

31st Fiscal Period Financial Report (REIT)

July 18, 2017

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/>
 (Name) Masaaki Higashihara

Asset Management Company: HEIWA REAL ESTATE Asset Management CO., LTD.

Representative: (Title) President & Representative Director (Name) Takaya Ichikawa

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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 28, 2017

Scheduled date of commencement of distribution payments: August 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 31st Fiscal Period

31st Fiscal Period (31st FP): Fiscal period ended May 2017 (from December 1, 2016 to May 30, 2017)

(1) Management

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

	Operating revenue		Operating income		Ordinary income		Net income	
31st FP	¥5,827million	2.3%	¥2,521 million	6.2%	¥2,007 million	10.3%	¥2,007 million	84.9%
30th FP	¥5,698 million	1.2%	¥2,374 million	(0.8%)	¥1,820 million	1.4%	¥1,085 million	(39.5%)
	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	
31st FP	¥1,977		2.2%		1.1%		34.5%	
30th FP	¥1,069		1.2%		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)
31st FP	¥2,017	¥2,046 million	¥0	¥0 million	102.0%	2.2%
30th FP	¥1,884	¥1,911 million	¥0	¥0 million	176.1%	2.1%

(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) 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.

(Note 4) Total distributions (¥2,046 million) for the 31st 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
31st FP	¥178,734 million	¥92,427 million	51.7%	¥91,075
30th FP	¥175,756 million	¥92,299 million	52.5%	¥90,948

(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
31st FP	¥4,988 million	(¥7,396 million)	¥1,088 million	¥9,515 million
30th FP	¥5,033 million	(¥397 million)	(¥1,835 million)	¥10,835 million

2. Management Status Forecasts for the 32nd and 33rd Fiscal Periods

32nd Fiscal Period (32nd FP): Fiscal period ending November 2017 (from June 1, 2017 to November 31, 2017)

33rd Fiscal Period (33rd FP): Fiscal period ending May 2018 (from December 1, 2017 to May 31, 2018)

[% 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
32nd FP	¥5,874 million	0.8%	¥2,533 million	0.4%	¥2,015 million	0.4%	¥2,015 million	0.4%	¥2,025	¥-
33rd FP	¥5,880 million	0.1%	¥2,515 million	(0.7%)	¥2,015 million	0.0%	¥2,014 million	0.0%	¥2,025	¥-

(Reference) Estimated net income per unit: 32nd Fiscal Period: ¥1,985 33rd Fiscal Period: ¥1,985

(Note) The sources of funds for paying the total distributions for the 32nd and 33rd Fiscal Periods 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):	31st Fiscal Period:	1,014,847 units	30th Fiscal Period:	1,014,847 units
(ii) Number of own investment units at end of period:	31st Fiscal Period:	– units	30th 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 “31st Fiscal Period Financial Report (REIT)” for the period ended May 2017.

* 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 32nd Fiscal Period (from June 1, 2017 to November 31, 2017) and 33rd Fiscal Period (from December 1, 2017 to May 31, 2018)” 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

After the account closing date of the 31st Fiscal Period (ended May 2017), the REIT concluded a financial agency agreement with Resona Bank, Limited on June 23, 2017 pertaining to the first series of unsecured investment corporation bonds and the second series of unsecured investment corporation bonds (below, the first series of unsecured investment corporation bonds and the second series of unsecured investment corporation bonds will be individually or collectively referred to as the “Investment Corporation Bonds”). The operations outsourced to Resona Bank, Limited are (1) administrative affairs (issuance, the management of the investment corporation bond registry and ledger, tax payment, the distribution of principal and interest, retirement by purchase, etc.), (2) issuing agent business, and (3) payment agent business pertaining to the Investment Corporation Bonds.

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 27, 2017).

(2) Operations

a. General situation during the 31st 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 31st Fiscal Period (May 2017).

(ii) Operating environment

The Japanese economy during the 31st Fiscal Period continued to follow a moderate recovery trend mainly due to an increase in capital investment reflecting firm corporate earnings and solid personal consumption backed by an improvement in the employment and income conditions. However, future uncertainty was growing in some quarters, given the policy operation of the Trump administration in the U.S., movements in the Brexit negotiations with the EU and the situation in the Middle East, etc.

Under these circumstances, the TSE REIT index rose during the year-end and New Year season from 1796.89 points at the end of the previous period (end of November 2016) to 1863.91 points on January 5, 2017. It then remained sluggish throughout the Fiscal Period under review due to an increase in long-term interest rates, declining approximately 50 points from November 30, 2016 to 1748.56 points as of May 31, 2017.

(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, Chuo, Minato, Shinjuku and Shibuya) to 3.41% at the end of the 31st Fiscal Period (May 2017), down from 3.75% at the end of the 30th Fiscal Period (November 2016). The reflected the steady reduction in vacancies at existing office buildings due to their consolidation, increased floor area within the buildings and relocation for expansion, although there were some cases in which new buildings were completed with advertised areas remaining. 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 18,476 yen per tsubo at the end of the previous Fiscal Period to 18,801 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 rose 0.4% in May 2017 compared to the same month in the previous year. As this index shows, demand for rental houses remained solid, reflecting the trend of a 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 May of the same year, the number of new housing starts (rental housing) increased for the 19th 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.

(c) Real estate

In the published land prices as of January 1, 2017, which were announced in March 2017, 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 Osaka and Nagoya areas. In commercial areas, the upward trend maintained its momentum this year as the official land prices climbed for the fourth 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 acquired one office building (Of-39, SENJU MILDIC II (trust beneficial interest, acquisition price: 1,650 million yen)) on December 15, 2016, one office building (Of-38, ACROSS SHINKAWA BUILDING(trust beneficial interest, acquisition price: 3,250 million yen)) on January 20, 2017, one residential building (Re-81, HF HAKATA-HIGASHI RESIDENCE (real estate, acquisition price: 880 million yen)) on January 23, 2017, and one residential building (Re-82, HF SENDAI ITSUTSUBASHI RESIDENCE (real estate, acquisition price: 850 million yen)) on February 23, 2017, and sold one office building (Of-15, HF Nakameguro Building (real estate, acquisition price: 2,870 million yen)) on December 19, 2018, for the purpose of increasing the profitability of its portfolio and improving its quality.

As a result, portfolio assets as of the period end were 100 properties (total acquisition price 166,638 million yen), including 32 office buildings (total acquisition price of 74,426 million yen) and 68 residential buildings (total acquisition price 92,212 million yen).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 31st 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 97.6% as at the end of the 31st Fiscal Period from 97.8% at the end of the previous fiscal period. The REIT successfully maintained high and stable occupancy throughout the period, resulting in a high average month-end occupancy rate of 97.8% for the fiscal period under review. In particular, office buildings were almost fully occupied, with an occupancy rate of 99.5%.

Moreover, as part of the initiatives that the REIT has been working on continuously, it changed the names of the following two 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 May 1, 2017

Property no.	Former property name	New property name
Re-81	Foresight Hakata-Higashi	HF HAKATA-HIGASHI RESIDENCE

Properties renamed on June 1, 2017

Property no.	Former property name	New property name
Re-82	Urban Flats Itsutsubashi	HF SENDAI ITSUTSUBASHI RESIDENCE

(iv) Procurement of funds

The REIT took out Term Loan 32 (loan amount 3,000 million yen) on January 20, 2017 to procure funds mainly for acquiring properties. On the same day, the REIT took out Term Loan 33 (Tranche A (loan amount 1,500 million yen) and Tranche B (loan amount 2,765 million yen) to repay Term Loan 15 (loan balance 2,295 million yen) and Term Loan 21 Tranche A (loan balance 1,970 million yen), whose principal repayment date was May 31, 2017. 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: 6.4 years; average remaining period: 3.9 years) and to lower its borrowing cost (average borrowing interest rate as of the end of May: 0.94%).

[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	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 33 Tranche A]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
The Nomura Trust and Banking Co., Ltd. Mitsubishi UFJ Trust and Banking Corporation	1,500 million yen	May 31, 2019 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 33 Tranche B]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited. Shinsei Bank, Limited Mitsubishi UFJ Trust and Banking Corporation	2,765 million yen	November 28, 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 79,261 million yen (period end LTV: 44.3%).

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 31st Fiscal Period results of 5,827 million yen in operating revenues, 2,521 million yen in operating income, and after deducting interest expenses on loans, 2,007 million yen in ordinary income and 2,007 million yen in net income. 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 2,046,946,399 yen as distributions from earnings by appropriating the reversal of the reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to 2,006,352,519 yen, which is the maximum value for the integral multiple of the total number of outstanding investment units, or 1,014,847 units, within the range of net income. The resulting distributions per investment unit were 2,017 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 four new properties of good quality, in addition to selling two properties whose profitability could not be expected to improve from the previous fiscal period to the fiscal period under review. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize investor value. Given the sound financing environment and the expectations for higher property prices on the back of the expected economic recovery, competitors are maintaining a strong appetite for the acquisition of properties. As a result, the property acquisition environment is likely to remain challenging. We will endeavor to promptly obtain information on excellent properties by using our pipeline with Heiwa Real Estate and building up our unique information routes as an asset management company. As a basic strategy, we aim to increase opportunities for primarily acquiring properties owned and developed by Heiwa Real Estate, and additionally for acquiring properties owned and developed by other developers to expand our portfolio, contributing to stable profitability over the medium to long term.

(b) Internal growth

The REIT believes that by using the database and information network developed by the Heiwa Real Estate Group and its property management company, it can quickly detect leasing market trends and conduct precise property management, enabling it to maintain and increase occupancy rates and rent levels in assets under management. To maintain and increase rent levels, the REIT will continue actively endeavoring to revise rents to reasonable levels against the backdrop of improvement in the leasing market. Meanwhile, to maintain and increase occupancy rates, it will deal with tenants by focusing on minimizing departures and will undertake leasing management, including reducing the period of time for work for restoration to the original state, to shorten the period between the time when properties are vacated and the acquisition of new tenants. To make our properties more competitive, we continuously and actively make value-building investments in repairs and

improvements of assets under management to maintain and enhance their medium- to long-term value, taking into account each property's asset age, facility level and other aspects. Through these measures, our goal is to maintain and further improve occupancy rates at high and stable levels.

(c) Financial strategy

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

(d) Promotion of more timely disclosure

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

c. Significant subsequent events

Issuance of investment corporation bonds

The REIT issued the Investment Corporation Bonds (total amount of issuance 2.8 billion yen) on June 30, 2017 under the following conditions based on the "Comprehensive Resolution on the Issuance of Investment Corporation Bonds" adopted at the Board of Directors meeting of the REIT held on May, 26, 2016.

(1) First series of unsecured investment corporation bonds

Name	HEIWA REAL ESTATE REIT, Inc. First Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds)
Total amount of investment corporation bonds	1,000 million yen
Payment date	June 30, 2017
Amount to be paid in	100 yen per the amount of 100 yen of each investment corporation bond
Interest rate	0.300% annually
Security and guarantee	Unsecured Non-guaranteed
Maturity	The REIT will redeem the total amount of the Investment Corporation Bonds on June 30, 2022. The REIT may conduct the retirement by purchase of the Investment Corporation Bonds anytime from the day after June 30, 2017, which is the payment date, unless otherwise provided for in laws, regulations or the operational rules of Japan Securities Depository Center, Inc., which is the transfer institution, and other rules.
Interest payment date	June 30 and December 30 every year
Use of funds	Funds were appropriated to some of funds for the repayment of existing loans (Term Loan 32).

(2) Second series of unsecured investment corporation bonds

Name	HEIWA REAL ESTATE REIT, Inc. Second Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds)
Total amount of investment	1,800 million yen

corporation bonds	
Payment date	June 30, 2017
Amount to be paid in	100 yen per the amount of 100 yen of each investment corporation bond
Interest rate	0.650% annually
Security and guarantee	Unsecured Non-guaranteed
Maturity	The REIT will redeem the total amount of the Investment Corporation Bonds on June 30, 2022. The REIT may conduct the retirement by purchase of the Investment Corporation Bonds anytime from the day after June 30, 2017, which is the payment date, unless otherwise provided for in laws, regulations or the operational rules of Japan Securities Depository Center, Inc., which is the transfer institution, and other rules.
Interest payment date	June 30 and December 30 every year
Use of funds	Funds were appropriated to some of funds for the repayment of existing loans (Term Loan 32).

d. Outlook for the 32nd and 33rd Fiscal Periods

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 32nd Fiscal Period (from June 1, 2017 to November 30, 2017) and 33rd Fiscal Period (from December 1, 2017 to May 31, 2018)” below for assumptions used in this forecast.

Operating revenues	5,874 million yen
Operating income	2,533 million yen
Ordinary income	2,015 million yen
Net income	2,015 million yen
Distributions per unit	
(excluding distributions in excess of earnings)	2,025 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 33rd Fiscal Period (from December 1, 2017 to May 31, 2018). See “Management status forecast assumptions for 32nd Fiscal Period (from June 1, 2017 to November 30, 2017) and 33rd Fiscal Period (from December 1, 2017 to May 31, 2018)” below for assumptions used in this forecast.

Operating revenues	5,880 million yen
Operating income	2,515 million yen
Ordinary income	2,015 million yen
Net income	2,014 million yen
Distributions per unit	
(excluding distributions in excess of earnings)	2,025 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 32nd Fiscal Period (from June 1, 2017 to November 30, 2017) and 33rd Fiscal Period (from December 1, 2017 to May 31, 2018)

Item	Assumptions
Management period	32nd Fiscal Period: from June 1, 2017 to November 30, 2017 (183 days) 33rd Fiscal Period: from December 1, 2017 to May 31, 2018 (182 days)
Assets under management	<ul style="list-style-type: none"> The assumption is 100 properties under management at the end of May 2017. 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 2017.
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: 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: 215 million yen Management commissions: 620 million yen Depreciation: 969 million yen 33rd Fiscal Period (from December 1, 2017 to May 31, 2018) Public charges and taxes (fixed property tax, city planning tax, etc.): 407 million yen Maintenance and repair fees: 228 million yen Management commissions: 634 million yen Depreciation: 976 million yen Fixed property tax, city planning tax, etc. associated with properties held are accounted for as expenses related to the lending business by posting the amounts corresponding to the relevant calculation period from the amount of tax determined to be due. Although fixed property tax, city planning tax, etc., on the buying and selling of real estate properties is generally calculated on a pro-rata basis with former owners and settled at the time of acquisition, the amount equivalent to the settlement money is not expensed, as it is included in the acquisition cost. For maintenance and repair fees, an amount deemed necessary during the period based on the maintenance and repair plans for the properties is posted. Emergency costs may arise as a result of unforeseeable factors, and actual operating expenses may therefore vary significantly from the forecast.
Non-operating expenses	<ul style="list-style-type: none"> Interest expenses (including interest on investment corporation bonds) and related borrowing expenses are estimated to be ¥503 million for the fiscal period ending in November 2017 and ¥492 million for the fiscal period ending in May 2018. Amortization of investment unit issuance expenses and investment corporation bond issuance expenses are estimated to be ¥13 million for the fiscal period ending in November 2017 and ¥7 million for the fiscal period ending in May 2018.
Interest-bearing liabilities	<ul style="list-style-type: none"> Interest-bearing liabilities at the end of the fiscal period ended May 2017 is ¥76,261 million, but we assume that the Investment Corporation Bonds of ¥2,800 million will be issued on June 30, 2017 and that some of ¥2,800 million loans will be prepaid, using funds procured by the issuance of the Investment Corporation Bonds, etc. We assume that the loans maturing in October 2017, February 2018 and May 2018 will be fully refinanced.

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 November 2017, we assume that a total of ¥2,055 million (¥2,025 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 ¥2,015 million. For the fiscal period ending in May 2018, we also assume that a total of ¥2,055 million (¥2,025 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 ¥2,014 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 February 27, 2017).

3. Financial Statements

(1) Balance Sheet

(Unit: 1,000 yen)

	30th Fiscal Period (As of November 30, 2016)	31st Fiscal Period (As of May 31, 2017)
Assets		
Current assets		
Cash and deposits	10,824,603	9,412,320
Cash and deposits in trust	6,749,092	7,067,237
Operating accounts receivable	75,518	70,850
Prepaid expenses	175,713	167,040
Consumption taxes receivable, etc.	–	55,875
Other	3,534	3,009
Allowance for doubtful accounts	(512)	(1,033)
Total current assets	17,827,949	16,775,300
Noncurrent assets		
Property, plant and equipment		
Buildings	11,531,237	11,636,107
Accumulated depreciation	(3,555,306)	(3,440,680)
Buildings, net	7,975,931	8,195,427
Structures	67,607	61,080
Accumulated depreciation	(37,078)	(36,397)
Structures, net	30,529	24,683
Machinery and equipment	253,770	235,356
Accumulated depreciation	(145,253)	(141,879)
Machinery and equipment, net	108,516	93,477
Tools, furniture and fixture	143,822	142,222
Accumulated depreciation	(90,554)	(93,280)
Tools, furniture and fixtures, net	53,268	48,942
Land	23,770,978	23,137,014
Buildings in trust	49,059,090	50,262,614
Accumulated depreciation	(8,541,013)	(9,243,474)
Buildings in trust, net	40,518,076	41,019,140
Structures in trust	292,555	298,980
Accumulated depreciation	(72,371)	(78,490)
Structures in trust, net	220,184	220,489
Machinery and equipment in trust	502,730	555,075
Accumulated depreciation	(201,286)	(223,774)
Machinery and equipment in trust, net	301,443	331,301
Tools, furniture and fixtures in trust	793,461	844,661
Accumulated depreciation	(450,962)	(494,886)
Tools, furniture and fixtures in trust, net	342,498	349,775
Land in trust	79,858,725	83,854,309
Total property, plant and equipment	153,180,152	157,274,561
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)

	30th Fiscal Period (As of November 30, 2016)	31st Fiscal Period (As of May 31, 2017)
Investment and other assets		
Guarantee deposits	10,252	10,252
Long-term prepaid expenses	364,037	329,621
Derivatives	55,285	23,800
Other	250,096	264,873
Total investments and other assets	679,672	628,548
Total noncurrent assets	157,891,452	161,934,736
Deferred assets		
Investment unit issuance	36,674	24,506
Total deferred assets	36,674	24,506
Total assets	175,756,076	178,734,544
Liabilities		
Current liabilities		
Operating accounts payable	535,067	360,379
Current portion of long-term loans payable	11,445,000	15,380,000
Accrued expenses	685,624	693,165
Income taxes payable	–	594
Accrued consumption tax, etc.	170,317	–
Advances received	887,139	952,949
Derivative liabilities	1,874	–
Other	11,499	11,744
Total current liabilities	13,736,523	17,398,834
Noncurrent liabilities		
Long-term loans payable	64,816,700	63,881,700
Tenant leasehold and security deposits	844,900	756,690
Tenant leasehold and security deposits in trust	3,738,130	3,961,803
Derivative liabilities	320,783	308,200
Total noncurrent liabilities	69,720,514	68,908,394
Total liabilities	83,457,038	86,307,228
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.	*3 2,457,010	*3 2,126,355
Total voluntary retained earnings	2,457,010	2,126,355
Unappropriated retained earnings (undisposed loss)	1,581,316	2,007,108
Total surplus	11,444,979	11,540,115
Total unitholders' equity	92,815,694	92,910,830
Valuation and translation adjustments		
Deferred hedge gain or loss	(516,656)	(483,514)
Total valuation and translation adjustments	(516,656)	(483,514)
Total net assets	*2 92,299,038	*2 92,427,316
Total liabilities and net assets	175,756,076	178,734,544

(2) Profit and Loss Statement

(Unit: 1,000 yen)

	30th Fiscal Period (June 1, 2016 – November 30, 2016)		31st Fiscal Period (December 1, 2016 – May 31, 2017)	
Operating Revenues				
Rent revenue-real estate	*1	5,223,397	*1	5,347,673
Other lease business revenue	*1	474,966	*1	479,830
Total operating revenue		5,698,364		5,827,504
Operating expenses				
Expenses related to rent business	*1	2,555,077	*1	2,567,349
Loss on sales of real estate properties	*2	52,384	*2	–
Asset management fee		520,623		531,452
Asset custody fee		19,528		19,460
Administrative service fees		42,144		44,332
Directors' compensation		7,967		7,967
Audit fee		9,660		9,660
Other operating expenses		116,642		125,489
Total operating expenses		3,324,027		3,305,711
Operating income		2,374,336		2,521,792
Non-operating income				
Interest income		2,706		1,259
Reversal of dividends payable		847		718
Insurance income		3,973		7,525
Other		522		–
Total non-operating income		8,049		9,504
Non-operating expenses				
Interest expenses		445,747		426,332
Borrowing related expenses		95,896		79,403
Amortization of investment unit issuance expenses		17,643		12,168
Other		3,018		5,678
Total non-operating expenses		562,306		523,583
Ordinary income		1,820,080		2,007,713
Extraordinary losses				
Impairment loss	*3	734,003		–
Total extraordinary losses		734,003		–
Income before income taxes		1,086,076		2,007,713
Income taxes-current		605		605
Total income taxes		605		605
Net income		1,085,471		2,007,108
Retained earnings brought forward		495,845		–
Unappropriated retained earnings (undisposed loss)		1,581,316		2,007,108

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

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

31st Fiscal Period (December 1, 2016 – May 31, 2017)

(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	2,457,010	2,457,010	1,581,316
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences			(330,655)	(330,655)	330,655
Dividends from surplus					(1,911,971)
Net income					2,007,108
Net changes of items other than unitholders' equity					
Total changes of items during the period	–	–	(330,655)	(330,655)	425,792
Balance at the end of the period	81,370,715	7,406,652	2,126,355	2,126,355	2,007,108

	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	11,444,979	92,815,694	(516,656)	(516,656)	92,299,038
Changes of items during the period					
Reversal of reserve for adjustment of temporary differences	–	–			–
Dividends from surplus	(1,911,971)	(1,911,971)			(1,911,971)
Net income	2,007,108	2,007,108			2,007,108
Net changes of items other than unitholders' equity			33,141	33,141	33,141
Total changes of items during the period	95,136	95,136	33,141	33,141	128,277
Balance at the end of the period	11,540,115	92,910,830	(483,514)	(483,514)	92,427,316

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	30th Fiscal Period (June 1, 2016 – November 30, 2016)	31st Fiscal Period (December 1, 2016 – May 31, 2017)
I. Unappropriated retained earnings	1,581,316,134	2,007,108,190
II. Reversal of voluntary retained earnings		
Reversal of reserve for adjustment of temporary differences	330,655,614	40,593,880
III. Distributions	1,911,971,748	2,046,946,399
Distributions per unit (excluding distributions in excess of earnings)	(1,884)	(2,017)
V. Retained earnings brought forward	–	755,671
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. 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>	<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 2,046,946,399 yen as distributions from earnings by appropriating the reversal of the reserve for adjustment of temporary differences of 40,593,880 yen (40 yen per unit) to 2,006,352,519 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)

	30th Fiscal Period (June 1, 2016 – November 30, 2016)	31st Fiscal Period (December 1, 2016 – May 31, 2017)
Cash Flows from Operating Activities		
Income before income taxes	1,086,076	2,007,713
Depreciation	955,382	965,459
Increase (decrease) in allowance for doubtful accounts	94	520
Investment unit issuance expenses amortization	17,643	12,168
Impairment loss	734,003	–
Interest income	(2,706)	(1,259)
Interest expenses	445,747	426,332
Decrease (increase) of operating accounts receivable	1,847	5,862
Decrease (increase) of consumption taxes receivable	127,422	(55,875)
Increase (decrease) in accrued consumption taxes	170,317	(170,317)
Decrease (increase) of long-term prepaid expenses	39,848	34,416
Increase (decrease) in operating accounts payable	53,597	(66,639)
Increase (decrease) in accrued expenses	7,410	9,427
Increase (decrease) in advances received	(29,894)	65,810
Increase (decrease) in deposits received	(102)	190
Decrease from sales of property, plant and equipment	1,813,562	2,134,623
Other	10,472	(1,426)
Subtotal	5,430,725	5,367,006
Interest income received	6,084	66
Interest expenses paid	(401,617)	(378,928)
Income taxes (paid) refund	(1,360)	316
Cash Flows from Operating Activities	5,033,831	4,988,461
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(41,544)	(1,894,633)
Purchase of property, plant and equipment in trust	(306,778)	(5,413,966)
Proceeds from receipt of tenant leasehold and security deposits	76,016	45,948
Repayments of tenant leasehold and security deposits	(124,799)	(134,098)
Proceeds from tenant leasehold and security deposits in trust	105,830	320,017
Repayments of tenant leasehold and security deposits in trust	(101,088)	(94,452)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	101,088	94,452
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(105,830)	(320,017)
Cash Flows from Investing Activities	(397,106)	(7,396,750)
Cash Flows from Financing Activities		
Proceeds from long-term loans payable	5,857,000	7,265,000
Repayment of investment corporation bonds	(5,857,000)	(4,265,000)
Distributions paid	(1,835,197)	(1,911,413)
Cash Flows from Financing Activities	(1,835,197)	1,088,586
Increase (decrease) in cash and cash equivalents	2,801,527	(1,319,702)
Cash and cash equivalents at beginning of period	8,033,932	10,835,459
Cash and cash equivalents at end of period	*1 10,835,459	*1 9,515,757

4. Reference Information

(1) Investment status

Asset type	Use	Area	30th Fiscal Period (As of November 30, 2016)		31st Fiscal Period (As of May 31, 2017)	
			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	12,124	6.9	9,952	5.6
		Metropolitan Area (Note 3)	4,934	2.8	4,903	2.7
	Residence	Tokyo 23 Wards	11,578	6.6	11,513	6.4
		Metropolitan Area (Note 3)	4,017	2.3	3,988	2.2
		Other (Note 4)	–	–	1,857	1.0
	Subtotal		32,654	18.6	32,215	18.0
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	36,756	20.9	41,699	23.3
		Metropolitan Area (Note 3)	3,201	1.8	3,185	1.8
		Other (Note 4)	14,032	8.0	13,956	7.8
	Residence	Tokyo 23 Wards	47,674	27.1	47,492	26.6
		Metropolitan Area (Note 3)	3,010	1.7	2,993	1.7
		Other (Note 4)	19,880	11.3	19,763	11.1
	Subtotal		124,556	70.9	129,090	72.2
Real estate, etc., subtotal		157,211	89.4	161,305	90.2	
Deposits and other assets		18,544	10.6	17,428	9.8	
Total assets		175,756	100.0	178,734	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) The land leasehold right, etc. owned in conjunction with a building, etc. is stated in the sections of “real estate” and “real estate in trust” by aggregating it with the building, etc.

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

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

	30th Fiscal Period (As of November 30, 2016)		31st Fiscal Period (As of May 31, 2017)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	83,457	47.5	86,307	48.3
Net assets	92,299	52.5	92,427	51.7

(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	1,379	1,315	1,290	0.77
Of-05	SUTENGU HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	1,425	1,429	1,550	0.93
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,570	2,324	2,500	1.50
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,600	1,547	1,530	0.92
Of-08	KOKUSAI TAMEIKE BUILDING	Minato-ku, Tokyo	Trust beneficial interest	2,710	2,777	2,700	1.62
Of-09	GRACE BUILDING SENGAKUJIMAE	Minato-ku, Tokyo	Trust beneficial interest	1,630	1,152	1,220	0.73
Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	Real estate	1,110	1,342	1,550	0.93
Of-11	NIHONBASHI DAIICHI BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	1,980	2,214	2,150	1.29
Of-12	HG HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,460	3,093	3,092	1.86
Of-16	ANWA TSUKASA BUILDING	Chiyoda-ku, Tokyo	Real estate	1,240	1,278	1,385	0.83
Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	Real estate	1,020	1,112	1,110	0.67
Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	Trust beneficial interest	4,739	3,457	3,418	2.05
Of-20	FUNABASHI FACE BUILDING	Funabashi-shi, Chiba	Real estate	3,240	3,560	3,900	2.34
Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	Trust beneficial interest	520	613	640	0.38
Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	Real estate	1,412	1,710	1,675	1.01
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,350	1,313	1,314	0.79
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,380	1,443	1,434	0.86
Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	6,370	4,787	4,798	2.88
Of-26	HIROKOJI AQUA PLACE	Nagoya-shi, Aichi	Trust beneficial interest	4,756	2,723	2,930	1.76
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe-shi, Hyogo	Trust beneficial interest	2,870	2,271	2,310	1.39
Of-28	MITA HEIWA BUILDING (leasehold land)	Minato-ku, Tokyo	Trust beneficial interest	2,701	2,269	2,230	1.34
Of-29	SAKAE MINAMI HEIWA BUILDING	Nagoya-shi, Aichi	Trust beneficial interest	2,100	1,498	1,580	0.95
Of-30	HF SAKURADORI BUILDING	Nagoya-shi, Aichi	Trust beneficial interest	5,970	4,707	4,900	2.94
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,380	1,918	1,900	1.14
Of-32	HF SENDAI HONCHO BUILDING	Sendai-shi, Miyagi	Trust beneficial interest	3,250	2,755	2,700	1.62
Of-33	HF UENO BUILDING	Taito-ku, Tokyo	Trust beneficial interest	4,100	3,512	3,400	2.04
Of-34	KOKIMACHI HF BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	1,910	1,362	1,350	0.81
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,180	2,771	2,720	1.63
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,940	3,262	3,150	1.89
Of-37	NISSO 5 BUILDING	Yokohama-shi, Kanagawa	Trust beneficial interest	3,330	3,185	3,100	1.86
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,570	3,296	3,250	1.95
Of-39	SENJU MILDIX II	Adachi-ku, Tokyo	Trust beneficial interest	1,860	1,684	1,650	0.99
Office subtotal				84,052	73,697	74,426	44.66

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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	529	385	430	0.26
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	677	632	660	0.40
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	742	594	650	0.39
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	4,122	3,163	3,610	2.17
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,627	1,441	1,560	0.94
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,342	1,293	1,370	0.82
Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,220	1,141	1,260	0.76
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	959	914	1,000	0.60
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,340	919	1,100	0.66
Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,550	1,017	1,210	0.73
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	786	579	690	0.41
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	4,440	3,744	4,030	2.42
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	981	994	1,070	0.64
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,100	1,065	1,130	0.68
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	989	876	950	0.57
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,140	1,077	1,100	0.66
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Trust beneficial interest	4,790	5,567	5,940	3.56
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	Real estate	2,690	3,052	3,350	2.01
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	Real estate	1,890	2,280	2,350	1.41
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,370	1,526	1,630	0.98
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,230	1,576	1,650	0.99
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,090	1,012	1,050	0.63
Re-34	HF TANASHI RESIDENCE	Nishitokyo-shi, Tokyo	Real estate	780	935	911	0.55
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	864	813	836	0.50
Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,240	1,045	1,080	0.65
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	892	725	749	0.45
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	881	695	730	0.44
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,690	1,409	1,460	0.88
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,160	1,816	1,890	1.13
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	Trust beneficial interest	989	720	793	0.48
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,170	845	944	0.57
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	7,090	6,516	6,520	3.91
Re-44	HF UMEDA RESIDENCE TOWER	Osaka-shi, Osaka	Trust beneficial interest	2,100	1,808	1,920	1.15
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	502	447	453	0.27
Re-46	HF AWAZA RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	705	530	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	725	541	624	0.37
Re-48	HF HIRAO RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	2,060	1,673	1,780	1.07
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	577	496	534	0.32
Re-52	HF TENJIN-HIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	618	427	502	0.30
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	2,250	1,679	1,820	1.09
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	959	779	820	0.49
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	1,030	821	870	0.52
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	684	577	615	0.37
Re-57	HF MUSASHI KOYAMA RESIDENCE	Shinagawa-ku, Tokyo	Trust beneficial interest	1,070	799	842	0.51
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji-shi, Tokyo	Trust beneficial interest	1,020	792	839	0.50
Re-59	HF HISAYAODORI RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	1,250	1,011	1,080	0.65
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto-shi, Kyoto	Trust beneficial interest	666	531	572	0.34
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,510	1,969	1,990	1.19
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,450	1,155	1,170	0.70
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,600	1,277	1,360	0.82
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka-shi, Osaka	Trust beneficial interest	663	534	566	0.34
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,070	736	809	0.49
Re-66	HF ATAGOBASHI RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	873	604	684	0.41
Re-67	HF KYUDAIBYOINMAE RESIDENCE	Fukuoka-shi, Fukuoka	Trust beneficial interest	495	386	426	0.26
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	929	727	771	0.46
Re-69	HF ICHIBANCHO RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,070	760	834	0.50
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,070	891	942	0.57
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,500	1,988	2,090	1.25
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	1,040	831	872	0.52
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,480	1,179	1,158	0.69
Re-75	HF Sendai Residence EAST	Sendai-shi, Miyagi	Trust beneficial interest	1,890	1,633	1,638	0.98
Re-76	HF NISHI-KOEN RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	1,430	1,376	1,310	0.79
Re-77	HF BANSUI-DORI RESIDENCE	Sendai-shi, Miyagi	Trust beneficial interest	900	832	790	0.47
Re-78	HF KANNAI RESIDENCE	Yokohama-shi, Kanagawa	Trust beneficial interest	2,000	1,816	1,800	1.08
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya-shi, Aichi	Trust beneficial interest	2,260	2,175	2,160	1.30
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo-shi, Hokkaido	Trust beneficial interest	1,650	1,575	1,560	0.94
Re-81	HF HAKATA-HIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	Real estate	901	946	880	0.53
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	Sendai-shi, Miyagi	Real estate	881	911	850	0.51
Residence subtotal				99,238	87,608	92,211	55.34
Total				183,290	161,305	166,638	100.00

- (Note 1) The “Form of asset” column shows the REIT’s form of ownership of the asset. The form is shown as “Trust beneficial interest” if the REIT is listed as a beneficiary in the registry and as “Real estate” if the REIT is listed as the owner.
- (Note 2) The “Balance sheet amount” column shows the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of May 31, 2017, after deducting the accumulated depreciation.
- (Note 3) The “Acquisition price” column shows the sales value listed in the real estate sales agreement or trust beneficial interest sales agreement (not including amount corresponding to consumption taxes or costs necessary to make acquisition; same applies below). However, for properties acquired as a result of the merger (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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