds to forward commitment, etc. by an investment corporation prescribed in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. established by the Financial Services Agency. In this contract, the liable party is required to pay an amount equivalent to 10% of the cost of sales for trust beneficiary rights subject to sales as a penalty for its cancellation in cases where the contract is cancelled for any reason attributable to the REIT or the other party. In addition, the performance of the obligation to pay the trading value by the REIT is subject to the completion by the REIT of the procurement of funds necessary for the payment. The obligation to pay trading value does not emerge for the REIT and the REIT may cancel the sales contract without penalty in cases where the REIT has not been able to procure such funds as of the scheduled acquisition date. As described above, the REIT may cancel the sales contract without imposing any obligation on the seller, including a penalty and compensation (including the payment of a penalty for breach of contract) in cases where fund procurement was not possible. For that reason, the REIT assumes the trust beneficiary rights sales contract has a low possibility of producing serious effects on its finances, distributions and the like.

An appraisal report as of September 30, 2016 has been acquired for this property from Daiwa Real Estate Appraisal Co., Ltd. The property's appraised value as of this date is 3,520 million yen. A written opinion stating no price change during the period from this date to November 30, 2016 has also been obtained from Daiwa Real Estate Appraisal.

(Note 2) Sections the REIT plans to acquire correspond to a portion of office space on the second floor of the building, office space on its fourth to the sixth floors and a portion of residential space on its 14th floor. The area the REIT plans to acquire for its exclusive use accounts for 28.84% of the area available for exclusive use in the entire building.

(Note 3) The trust building is a sectionally owned building. Trustees own 28.84% of this single-structure building (the ratio of the area for exclusive use).

Property no.: Of-39 Property name: Senju Mildix II Bankan

Contract date	December 1, 2016
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Acquisition date	December 15, 2016
Acquisition price	1,650 million yen
Address (Indication of residential address)	98 Senju 3-chome, Adachi-ku, Tokyo
Use (Note 1)	Offices
Completed	February 1, 2004
Structure	Steel frame, steel-frame reinforced concrete flat-roofed 26-story structure with 3 underground levels
Total floor area (Note 2)	2,905.48 m ²
Total available rental area	2,099.98 m ²

(Note 1) Sections acquired by the REIT correspond to office space on the fourth and fifth floors of the building. The area the REIT acquired for its exclusive use accounts for 10.98% of the area available for exclusive use in the entire building.

(Note 2) The trust building is a sectionally owned building. Trustees own 10.98% of this single-structure building (the ratio of the area for exclusive use).

Property no.: Re-81 Property name: HF Hakata-Higashi Residence (Note 1)

Contract date	December 26, 2016
Scheduled acquisition date	January 23, 2017
Estimated acquisition price	880 million yen
Address (Indication of residential address)	27-7 Higashi Hie 3-chome, Hakata-ku, Fukuoka-shi, Fukuoka
Use	Co-housing
Completed	September 9, 2008
Structure	Reinforced concrete flat-roofed 7-story structure
Total floor area	2,702.02 m ²
Total available rental area	2,486.82 m ²

(Note 1) The name of the building as of the date of this report is Foresight Hakata-Higashi. However, this report states the building as HF Hakata-Higashi Residence because of the plan to change its name to same on May 1, 2017.

B. Asset Transfers

As a result of repeated discussions over the transfer of the asset below with the transferee by the end of the 30th Fiscal Period, the REIT concluded a sales contract for the asset on December 1, 2016 and transferred the asset on December 19, 2016.

Property no.: Of-15 Property name: HF Nakameguro Building

Property transferred	Property
Address (Indication of residential address)	4-6-1, Nakameguro, Meguro-ku, Tokyo
Transfer price	2,200 million yen
Book value (Note 1)	2,134 million yen
Contract date	December 1, 2016
Transfer date	December 19, 2016
Transferee (Note 2)	Undisclosed

(Note 1) Represents the book value after recording of impairment loss due to the transfer of the property.

(Note 2) Undisclosed because no consensus on disclosure has been obtained from the transferee.

C. Borrowing of capital

To allocate to the funds for acquiring one office building which is to be purchased as of January 20, 2017 (see "A. Asset Acquisitions" stated above), the borrowing of capital (loan amount: 3,000 million yen) was determined as of December 26, 2016, and the borrowing will commence as of January 20, 2017.

[Term Loan 32]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Trust Bank, Limited	3,000 million yen	February 28, 2018 (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.

d. Outlook for the 31st and 32nd Fiscal Period

Operations are forecast to be as follows during the 31st Fiscal Period (from December 1, 2016 to May 31, 2017). See “Management status forecast assumptions for 31st Fiscal Period (from December 1, 2016 to May 31, 2017) and 32nd Fiscal Period (from June 1, 2017 to November 30, 2017)” below for assumptions used in this forecast.

Operating revenues	5,809 million yen
Operating income	2,484 million yen
Ordinary income	1,970 million yen
Net income	1,969 million yen
Distributions per unit	
(excluding distributions in excess of earnings)	1,980 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.

Operations are forecast to be as follows during the 32nd Fiscal Period (from June 1, 2017 to November 30, 2017). See “Management status forecast assumptions for 31st Fiscal Period (from December 1, 2016 to May 31, 2017) and 32nd Fiscal Period (from June 1, 2017 to November 30, 2017)” below for assumptions used in this forecast.

Operating revenues	5,804 million yen
Operating income	2,494 million yen
Ordinary income	1,970 million yen
Net income	1,969 million yen
Distributions per unit	
(excluding distributions in excess of earnings)	1,980 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 31st Fiscal Period (from December 1, 2016 to May 31, 2017) and 32nd Fiscal Period (from June 1, 2017 to November 30, 2017)

Item	Assumptions
Management period	31st Fiscal Period: from December 1, 2016 to May 31, 2017 (182 days) 32nd Fiscal Period: from June 1, 2017 to November 30, 2017 (183 days)
Assets under management	<ul style="list-style-type: none"> The assumption is 99 properties, with Senju Mildix II, acquired as of December 15, 2016, Across Shinkawa Building, to be acquired as of January 20, 2017, and HF Hakata-Higashi Residence, to be acquired as of January 23, 2017 (hereinafter, collectively called the “Assets acquired”), added to the 97 properties held at the end of the fiscal period ended November 2016, which excludes HF Nakameguro Building, transferred as of December 19, 2016. However, the number may vary due to acquisition of new properties and transfer of properties held.
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 November 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: 31st Fiscal Period (from December 1, 2016 to May 31, 2017) Public charges and taxes (fixed property tax, city planning tax, etc.): 401 million yen Maintenance and repair fees: 203 million yen Management commissions: 619 million yen Depreciation: 961 million yen 32nd Fiscal Period (from June 1, 2017 to November 30, 2017) Public charges and taxes (fixed property tax, city planning tax, etc.): 404 million yen Maintenance and repair fees: 196 million yen Management commissions: 605 million yen Depreciation: 969 million yen Fixed property tax, city planning tax, etc. associated with properties held are accounted for as expenses related to the lending business by posting the amounts corresponding to the relevant calculation period from the amount of tax determined to be due. Although fixed property tax, city planning tax, etc., on the buying and selling of real estate properties is generally calculated on a pro-rata basis with former owners and settled at the time of acquisition, the amount equivalent to the settlement money is not expensed, as it is included in the acquisition cost. The amount equivalent to the settlement money, which is anticipated to be included in the acquisition cost of real estate, etc., is ¥20 million. 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 expenses and related borrowing expenses are estimated to be ¥506 million for the fiscal period ending in May 2017 and ¥512 million for the fiscal period ending in November 2017. Amortization of investment unit issuance expenses are estimated to be ¥12 million for the fiscal period ending in May 2017 and ¥12 million for the fiscal period ending in November 2017.
Interest-bearing liabilities	<ul style="list-style-type: none"> Interest-bearing liabilities at the end of the fiscal period ended November 2016 is ¥76,261 million. We intend to procure new loans for a total of ¥3,000 million as part of the fund for the Assets acquired in January 2017 and we assume that the total loan debts will be ¥79,261 million at the end of the fiscal period ending in May 2017 and ¥79,261 million at the end of the fiscal period ending November 2017. We assume that the loans maturing in May and October 2017 will be refinanced in the entire amounts.

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 based on the cash distribution policy stipulated in the REIT's bylaws. For the fiscal period ending in May 2017, we assume that a total of ¥2,009 million (¥1,980 per unit) will be distributed after allocating the planned amount of the reversal of the reserves for adjustment of temporary differences of ¥40 million (¥40 per unit) to the estimated net income of ¥1,969 million. For the fiscal period ending in November 2017, we also assume that a total of ¥2,009 million (¥1,980 per unit) will be distributed after allocating the planned amount of the reversal of the reserve for adjustment of temporary differences of ¥40 million (¥40 per unit) to the estimated net income of ¥1,969 million. • 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 August 30, 2016).

3. Financial Statements

(1) Balance Sheet

(Unit: 1,000 yen)

	29th Fiscal Period (As of May 31, 2016)	30th Fiscal Period (As of November 30, 2016)
Assets		
Current assets		
Cash and deposits	8,107,992	10,824,603
Cash and deposits in trust	6,659,433	6,749,092
Operating accounts receivable	80,744	75,518
Prepaid expenses	193,230	175,713
Consumption taxes receivable, etc.	127,422	–
Other	8,139	3,534
Allowance for doubtful accounts	(417)	(512)
Total current assets	15,176,544	17,827,949
Noncurrent assets		
Property, plant and equipment		
Buildings	11,954,252	11,531,237
Accumulated depreciation	(3,459,087)	(3,555,306)
Buildings, net	8,495,164	7,975,931
Structures	71,191	67,607
Accumulated depreciation	(35,861)	(37,078)
Structures, net	35,330	30,529
Machinery and equipment	252,280	253,770
Accumulated depreciation	(137,484)	(145,253)
Machinery and equipment, net	114,796	108,516
Tools, furniture and fixture	136,693	143,822
Accumulated depreciation	(82,996)	(90,554)
Tools, furniture and fixtures, net	53,697	53,268
Land	25,945,334	23,770,978
Buildings in trust	48,850,218	49,059,090
Accumulated depreciation	(7,853,181)	(8,541,013)
Buildings in trust, net	40,997,036	40,518,076
Structures in trust	292,555	292,555
Accumulated depreciation	(66,342)	(72,371)
Structures in trust, net	226,213	220,184
Machinery and equipment in trust	430,872	502,730
Accumulated depreciation	(181,226)	(201,286)
Machinery and equipment in trust, net	249,645	301,443
Tools, furniture and fixtures in trust	736,081	793,461
Accumulated depreciation	(410,645)	(450,962)
Tools, furniture and fixtures in trust, net	325,436	342,498
Land in trust	79,858,725	79,858,725
Total property, plant and equipment	156,301,379	153,180,152
Intangible assets		
Leasehold right	715,719	715,719
Leasehold rights in trust	3,315,665	3,315,665
Other	242	242
Total intangible assets	4,031,627	4,031,627

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(Unit: 1,000 yen)

	29th Fiscal Period (As of May 31, 2016)	30th Fiscal Period (As of November 30, 2016)
Investment and other assets		
Guarantee deposits	10,252	10,252
Long-term prepaid expenses	403,886	364,037
Derivatives	20,741	55,285
Other	236,413	250,096
Total investments and other assets	671,293	679,672
Total noncurrent assets	161,004,301	157,891,452
Deferred assets		
Investment unit issuance	54,318	36,674
Total deferred assets	54,318	36,674
Total assets	176,235,164	175,756,076
Liabilities		
Current liabilities		
Operating accounts payable	448,271	535,067
Current portion of long-term loans payable	10,122,000	11,445,000
Accrued expenses	687,026	685,624
Income taxes payable	429	–
Accrued consumption tax, etc.	–	170,317
Advances received	917,034	887,139
Derivative liabilities	4,829	1,874
Other	11,857	11,499
Total current liabilities	12,191,448	13,736,523
Noncurrent liabilities		
Long-term loans payable	66,139,700	64,816,700
Tenant leasehold and security deposits	893,683	844,900
Tenant leasehold and security deposits in trust	3,731,742	3,738,130
Derivative liabilities	454,949	320,783
Total noncurrent liabilities	71,220,074	69,720,514
Total liabilities	83,411,523	83,457,038
Net Assets		
Unitholders' equity		
Unitholders' capital	81,370,715	81,370,715
Surplus		
Investment surplus	7,406,652	7,406,652
Voluntary retained earnings		
Reserve for temporary differences, etc.	2,497,604	2,457,010
Total voluntary retained earnings	2,497,604	2,457,010
Unappropriated retained earnings (undisposed loss)	2,290,094	1,581,316
Total surplus	12,194,351	11,444,979
Total unitholders' equity	93,565,066	92,815,694
Valuation and translation adjustments		
Deferred hedge gain or loss	(741,425)	(516,656)
Total valuation and translation adjustments	(741,425)	(516,656)
Total net assets	92,823,640	92,299,038
Total liabilities and net assets	176,235,164	175,756,076

(2) Profit and Loss Statement

(Unit: 1,000 yen)

	29th Fiscal Period (December 1, 2015 – May 31, 2016)	30th Fiscal Period (June 1, 2016 – November 30, 2016)
Operating Revenues		
Rent revenue-real estate	5,141,840	5,223,397
Other lease business revenue	490,173	474,966
Total operating revenue	5,632,013	5,698,364
Operating expenses		
Expenses related to rent business	2,530,807	2,555,077
Loss on sales of real estate properties	–	52,384
Asset management fee	517,550	520,623
Asset custody fee	18,802	19,528
Administrative service fees	44,337	42,144
Directors' compensation	7,970	7,967
Audit fee	9,660	9,660
Other operating expenses	108,367	116,642
Total operating expenses	3,237,496	3,324,027
Operating income	2,394,516	2,374,336
Non-operating income		
Interest income	4,148	2,706
Reversal of dividends payable	552	847
Insurance income	6,194	3,973
Other	48	522
Total non-operating income	10,943	8,049
Non-operating expenses		
Interest expenses	482,724	445,747
Borrowing related expenses	106,754	95,896
Amortization of investment unit issuance expenses	17,643	17,643
Other	2,888	3,018
Total non-operating expenses	610,010	562,306
Ordinary income	1,795,449	1,820,080
Extraordinary losses		
Impairment loss	–	734,003
Total extraordinary losses	–	734,003
Income before income taxes	1,795,449	1,086,076
Income taxes-current	605	605
Total income taxes	605	605
Net income	1,794,844	1,085,471
Retained earnings brought forward	495,249	495,845
Unappropriated retained earnings (undisposed loss)	2,290,094	1,581,316

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

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 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 period	12,194,351	93,565,066	(741,425)	(741,425)	92,823,640

30th Fiscal Period (June 1, 2016 – November 30, 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	81,370,715	7,406,652	2,497,604	2,497,604	2,290,094
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences			(40,593)	(40,593)	40,593
Dividends from surplus					(1,834,843)
Net income					1,085,471
Net changes of items other than unitholders' equity					
Total changes of items during the period	–	–	(40,593)	(40,593)	(708,778)
Balance at the end of the period	81,370,715	7,406,652	2,457,010	2,457,010	1,581,316

	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	12,194,351	93,565,066	(741,425)	(741,425)	92,823,640
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences	–	–			–
Dividends from surplus	(1,834,843)	(1,834,843)			(1,834,843)
Net income	1,085,471	1,085,471			1,085,471
Net changes of items other than unitholders' equity			224,769	224,769	224,769
Total changes of items during the period	(749,372)	(749,372)	224,769	224,769	(524,602)
Balance at the end of the period	11,444,979	92,815,694	(516,656)	(516,656)	92,299,038

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	29th Fiscal Period (December 1, 2015 – May 31, 2016)	30th Fiscal Period (June 1, 2016 – November 30, 2016)
I. Unappropriated retained earnings	2,290,094,542	1,581,316,134
II. Reversal of voluntary retained earnings		
Reversal of reserve for adjustment of temporary differences	40,593,880	330,655,614
III. Distributions	1,834,843,376	1,911,971,748
Distributions per unit (excluding distributions in excess of earnings)	(1,808)	(1,884)
V. Retained earnings brought forward	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. 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>	<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. Based on this policy, the REIT made a decision to pay out 1,911,971,748 yen as distributions from earnings, by adding the reversal of the reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to net income of 1,085,471,088 yen and by appropriating the loss on sales of real estate properties and the impairment loss equivalent to 785,906,780 yen (retained earnings brought forward of 495,845,046 yen and the reversal of the reserve for adjustment of temporary differences of 290,061,734 yen). 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)

	29th Fiscal Period (December 1, 2015 – May 31, 2016)	30th Fiscal Period (June 1, 2016 – November 30, 2016)
Cash Flows from Operating Activities		
Income before income taxes	1,795,449	1,086,076
Depreciation	960,871	955,382
Increase (decrease) in allowance for doubtful accounts	77	94
Investment unit issuance expenses amortization	17,643	17,643
Impairment loss	–	734,003
Interest income	(4,148)	(2,706)
Interest expenses	482,724	445,747
Decrease (increase) of operating accounts receivable	7,021	1,847
Decrease (increase) of consumption taxes receivable	(127,422)	127,422
Increase (decrease) in accrued consumption taxes	(112,843)	170,317
Decrease (increase) of long-term prepaid expenses	23,628	39,848
Increase (decrease) in operating accounts payable	(30,402)	53,597
Increase (decrease) in accrued expenses	9,151	7,410
Increase (decrease) in advances received	77,896	(29,894)
Increase (decrease) in deposits received	(416)	(102)
Decrease from sales of property, plant and equipment	–	1,813,562
Other	8,829	10,472
Subtotal	3,108,060	5,430,725
Interest income received	1,148	6,084
Interest expenses paid	(427,164)	(401,617)
Income taxes (paid) refund	366	(1,360)
Cash Flows from Operating Activities	2,682,410	5,033,831
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(51,381)	(41,544)
Purchase of property, plant and equipment in trust	(9,232,106)	(306,778)
Purchase of intangible assets	(9)	–
Proceeds from receipt of tenant leasehold and security deposits	48,842	76,016
Repayments of tenant leasehold and security deposits	(82,520)	(124,799)
Proceeds from tenant leasehold and security deposits in trust	338,143	105,830
Repayments of tenant leasehold and security deposits in trust	(124,414)	(101,088)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	124,414	101,088
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(338,143)	(105,830)
Cash Flows from Investing Activities	(9,317,175)	(397,106)
Cash Flows from Financing Activities		
Proceeds from long-term loans payable	8,750,000	5,857,000
Repayment of investment corporation bonds	(4,850,000)	(5,857,000)
Proceeds from issuance of investment units	4,998,411	–
Payments for investment unit issuance expenses	(37,014)	–
Distributions paid	(1,634,103)	(1,835,197)
Cash Flows from Financing Activities	7,227,293	(1,835,197)
Increase (decrease) in cash and cash equivalents	592,528	2,801,527
Cash and cash equivalents at beginning of period	7,441,403	8,033,932
Cash and cash equivalents at end of period	8,033,932	10,835,459

4. Reference Information

(1) Investment status

Asset type	Use	Area	29th Fiscal Period (As of May 31, 2016)		30th Fiscal Period (As of November 30, 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	14,713	8.3	12,124	6.9
		Metropolitan Area (Note 3)	4,971	2.8	4,934	2.8
	Residence	Tokyo 23 Wards	11,635	6.6	11,578	6.6
		Metropolitan Area (Note 3)	4,039	2.3	4,017	2.3
	Subtotal		35,360	20.1	32,654	18.6
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	36,833	20.9	36,756	20.9
		Metropolitan Area (Note 3)	3,214	1.8	3,201	1.8
		Other (Note 4)	14,076	8.0	14,032	8.0
	Residence	Tokyo 23 Wards	47,857	27.2	47,674	27.1
		Metropolitan Area (Note 3)	3,027	1.7	3,010	1.7
		Other (Note 4)	19,962	11.3	19,880	11.3
	Subtotal		124,972	70.9	124,556	70.9
Real estate, etc., subtotal			160,332	91.0	157,211	89.4
Deposits and other assets			15,902	9.0	18,544	10.6
Total assets			176,235	100.0	175,756	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 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.

	29th Fiscal Period (As of May 31, 2016)		30th Fiscal Period (As of November 30, 2016)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	83,411	47.3	83,457	47.5
Net assets	92,823	52.7	92,299	52.5

(2) Investment real estate properties

(i) Overview of portfolio assets

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen) (Note 2)	Balance sheet amount (Million yen) (Note 3)	Acquisition price (Million yen) (Note 4)	Percentage of investments (%) (Note 5)
Of-01	HF GOTANDA BUILDING	Shinagawa-ku, Tokyo	Trust beneficial interest	1,377	1,323	1,290	0.79
Of-05	Suitengu Heiwa Bldg	Chuo-ku, Tokyo	Trust beneficial interest	1,398	1,436	1,550	0.95
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,520	2,340	2,500	1.53
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,550	1,543	1,530	0.94
Of-08	Kokusai Tameike Bldg	Minato-ku, Tokyo	Trust beneficial interest	2,640	2,774	2,700	1.66
Of-09	Grace Building Sengakujimae	Minato-ku, Tokyo	Trust beneficial interest	1,640	1,152	1,220	0.75
Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	Real estate	1,100	1,358	1,550	0.95
Of-11	Nihonbashi Daiichi Bldg	Chuo-ku, Tokyo	Trust beneficial interest	1,910	2,216	2,150	1.32
Of-12	HG HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,460	3,101	3,092	1.90
Of-15	HF NAKAMEGURO BUILDING	Meguro-ku, Tokyo	Real estate	2,134	2,134	2,870	1.76
Of-16	Anwa Tsukasacho Bldg	Chiyoda-ku, Tokyo	Real estate	1,200	1,287	1,385	0.85
Of-17	Hatchobori MF Bldg	Chuo-ku, Tokyo	Real estate	988	1,116	1,110	0.68
Of-18	M2 Harajuku	Shibuya-ku, Tokyo	Trust beneficial interest	4,702	3,465	3,418	2.10
Of-20	Funabashi Face Bldg	Funabashi-shi, Chiba	Real estate	3,170	3,576	3,900	2.39
Of-21	Adesso Nishiazabu	Minato-ku, Tokyo	Trust beneficial interest	507	616	640	0.39
Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	Real estate	1,377	1,715	1,675	1.03
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,280	1,317	1,314	0.81
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,410	1,450	1,434	0.88
Of-25	Kayabacho Heiwa Bldg	Chuo-ku, Tokyo	Trust beneficial interest	6,250	4,787	4,798	2.95
Of-26	HIROKOJI AQUA PLACE	Nagoya-shi, Aichi	Trust beneficial interest	4,648	2,744	2,930	1.80
Of-27	Kobe Kyukyoryuchi Heiwa Building	Kobe-shi, Hyogo	Trust beneficial interest	2,850	2,277	2,310	1.42
Of-28	Mita Heiwa Building (leasehold land)	Minato-ku, Tokyo	Trust beneficial interest	2,678	2,269	2,230	1.37
Of-29	Sakae Minami Heiwa Building	Nagoya-shi, Aichi	Trust beneficial interest	2,050	1,511	1,580	0.97
Of-30	HF SAKURADORI Building	Nagoya-shi, Aichi	Trust beneficial interest	5,710	4,730	4,900	3.01
Of-31	HF Nihonbashi Hamacho Building	Chuo-ku, Tokyo	Trust beneficial interest	2,360	1,925	1,900	1.17
Of-32	HF Sendai Honcho Building	Sendai-shi, Miyagi	Trust beneficial interest	3,210	2,768	2,700	1.66
Of-33	HF Ueno Building	Taito-ku, Tokyo	Trust beneficial interest	4,040	3,516	3,400	2.09
Of-34	Kojimachi HF Building	Chiyoda-ku, Tokyo	Trust beneficial interest	1,880	1,364	1,350	0.83
Of-35	HF Kudanminami Building	Chiyoda-ku, Tokyo	Trust beneficial interest	3,140	2,754	2,720	1.67
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,870	3,270	3,150	1.93
Of-37	NISSO 5 Building	Yokohama-shi, Kanagawa	Trust beneficial interest	3,330	3,201	3,100	1.90
Office subtotal				79,379	71,050	72,396	44.45

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Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen) (Note 2)	Balance sheet amount (Million yen) (Note 3)	Acquisition price (Million yen) (Note 4)	Percentage of investments (%) (Note 5)
Re-03	HF ICHIKAWA RESIDENCE	Ichikawa-shi, Chiba	Trust beneficial interest	518	386	430	0.26
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	662	635	660	0.41
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	728	596	650	0.40
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	4,022	3,183	3,610	2.22
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,591	1,448	1,560	0.96
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,316	1,298	1,370	0.84
Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,190	1,150	1,260	0.77
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	941	919	1,000	0.61
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,300	927	1,100	0.68
Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,500	1,028	1,210	0.74
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	767	585	690	0.42
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	4,370	3,766	4,030	2.47
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	958	999	1,070	0.66
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,070	1,069	1,130	0.69
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	977	881	950	0.58
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,110	1,082	1,100	0.68
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Trust beneficial interest	4,780	5,590	5,940	3.65
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	Real estate	2,640	3,071	3,350	2.06
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	Real estate	1,840	2,292	2,350	1.44
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,330	1,538	1,630	1.00
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,210	1,578	1,650	1.01
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,080	1,018	1,050	0.64
Re-34	HF TANASHI RESIDENCE	Nshitokyo-shi, Tokyo	Real estate	765	945	911	0.56
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	838	815	836	0.51
Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,210	1,027	1,080	0.66
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	857	729	749	0.46
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	860	697	730	0.45
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,640	1,417	1,460	0.90
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,100	1,825	1,890	1.16
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	Trust beneficial interest	967	725	793	0.49
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,130	852	944	0.58
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	6,950	6,521	6,520	4.00
Re-44	HF UMEDA RESIDENCE TOWER	Osaka-shi, Osaka	Trust beneficial interest	2,070	1,785	1,920	1.18
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	494	449	453	0.28
Re-46	HF AWAZA RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	692	536	577	0.35

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Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen) (Note 2)	Balance sheet amount (Million yen) (Note 3)	Acquisition price (Million yen) (Note 4)	Percentage of investments (%) (Note 5)
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	710	548	624	0.38
Re-48	HF HIRAO RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	1,960	1,693	1,780	1.09
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	567	499	534	0.33
Re-52	HF TENJIN-HIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	611	432	502	0.31
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	2,210	1,688	1,820	1.12
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	940	782	820	0.50
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	1,010	825	870	0.53
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	680	581	615	0.38
Re-57	HF MUSASHI KOYAMA RESIDENCE	Shinagawa-ku, Tokyo	Trust beneficial interest	1,050	802	842	0.52
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji-shi, Tokyo	Trust beneficial interest	1,000	795	839	0.52
Re-59	HF HISAYAODORI RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	1,230	1,017	1,080	0.66
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	655	534	572	0.35
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,450	1,974	1,990	1.22
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,410	1,159	1,170	0.72
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,570	1,283	1,360	0.83
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	650	536	566	0.35
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,060	741	809	0.50
Re-66	HF ATAGOBASHI RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	872	609	684	0.42
Re-67	HF KYUDAIBYOINMAE RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	494	389	426	0.26
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	918	729	771	0.47
Re-69	HF ICHIBANCHO RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,070	765	834	0.51
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,050	894	942	0.58
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,430	1,996	2,090	1.28
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	1,010	834	872	0.54
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,440	1,186	1,158	0.71
Re-75	HF Sendai Residence EAST	Sendai-shi, Miyagi	Trust beneficial interest	1,810	1,648	1,638	1.01
Re-76	HF NISHI-KOEN RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,430	1,388	1,310	0.80
Re-77	HF BANSUI-DORI RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	882	839	790	0.49
Re-78	HF KANNAI RESIDENCE	Yokohama-shi, Kanagawa	Trust beneficial interest	1,960	1,828	1,800	1.11
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	2,260	2,188	2,160	1.33
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo-shi, Hokkaido	Trust beneficial interest	1,650	1,587	1,560	0.96
Residence subtotal				95,512	86,161	90,482	55.55
Total				174,891	157,211	162,878	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 amount for Of-15 HF Nakameguro Building shows the amount after deducting the estimated cost of disposal from the transfer price stated in the sales contract as of December 1, 2016.
- (Note 3) The “Balance sheet amount” column shows the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of November 30, 2016, after deducting the accumulated depreciation. However, the amount for Of-15 HF Nakameguro Building shows the amount after impairment accounting.
- (Note 4) 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 5) 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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