



**Takara Leben Real Estate  
Investment Corporation**

Security Code:3492

## February 2019 Fiscal Period Presentation Material

April, 2019



**Takara Leben Real Estate  
Investment Corporation**

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## Forecast

### 【Results】

- DPU 3,300 JPY
- NOI 1,708 mn JPY
- Revenue 2,119 mn JPY

### 【Internal Growth】

- Improve of occupancy rate
- Fill the rent gap in the office properties rent gap

### 【External Growth】

- Purchase new property

### 【Finance】

- Lower LTV by repayment of loan

## Actual

### 【Results】

- DPU **3,398** JPY (+98 JPY)
- NOI **1,717** mn JPY (+9 mn JPY)
- Revenue **2,129** mn JPY (+10 mn JPY)

### 【Internal Growth】

- Occupancy rate: **96.3%** (1<sup>st</sup> period end)  
→ **98.3%** (2<sup>nd</sup> period end)
- Filling rent gap by **12** mn JPY

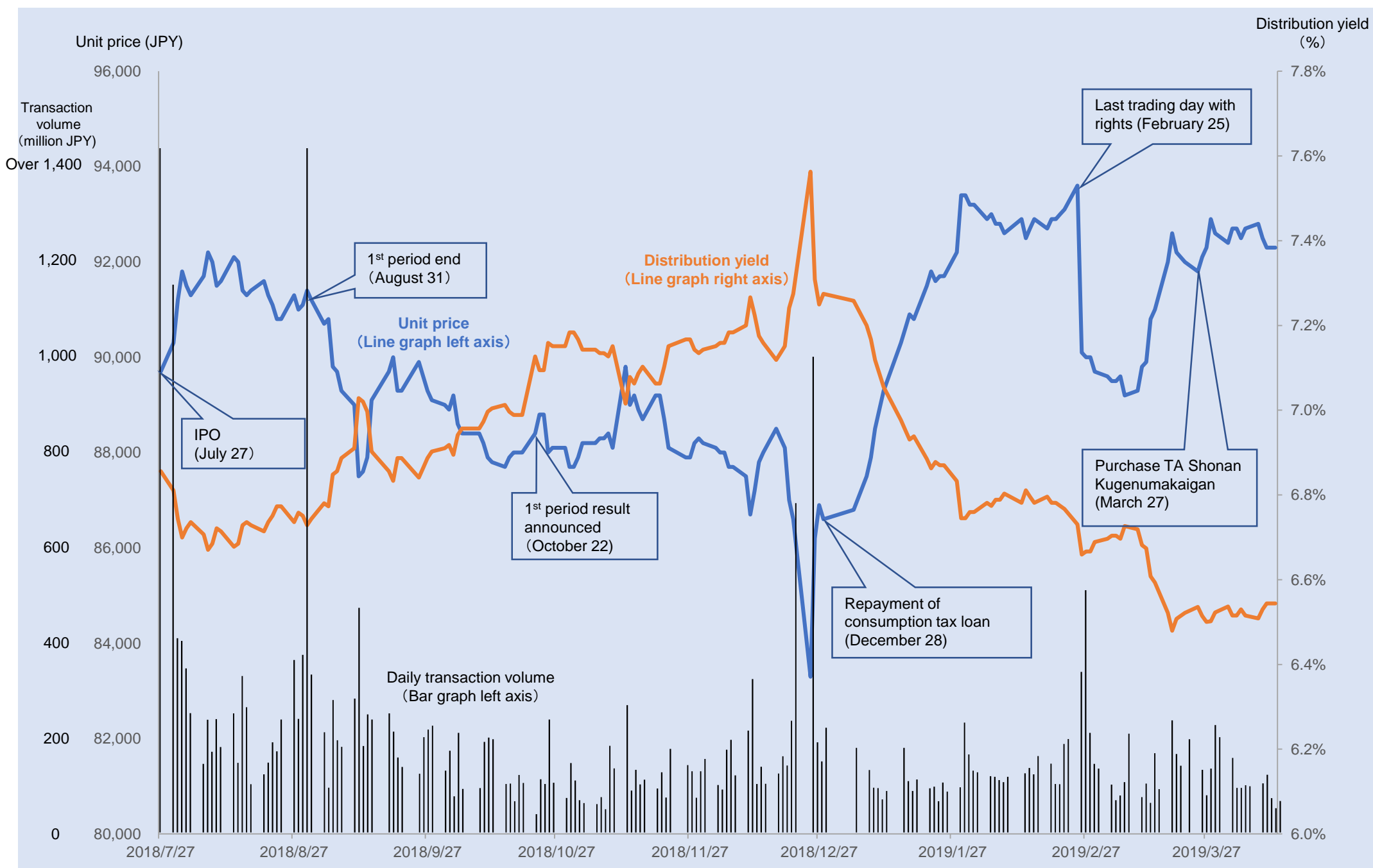
### 【External Growth】

- Purchase new property  
"TA Shonan Kugenumakaigan"  
(March 28, 2019)

### 【Finance】

- Repayment of consumption tax loan  
Appraisal value LTV: **50.7%** (1<sup>st</sup> period)  
→ **48.0%** (2<sup>nd</sup> period)

# Historical Movement of Unit Price and TLR's Initiatives



(Note) Distribution yield = disclosed forecast ÷ unit price



## 1. 2<sup>nd</sup> Fiscal Period Financial Results



NT Building

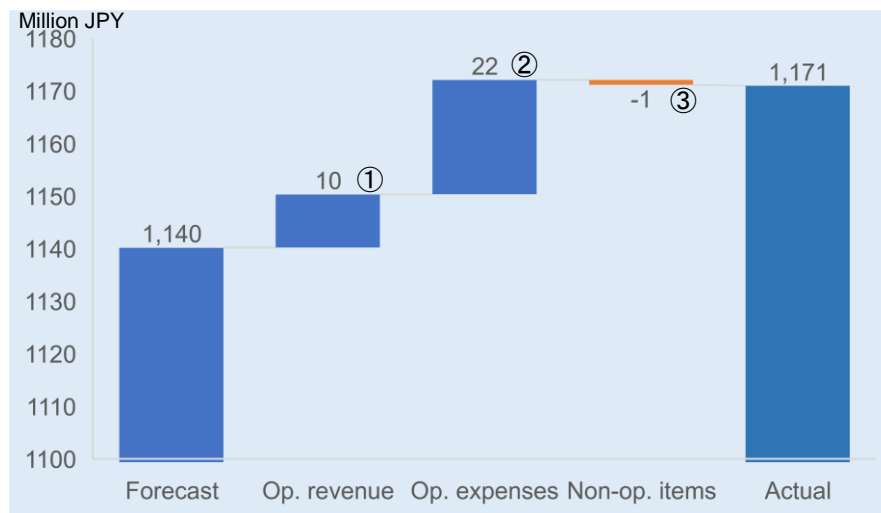
# 2<sup>nd</sup> Fiscal Period Financial Results Highlight

	1 <sup>st</sup> period	2 <sup>nd</sup> period			
		Forecast	Actual	Difference	Factors
Actual asset management period (days)	33	181	181	—	—
Operating revenue (million JPY)	377	2,119	2,129	+10	Increase in other rental revenue
Operating income (million JPY)	200	1,279	1,311	+32	Operating revenue +10, Reduction of operating and administrative expenses +22
Ordinary income (million JPY)	35	1,140	1,172	+32	
Net income (million JPY)	33	1,140	1,171	+31	
Distribution per unit (including distribution in excess of earnings) (JPY)	98	3,300	3,398	+98	

(Note1) The number of days for the 1<sup>st</sup> period is 355 days from September 11, 2017, however the actual asset management period is 33 days from July 30, 2018 to August 31, 2018

(Note2) Distributions in excess of earnings consist only of allowance for temporary difference adjustment, such as valuation losses on interest rate swaps, and excess of depreciation allowance, not the refund of investment for tax purposes

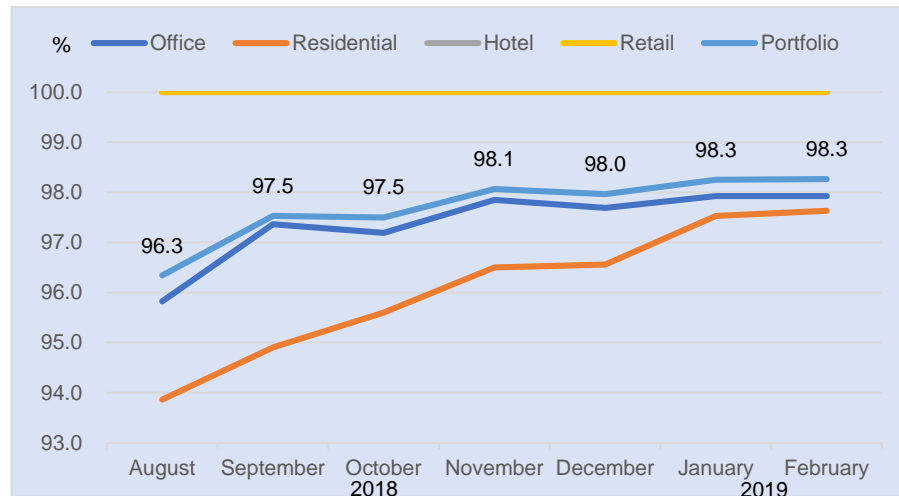
## 2<sup>nd</sup> fiscal period net income forecast vs actual analysis



### Major factors of difference between forecast and actual

①	Diff. in operating revenue	+10	Increase in other rental revenue
②	Diff. in operating expenses	+22	
		+19	Decrease in repair cost
		+8	Reduction of other administrative cost
		▲6	Increase in AM fee due to profit increase
③	Diff. in non-operating income	▲1	Refund of consumption tax

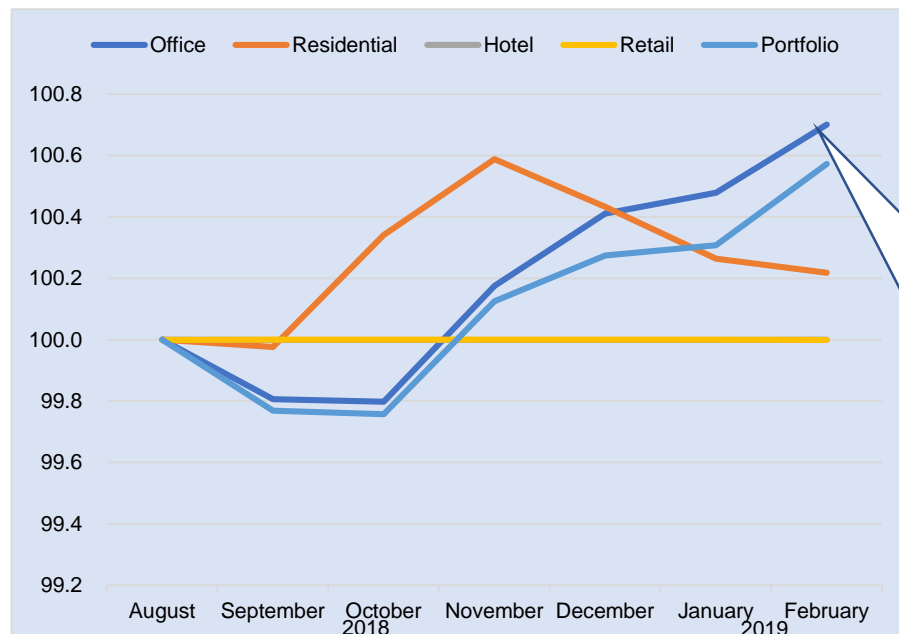
## Occupancy Rates



Improved portfolio occupancy rate from **96.3%** to **98.3%** since IPO

- LUXENA HIGASHI-KOENJI (86.3%→97.3%)  
Improved occupancy rate by marketing initiatives

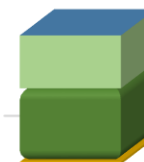
## Rent



- Achieved rent raise with office tenants

Result of rent raised of office tenants  
(The amount of effect of rent raised)

Thousands JPY  
16,000  
12,000  
8,000  
4,000  
0  
(4,000)

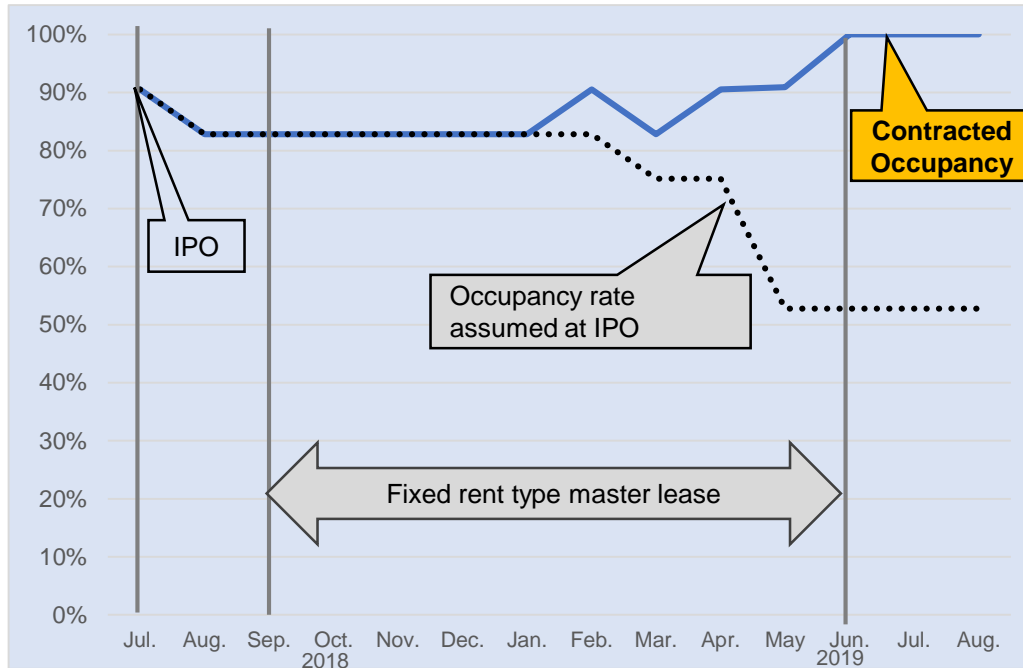


Rent raised with new tenants (6 properties 8 tenants)

Rent raised with renewal tenants (4 properties 6 tenants)

(Note) Assumed August 2018 rent level as 100

## Occupancy Rate of Higashi Ikebukuro Central Place



### Master Lease Agreement

- Fixed rent agreement with PM since September 2018



### Amendment of Master Lease Agreement

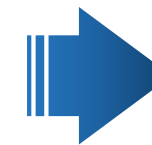
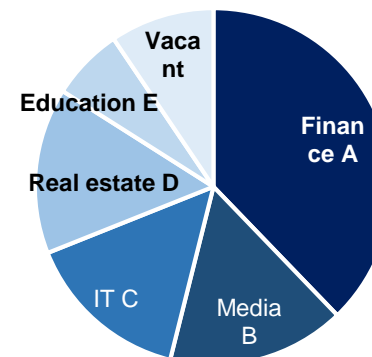
- Occupancy rate will be 100% since June 2019
- Master lease agreement will be amended to path-through type to capitalize upside of rent

## Tenant Mix

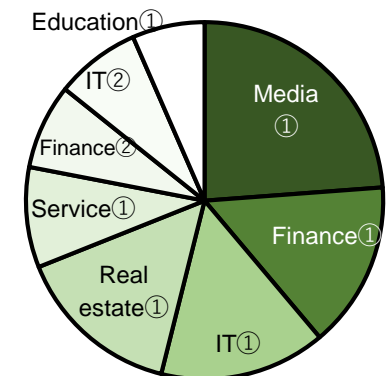
### Well-diversified tenant

- Number of tenant increased 5 to **8**
- Tenant concentration risk is reduced by diversification of tenants

Tenant mix  
(July 2018)



Tenant mix  
(June 2019)





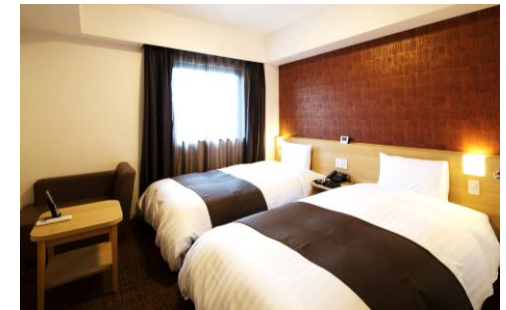
# Results of Asset Management ~ Hotels

## Hotel Operation (note)

### H-01 Dormy Inn Matsuyama : Stay in high level of occupancy

#### <Occupancy Rate>

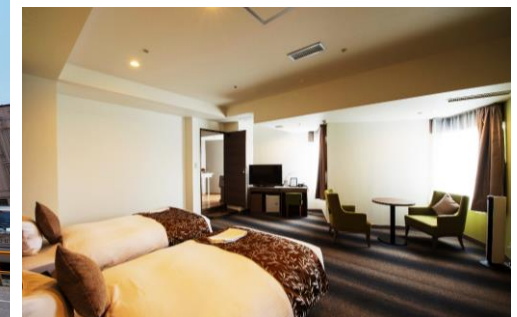
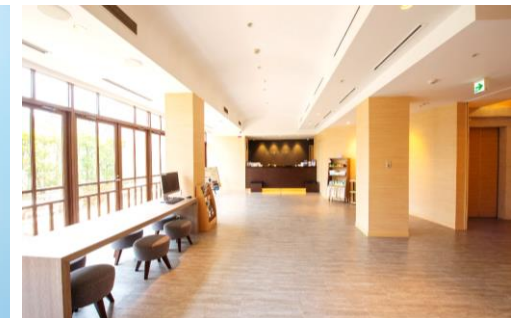
	September	October	November	December	January	February
Occupancy	91.1%	97.7%	97.7%	96.0%	92.1%	95.6%



### H-02 Hotel Sunshine Utsunomiya : Stable operation

#### <Occupancy Rate>

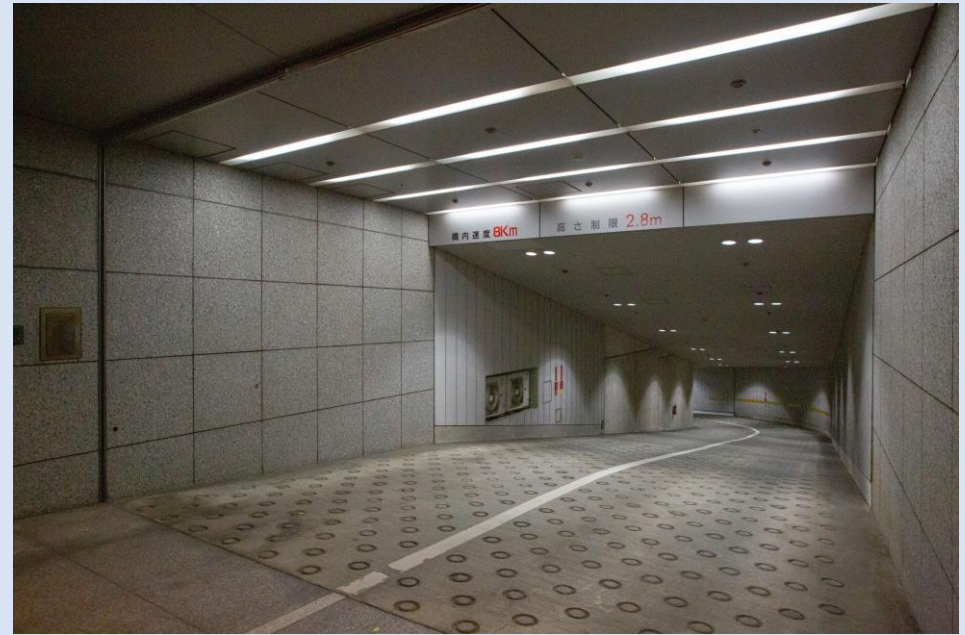
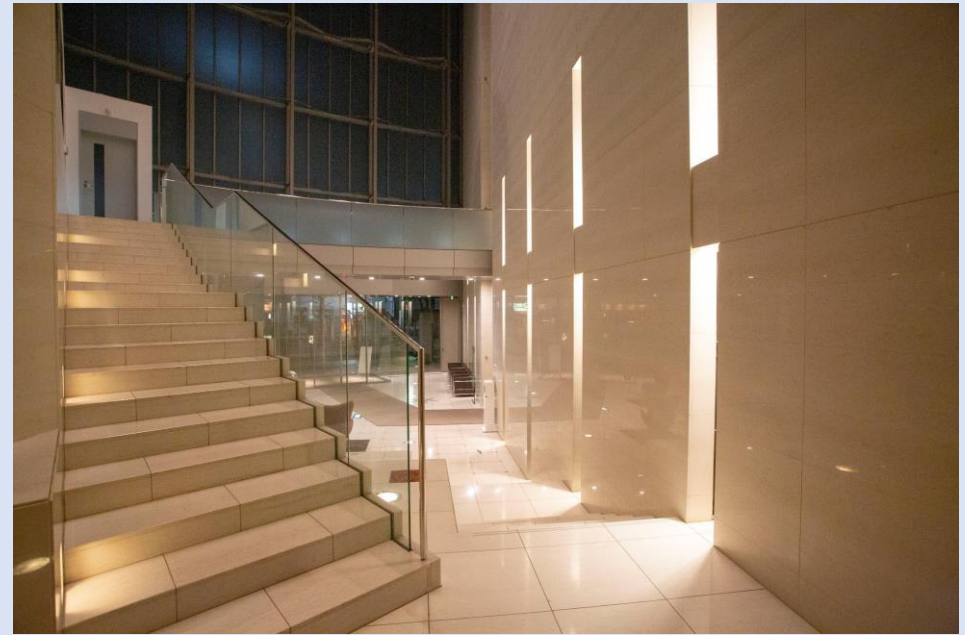
	September	October	November	December	January	February
Occupancy	67.6%	88.1%	84.6%	79.3%	64.4%	75.4%



(Note) The lease contract is based on fixed payment agreement

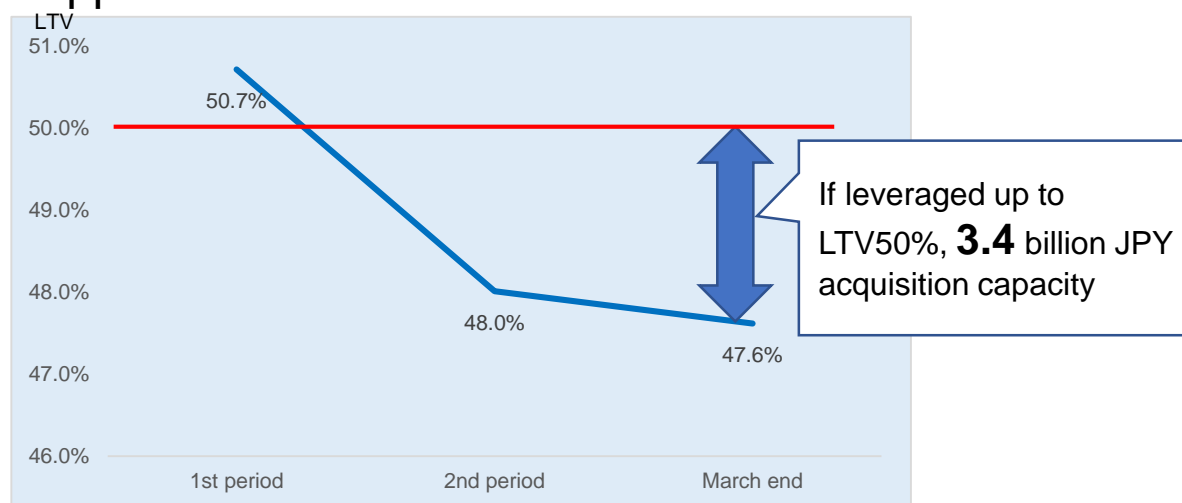


## ■ Capital Expenditure (NT Building: LED construction in common use space)

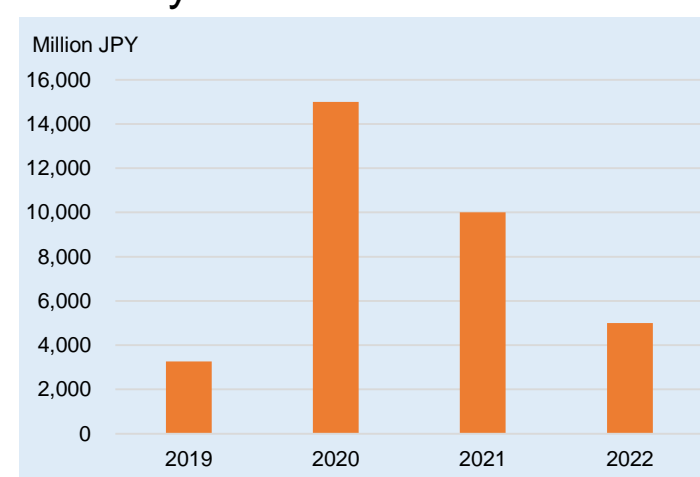


- Repayment Consumption tax loan was repaid (December 28, 2018)
- Lowering LTV Appraisal value LTV **50.7%**(1<sup>st</sup> period end) → **48.0%**(2<sup>nd</sup> period end) → **47.6%**(March end)
- Acquisition capacity **3.4** billion JPY capacity with 50% of appraisal value LTV

## ■ Appraisal Value LTV



## ■ Maturity Ladder



## ■ Finance Management Summary

	1 <sup>st</sup> period end	2 <sup>nd</sup> period end	Difference attribution	March 2019 status
Interest-bearing debt	34,600 million JPY	33,260 million JPY	Decreased by repayment	33,260 million JPY
Total asset LTV	49.7%	47.8%	Down	NA
Appraisal value LTV	50.7%	48.0%	Down	47.6%
Average interest rate	0.48%	0.49%	Up due to repayment of short term loan	0.49%
Fixed interest rate ratio	86.7%	90.2%	Up	90.2%
Average duration	2.45 years	2.50 years	Longer duration	2.50 years



# Results of Asset Management ~ New Acquisition

- Acquisition with cash on hand (March 28, 2019)
- 1<sup>st</sup> acquisition since IPO
- Property developed by Takara Leben

## —Property Profile—

Property name	TA Shonan Kugenumakaigan
Address	2-3-1 Kugenumakaigan, Fujisawa, Kanagawa
Location	1 minute walk from Kugenumakaigan Station on Odakyu Enoshima line
Usage	Retail
Completion	February 2017 (2 years old)
Seller	Takara Leben (sponsor)
Acquisition price	500 million JPY
Appraisal value	573 million JPY
Acquisition date	March 28, 2019
Occupancy rate	100% (as of March 31, 2019)
Appraisal NOI	27 million JPY
NOI yield (Appraisal value)	Approximately 5.5%
NOI yield after dep. (Appraisal value)	Approximately 5.0%



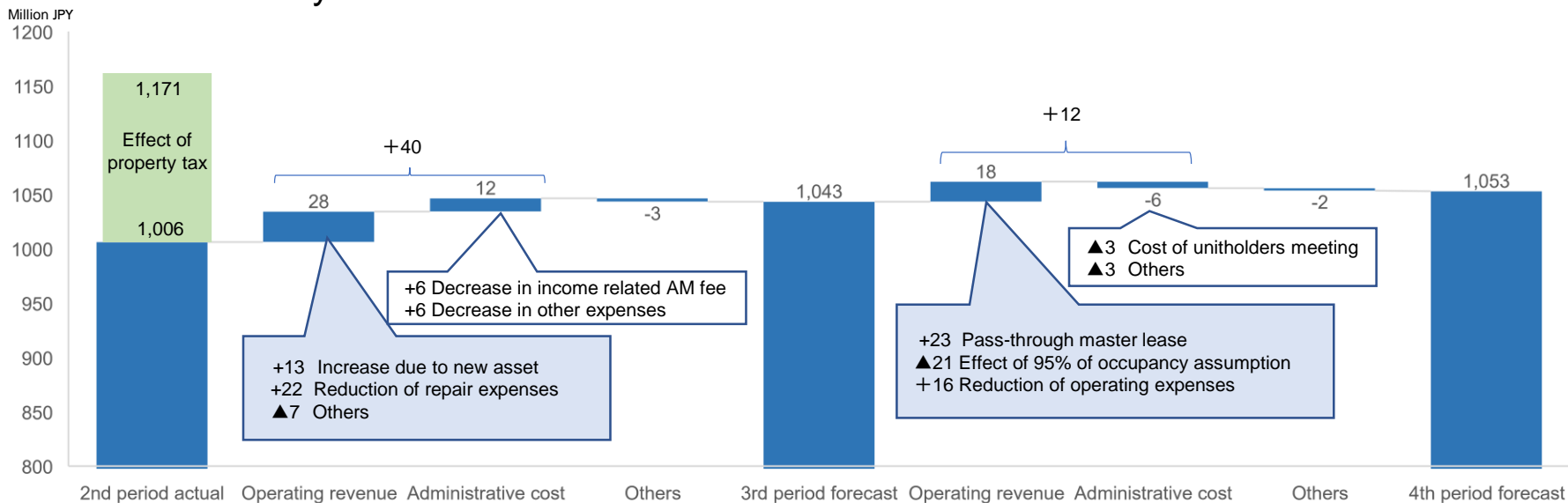
# Financial Forecasts for 3<sup>rd</sup> and 4<sup>th</sup> Fiscal Periods

## 3<sup>rd</sup> and 4<sup>th</sup> fiscal periods forecasts

	2 <sup>nd</sup> fiscal period			Forecasts			
	Actual (1)	Property tax effect(2)	Actual excl. property tax effect(3)	3 <sup>rd</sup> fiscal period (4)	Diff. (4)-(3)	4 <sup>th</sup> fiscal period (5)	Diff between 3 <sup>rd</sup> and 4 <sup>th</sup> period (5)-(4)
Asset management period (days)	181	-	-	184	-	182	-
Operating revenue (million JPY)	2,129	-	2,129	2,128	▲1	2,130	+2
Operating income (million JPY)	1,311	▲165	1,146	1,186	+40	1,198	+12
Ordinary income (million JPY)	1,172	▲165	1,007	1,044	+37	1,054	+10
Net income (million JPY)	1,171	▲165	1,006	1,043	+37	1,053	+10
DPU (including distribution in excess of earnings)(JPY)	3,398	▲479	2,919	3,020	+101	3,050	+30

(Note) Distributions in excess of earnings consist only of allowance for temporary difference adjustment, such as valuation losses on interest rate swaps, and excess of depreciation allowance, not the refund of investment for tax purposes.

## Attribution analysis of Net income



## 2. Mid-term Business Plan



Dormy Inn Matsuyama



## 1. Improvement of Portfolio Quality

- Aiming at More Balanced Portfolio
- Focusing More on Properties from Takara Leben
- Expansion of Pipeline Support Agreement with New Support Company
- Enhancing Portfolio Quality by Replace Assets

## 2. Clarify Each Sponsor's Role

- Purchase from Newly Developed Properties from Takara Leben
- Strictly Select Properties from PAG such as located in where or Size Not developed by Takara Leben

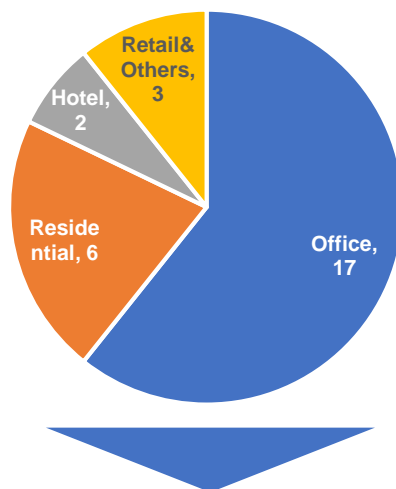
## 3. Other Initiatives

- Credit Rating
- Same Boat Investment by Officers and Employees
- ESG Actions

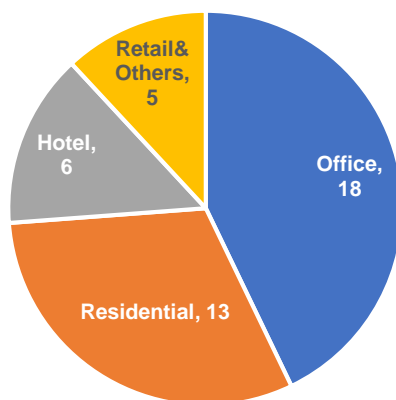
- Focusing more on Balanced Portfolio
- Focusing more on Residential than current Portfolio
- Focusing more on Newly Developed Properties to Revitalize Portfolio

## Allocation

Current (28 Properties)

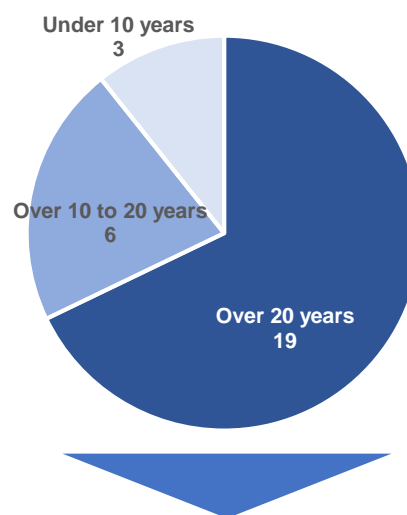


Add all properties in pipeline (42 Properties)

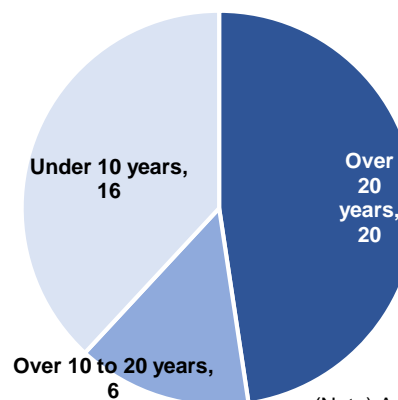


## Property Age

Current (22.7 years) (Note)



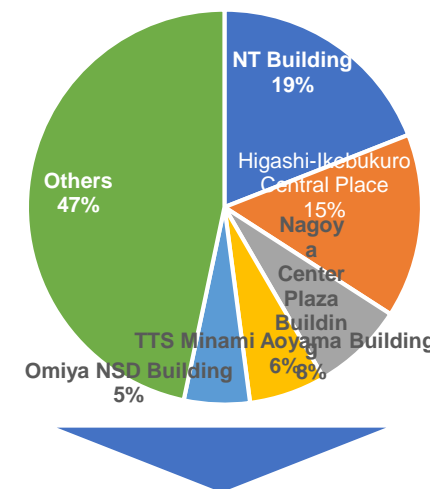
Add all properties in pipeline  
(**19.3** years) (Note)



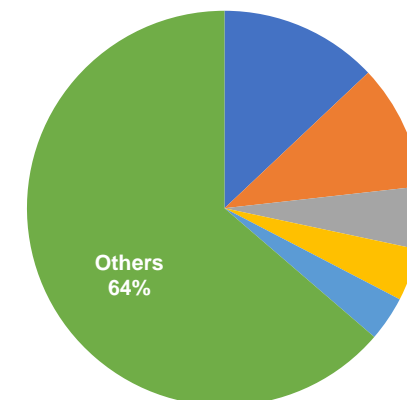
(Note) Average by number of property

## Diversification

Current (top 5 buildings account for 53%)



Add all properties in pipeline  
(top 5 buildings account for **less than 40%**)



## Pipeline from Takara Leben

Type	Property name	Location	Area	Completion	No. of units/rooms
Office	L.Biz Suidobashi (Note)	Chiyoda-ku, Tokyo	Tokyo metropolitan area	January 2020	9 floors
Residential	LUXENA Heiwadai	Nerima-ku, Tokyo	Tokyo metropolitan area	Completed	109 units + store
	LUXENA Kachidoki	Chuo-ku, Tokyo	Tokyo metropolitan area	June 2019	26 units
	LUXENA Nagareyama Otakanomori	Nagareyama, Chiba	Tokyo metropolitan area	August 2019	80 units + store
	LUXENA Monzennakacho (Note)	Koto-ku, Tokyo	Tokyo metropolitan area	March 2020	85 units + store
	LUXENA Higashi Kanagawa (Note)	Yokohama, Kanagawa	Tokyo metropolitan area	September 2020	90 units
	LUXENA Itabashi (Note)	Itabashi-ku, Tokyo	Tokyo metropolitan area	September 2020	36 units
	LUXENA Kadoma (Note)	Kadoma, Osaka	Osaka metropolitan area	January 2020	154 units
Hotel	Dormy Inn Morioka	Morioka, Iwate	Core city	Completed	169 room
	Mito Minamicho Hotel project	Mito, Ibaraki	Core city	October 2019	264 room
	Kyoto Gojo Horikawa Hotel project	Kyoto, Kyoto	Osaka metropolitan area	December 2019	118 room
	Nishi Umeda Hotel project	Osaka, Osaka	Osaka metropolitan area	September 2020	70 room
Retail and other	Onomichi project	Onomichi, Hiroshima	Core city	Fall 2020	-
	Gokiso project	Nagoya, Aichi	Nagoya metropolitan area	October 2023	1floor



LUXENA Nagareyama Otakanomori



LUXENA Heiwadai



LUXENA Kachidoki



Dormy Inn Morioka

(Note) Takara Leben has granted the asset manager preferential negotiation rights with respect to properties in table above, however, there is no guarantee that TLR will be obliged to purchase those properties.

## Dormy Inn Morioka



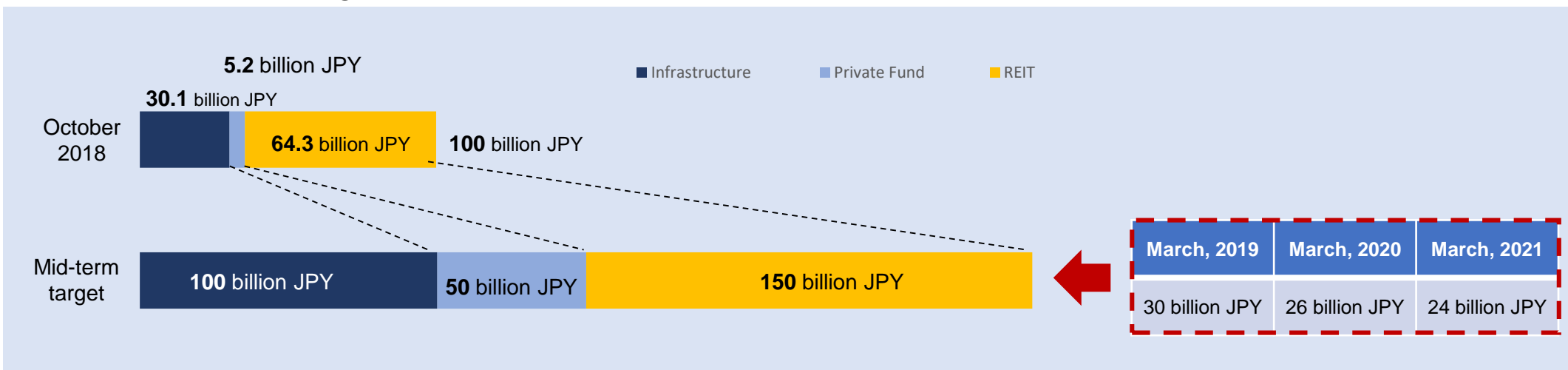
## LUXENA Heiwadai



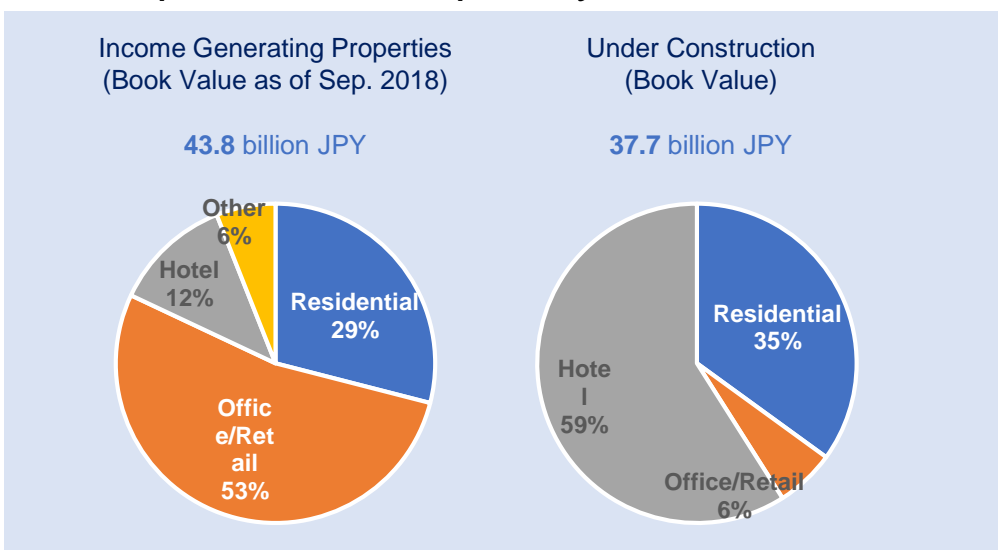


- Takara Leben, our main sponsor, is operating property development business for supporting TLR's growth
- TLR holds preferential negotiation with in respect to 14 properties developed by Takara Leben

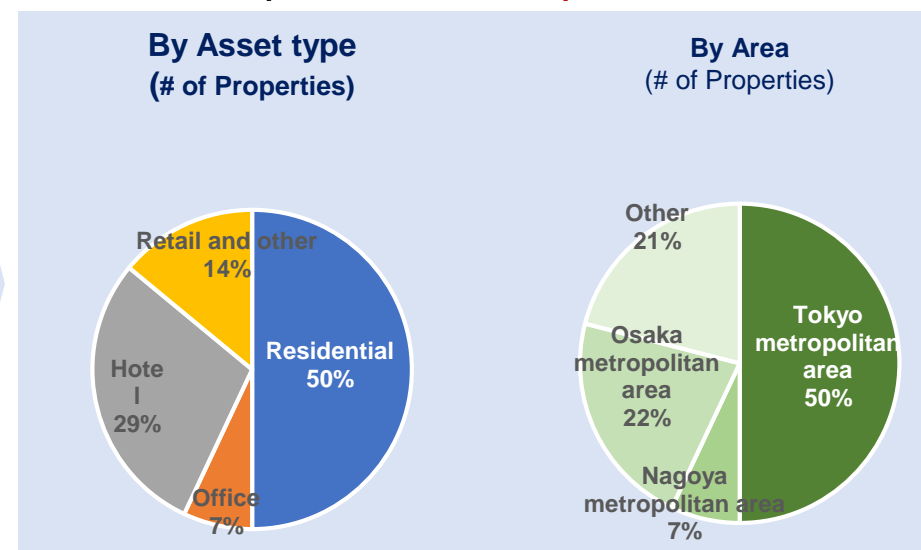
## Mid-term AUM target : 300 billion JPY



## Properties developed by Takara Leben



## Current Pipeline 14 Properties

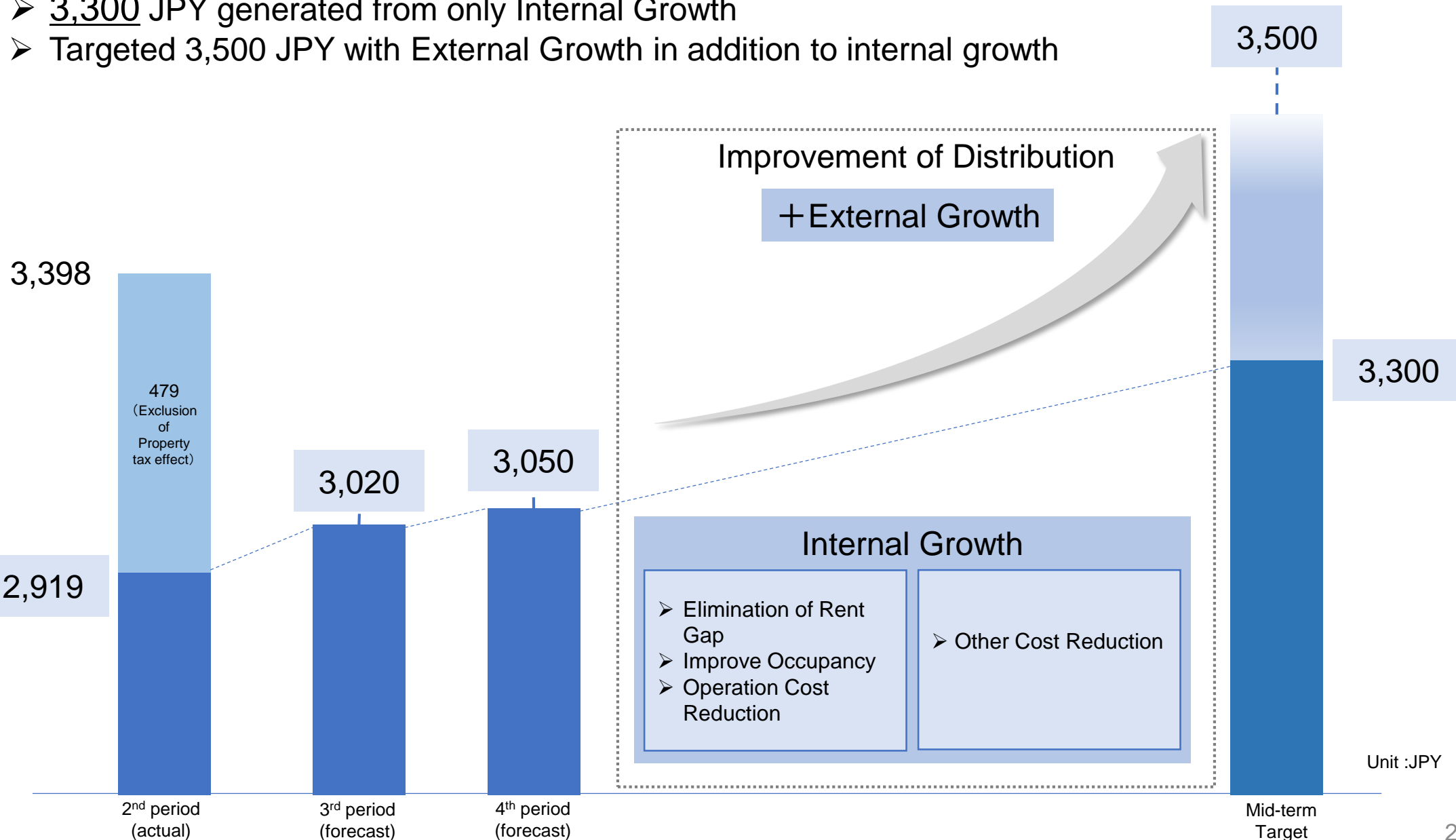


Preferential negotiation rights

# Mid-term DPU Target

Mid-term distribution target: 3,500 JPY

- 3,300 JPY generated from only Internal Growth
- Targeted 3,500 JPY with External Growth in addition to internal growth





- New strategic partnership for prompt expansion of AUM with Kasumigaseki sourcing capability and differentiation from other REIT

## Corporate Profile

Name	Kasumigaseki Capital Co.,Ltd
Established	September 2011
Representative	Koshiro Komoto
Listing category	Listed on the Tokyo Stock Exchange Mothers on November 28, 2018 (Security Code : 3498)
Capitalization	373 million (As of November 30, 2018)
Employees	34 (As of December 31, 2018)
Bank	Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd, MUFG Bank, Ltd., The Shoko Chukin Bank, Ltd.
Major customers	Daiwa House Industry, RICOH LEASING, Renewable Japan Co., Ltd., ITOCHU ENEX Co., Ltd.
Businesses	<ul style="list-style-type: none"> <li>✓ Sales and purchase, brokerage, and management of real estate</li> <li>✓ Management of shopping mall, etc.</li> <li>✓ Generation, management and supply business of natural electric power</li> </ul>

## Projects

### 1. Apartment Hotel Project

- ✓ Development and conversion to apartment hotel in Tokyo and other areas
- ✓ Apartment hotels for domestic and in-bound tourism
- ✓ Provide services with reasonable price to customers based on lean management

### 2. Nursery School Building Project

- ✓ Developing licensed nursery schools and residential buildings for childcare workers
- ✓ Developing building with stable revenue based on long-term lease agreement with operators
- ✓ Expect to contribute to society with this project to resolve waiting children and lack of childcare workers issues

## Apartment Hotel Project

Residential Hotel IKIDANE Machiya	
Location	Arakawa-ku, Tokyo
Usage	Hotel
Site area	388.1m <sup>2</sup>
Total floor area	941.2m <sup>2</sup>
Building structure	Steel-framed reinforced concrete with flat roof/7F
Total units/area per unit	19 units/31.03~50.09m <sup>2</sup>
Commencement date	May 2018



## Nursery School Building Project

Sakura Saku Mirai Iriya	
Location	Taito-ku, Tokyo
Usage	Residential building with nursery school
Site area	487.15m <sup>2</sup>
Total floor area	1,066.46m <sup>2</sup>
Building structure	Steel-framed reinforced concrete with flat roof/5F
Total units/area per unit	15 units/487.22m <sup>2</sup> (1~2F Nursery) 28.70~31.10m <sup>2</sup> (3~5F Residential)
Commencement date	April 2019



## 3. Appendix



Nagoya Center Plaza Building

## Occupancy Rates by property

(Unit: %)

Type	Property number	Property name	1 <sup>st</sup> period end	End of September	End of October	End of November	End of December	End of January	2 <sup>nd</sup> period end
Office	O-01	NT Building	100.0	97.3	97.3	97.3	97.3	97.3	97.3
	O-02	Higashi-Ikebukuro Central Place	82.8	82.8	82.8	82.8	82.8	82.8	90.6
	O-03	Nagoya Center Plaza Building	98.7	98.7	98.7	98.7	98.7	100.0	100.0
	O-04	TTS Minami Aoyama Building	100.0	100.0	89.3	100.0	100.0	100.0	100.0
	O-05	Omiya NSD Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	O-06	SAMTY Shin-Osaka Center Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	O-07	Hakata Gion Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	O-08	Chuo Bakuromachi Building	98.0	98.0	98.0	100.0	100.0	97.6	97.6
	O-09	L.Biz Jimbocho	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	O-10	Shinsaibashi Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	O-11	L.Biz Sendai (former MB Odakyu Building)	90.8	90.8	95.8	97.8	97.8	97.8	97.8
	O-12	Sendai Nikko Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	O-13	Morioka Ekimae-dori Building	94.1	94.1	94.1	97.6	95.0	95.0	95.0
	O-14	Nagano Central Building	94.9	94.9	92.1	92.1	92.1	94.4	94.4
	O-15	EME Koriyama Building	91.0	91.0	91.0	91.0	91.0	93.3	93.3
	O-16	Utsunomiya Central Building	92.2	92.2	92.2	90.3	90.3	90.3	90.3
	O-17	Yamagata Ekimae-dori Building	93.3	93.3	93.3	93.3	93.3	93.3	93.3
Residential	R-01	Amare Tokaidori	93.6	96.6	93.4	92.4	92.4	94.4	94.4
	R-02	Dormy Ukimafunado	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	R-03	Benefis Hakata-Minami Grand Suite	92.9	94.1	92.9	94.2	95.1	97.5	97.5
	R-04	LUXENA HIGASHI-KOENJI	86.3	86.6	92.3	100.0	97.3	97.3	98.2
	R-05	Alpha Space Toritsudai	92.7	100.0	100.0	100.0	100.0	100.0	100.0
	R-06	J City Hatchobori	93.8	91.5	97.0	97.0	98.0	98.0	98.0
Hotel	H-01	Dormy Inn Matsuyama	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	H-02	Hotel Sunshine Utsunomiya	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Retail and other	C-01	Prio Daimyo II	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	C-02	Co-op Sapporo Shunko	100.0	100.0	100.0	100.0	100.0	100.0	100.0

# Appraisal Value

Type	Property number	Property name	Acquisition price (in million)	Period end book value (in million)	Appraisal value (in million)	Direct Income Method		Discounted Cash Flow			Appraisal NOI (in million)	Appraisal value Period Aug. 2018 (in million)
						Revenue Price (in million)	Cap rate (%)	Revenue Price (in million)	Discount rate (%)	Terminal cap rate (%)		
Office	O-01	NT Building	12,350	12,456	13,300	13,600	4.00%	13,000	3.70%	4.20%	564	13,000
	O-02	Higashi-Ikebukuro Central Place	9,780	9,864	10,400	10,500	3.90%	10,200	3.70%	4.10%	417	10,000
	O-03	Nagoya Center Plaza Building	4,870	4,990	4,890	4,950	5.10%	4,830	4.90%	5.30%	274	4,880
	O-04	TTS Minami Aoyama Building	4,090	4,140	4,400	4,510	3.50%	4,350	3.60%	3.70%	161	4,290
	O-05	Omiya NSD Building	3,493	3,531	3,820	3,950	4.70%	3,770	4.50%	4.90%	193	3,610
	O-06	SAMTY Shin-Osaka Center Building	3,450	3,458	3,620	3,750	4.40%	3,570	4.20%	4.60%	178	3,620
	O-07	Hakata Gion Building	2,500	2,522	2,600	2,660	4.40%	2,580	4.20%	4.60%	119	2,600
	O-08	Chuo Bakuromachi Building	1,485	1,489	1,900	1,930	4.30%	1,890	4.10%	4.50%	91	1,900
	O-09	L.Biz Jimbocho	1,006	1,018	1,140	1,170	3.80%	1,130	3.90%	4.00%	45	1,140
	O-10	Shinsaibashi Building	772	763	805	836	4.30%	792	4.10%	4.50%	41	805
	O-11	L.Biz Sendai (former MB Odakyu Building)	1,680	1,689	1,770	1,810	4.80%	1,730	4.60%	5.00%	94	1,740
	O-12	Sendai Nikko Building	1,740	1,773	1,790	1,830	4.50%	1,770	4.60%	4.70%	89	1,790
	O-13	Morioka Ekimae-dori Building	1,480	1,492	1,680	1,680	5.80%	1,680	5.60%	6.00%	104	1,680
	O-14	Nagano Central Building	898	910	1,070	1,080	5.70%	1,060	5.50%	5.90%	69	1,120
	O-15	EME Koriyama Building	900	914	1,030	1,020	5.70%	1,030	5.50%	5.90%	65	1,030
	O-16	Utsunomiya Central Building	771	779	988	1,010	5.50%	978	5.30%	5.70%	67	987
	O-17	Yamagata Ekimae-dori Building	600	606	783	802	5.70%	775	5.50%	5.90%	51	814
Office Total / Average			51,866	52,404	55,986	57,088		55,135			2,628	55,006
Residential	R-01	Amare Tokaidori	1,100	1,107	1,240	1,260	4.60%	1,230	4.70%	4.80%	60	1,220
	R-02	Dormy Ukimafunado	1,080	1,089	1,120	1,130	4.60%	1,100	4.40%	4.80%	57	1,110
	R-03	Benefis Hakata-Minami Grand Suite	1,032	1,041	1,100	1,110	4.70%	1,090	4.80%	4.90%	55	1,080
	R-04	LUXENA HIGASHI-KOENJI	1,060	1,072	1,070	1,080	4.10%	1,060	4.20%	4.30%	45	1,070
	R-05	Alpha Space Toritsudai	589	599	608	619	4.00%	603	3.80%	4.20%	27	605
	R-06	J City Hatchobori	1,200	1,214	1,360	1,370	4.80%	1,350	4.90%	5.00%	68	1,340
Residential Total / Average			6,061	6,124	6,498	6,569		6,433			314	6,425
Hotel	H-01	Dormy Inn Matsuyama	2,427	2,425	2,500	2,470	5.10%	2,510	4.90%	5.30%	131	2,500
	H-02	Hotel Sunshine Utsunomiya	2,000	2,015	2,100	2,090	4.90%	2,100	4.70%	5.10%	113	2,100
Hotel Total / Average			4,427	4,440	4,600	4,560		4,610			245	4,600
Retail and other	C-01	Prio Daimyo II	980	994	1,090	1,120	4.10%	1,080	3.90%	4.30%	46	1,090
	C-02	Co-op Sapporo Shunko	1,036	1,042	1,100	1,100	6.30%	1,100	6.10%	6.50%	71	1,100
Retail and other Total / Average			2,016	2,036	2,190	2,220		2,180			118	2,190
Portfolio Total / Average			64,370	65,006	69,274	70,437		68,358			3,307	68,221

(Note) Valuation date: February 28<sup>th</sup>, 2019



# February 2019 Period (2nd fiscal period) Balance Sheets

(Unit: JPY thousands)

Assets	1 <sup>st</sup> Period	2 <sup>nd</sup> Period
<b>Current assets</b>		
Cash and deposits	731,698	3,238,605
Cash and deposits in trust	1,941,949	954,028
Operating accounts receivable	36,687	74,832
Prepaid expenses	94,737	82,983
Consumption tax receivable	1,389,734	-
Other current assets	10	1,624
<b>Total current assets</b>	<b>4,194,819</b>	<b>4,352,074</b>
<b>Fixed assets</b>		
<b>Property and equipment</b>		
Building in trust	16,950,478	17,007,976
Accumulated depreciation	△78,314	△318,008
Building in trust, net	16,872,164	16,689,967
Structures in trust	20,591	20,591
Accumulated depreciation	△78	△321
Structures in trust, net	20,513	20,269
Tools, furniture and fixtures in trust	-	4,846
Accumulated depreciation	-	△178
Tools, furniture and fixtures in trust, net	-	4,668
Construction in progress in trust	-	10,692
Land in trust	48,291,144	48,291,144
<b>Total property and equipment, net</b>	<b>65,183,822</b>	<b>65,016,742</b>
<b>Intangible fixed assets</b>		
Software	-	5,225
<b>Intangible fixed assets, net</b>	<b>-</b>	<b>5,225</b>
<b>Investment and other assets</b>		
Long-term prepaid expenses	116,780	78,921
Deferred tax assets	39	16
Security deposits	10,000	11,000
Other assts	10	10
<b>Total Investment and other assets</b>	<b>126,830</b>	<b>89,947</b>
<b>Total fixed assets</b>	<b>65,310,613</b>	
<b>Deferred assets</b>		
Investment unit issuance costs	72,627	59,811
<b>Total deferred assets</b>	<b>72,627</b>	<b>59,811</b>
<b>Total assets</b>	<b>69,578,099</b>	<b>69,523,801</b>

Liabilities	1 <sup>st</sup> Period	2 <sup>nd</sup> Period
<b>Current liabilities</b>		
Operating accounts payable	247,759	110,197
Short-term loans	4,600,000	3,260,000
Accounts payable	16,746	153,010
Accrued expenses	13,970	11,853
Consumption tax payable	-	107,459
Income tax payable	1,919	939
Advances received	16,041	23,507
Other current liabilities	22,770	329
<b>Total current liabilities</b>	<b>4,919,207</b>	<b>3,667,298</b>
<b>Non-current liabilities</b>		
Long-term loans	30,000,000	30,000,000
Tenant leasehold and security deposits in trust	2,544,461	2,603,603
Asset retirement obligations	89,002	89,338
Derivatives liabilities	13,883	80,286
<b>Total non-current liabilities</b>	<b>32,647,348</b>	<b>32,773,227</b>
<b>Total liabilities</b>	<b>37,566,555</b>	<b>36,440,526</b>
<b>Net assets</b>	<b>1<sup>st</sup> Period</b>	<b>2<sup>nd</sup> Period</b>
<b>Unitholders' equity</b>		
Unitholders' capital	31,991,672	31,991,672
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	-	△14,165
<b>Total deduction from unitholders' capital</b>	<b>-</b>	<b>△14,165</b>
<b>Unitholders' capital, net</b>	<b>31,991,672</b>	<b>31,977,506</b>
<b>Surplus</b>		
Retained earnings	33,755	1,186,054
<b>Total surplus</b>	<b>33,755</b>	<b>1,186,054</b>
<b>Total unitholders' equity</b>	<b>32,025,427</b>	<b>33,163,561</b>
<b>Valuation and translation adjustments</b>		
Deferred gain or (loss) on hedges	△13,883	△80,286
<b>Total valuation and translation adjustments</b>	<b>△13,883</b>	<b>△80,286</b>
<b>Total net assets</b>	<b>32,011,543</b>	<b>33,083,275</b>
<b>Total liabilities and net assets</b>	<b>69,578,099</b>	<b>69,523,801</b>

# February 2019 Period (2nd fiscal period) Statements of Income/ Statements of Cashflow






Statement of Income (Unit: JPY thousands)	1 <sup>st</sup> Period	2 <sup>nd</sup> Period
<b>Operating revenues</b>		
Rental revenues	345,244	1,969,097
Other rental revenues	32,185	160,250
<b>Total operating revenues</b>	<b>377,429</b>	<b>2,129,347</b>
<b>Operating expenses</b>		
Expenses related to property rental business	141,762	651,681
Asset management fee	2,707	112,685
Asset custody fee	4,893	12,828
Directors' compensation	1,600	2,400
Taxes and dues	16,585	1,977
Other operating expenses	9,287	35,995
<b>Total operating expenses</b>	<b>176,837</b>	<b>817,568</b>
<b>Operating income</b>	<b>200,592</b>	<b>1,311,778</b>
<b>Non-operating income</b>		
Interest income	6	18
Other	-	731
<b>Total non-operating income</b>	<b>6</b>	<b>749</b>
<b>Non-operating expenses</b>		
Interest expenses	15,025	82,035
Foundation expenses	2,753	-
Borrowing related expenses	142,910	44,718
Amortization of investment units issuance costs	4,272	12,816
<b>Total non-operating expenses</b>	<b>164,962</b>	<b>139,570</b>
<b>Ordinary income</b>	<b>35,637</b>	<b>1,172,957</b>
<b>Income before income taxes</b>	<b>35,637</b>	<b>1,172,957</b>
<b>Income taxes</b>		<b>942</b>
Income taxes-current	1,920	22
Income taxes-deferred	▲39	965
<b>Total income taxes</b>	<b>1,881</b>	<b>1,171,992</b>
<b>Net income</b>	<b>33,755</b>	<b>14,062</b>
Retained earnings brought forward	-	14,062
<b>Unappropriated retained earnings</b>	<b>33,755</b>	<b>1,186,054</b>

Statement of Cashflow (Unit: JPY thousands)	1 <sup>st</sup> Period	2 <sup>nd</sup> Period
<b>Cashflow from operating activities</b>		
Income before income taxes	35,637	1,172,957
Depreciation	78,392	240,391
Amortization of investment units issuance costs	4,272	12,816
Borrowing related expenses	136,596	-
Interest income	▲6	▲18
Interest expenses	15,025	82,035
Decrease (Increase) in operating accounts receivable	▲31,154	▲45,639
Decrease (Increase) in consumption tax receivable	▲1,389,734	1,389,734
Decrease (increase) in accrued consumption taxes	-	107,459
Decrease (Increase) in prepaid expenses	▲17,992	11,753
Decrease (Increase) in long-term prepaid expenses	▲14,706	37,859
Increase (Decrease) in operating accounts payable	113,150	893
Increase (Decrease) in accounts payable	13,924	115,432
Increase (Decrease) in advances received	16,041	7,466
Other, net	19,052	▲20,561
<b>Subtotal</b>	<b>▲1,021,502</b>	<b>3,112,581</b>
Interest income received	6	18
Interest expenses paid	▲1,054	▲84,152
Income taxes paid	▲0	▲1,922
<b>Net cash used in operating activities</b>	<b>▲1,022,552</b>	<b>3,026,524</b>
<b>Cashflow from investing activities</b>		
Purchase of property and equipment in trust	▲65,047,546	▲175,422
Purchase of property, intangible assets	-	▲5,500
Payment of tenant leasehold and security deposits	▲10,000	▲1,000
Proceeds from tenant leasehold and security deposits in trust	776,171	72,602
Payments of tenant leasehold and security deposits in trust	▲5,715	▲63,251
<b>Net cash used in investing activities</b>	<b>▲64,287,090</b>	<b>▲172,570</b>
<b>Cashflow from financing activities</b>		
Proceeds from short-term loans	4,582,849	-
Decrease in short-term loans payable	-	▲1,340,000
Proceeds from long-term loans	29,701,734	-
Proceeds from issuance of new units	31,917,583	-
Payments for investment unit issuance expenses	-	▲2,812
Dividends paid	-	▲33,555
<b>Net cash provided by financing activities</b>	<b>66,202,168</b>	<b>▲1,376,367</b>
<b>Net increase in cash and cash equivalents</b>	<b>892,525</b>	<b>1,477,586</b>
Cash and cash equivalents at beginning of period	-	892,525
<b>Cash and cash equivalents at end of period</b>	<b>892,525</b>	<b>2,370,111</b>



# Financial Summary by property

(Unit: JPY thousands)

Property name	O-01	O-02	O-03	O-04	O-05
	NT Building	Higashi-Ikebukuro Central Place	Nagoya Center Plaza Building	TTS Minami Aoyama Building	Omiya NSD Building
					
① Lease business revenue	335,202	250,223	202,537	89,009	114,422
Lease business revenue	308,615	231,521	174,429	85,678	106,260
Other lease business revenue	26,587	18,702	28,108	3,331	8,161
② Operating expenses from real estate leasing	61,126	38,816	57,101	10,376	26,625
Management fee	22,889	21,363	25,820	6,073	15,727
Utilities expenses	29,625	15,283	25,056	3,299	7,543
Insurance premium	513	302	464	63	160
Repair expenses	7,657	1,356	5,041	528	2,848
Trust fee	400	375	300	375	300
Other expenses	41	136	418	35	45
③ NOI(①-②)	274,075	211,406	145,436	78,633	87,796
④ Depreciation	33,960	23,443	18,163	3,599	6,560
⑤ Operating income (loss) from real estate leasing (③-④)	240,114	187,962	127,273	75,034	81,235
⑥ Acquisition price	12,350,000	9,780,000	4,870,000	4,090,000	3,493,000
⑦ NOI yield	4.5%	4.4%	6.0%	3.9%	5.1%

(Note1) NOI Yield = Net Operating Income ÷ Acquisition price × 365/Number of operation days (181 days)

(Note2) Since property tax and city planning tax in 2<sup>nd</sup> fiscal period are capitalized in book value, NOI in 2<sup>nd</sup> fiscal period is larger than NOI in 3<sup>rd</sup> fiscal period, in which those tax are booked as expenses.

# Financial Summary by property

(Unit: JPY thousands)






Property name	O-06 SAMTY Shin-Osaka Center Building	O-07 Hakata Gion Building	O-08 Chuo Bakuromachi Building	O-09 L.Biz Jimbocho	O-10 Shinsaibashi Building
					
① Lease business revenue	112,847	84,491	65,405	26,925	31,806
Lease business revenue	103,407	77,172	56,210	26,527	27,268
Other lease business revenue	9,440	7,319	9,194	398	4,538
② Operating expenses from real estate leasing	21,264	15,166	14,717	2,193	8,907
Management fee	10,258	7,421	6,569	1,757	3,978
Utilities expenses	9,426	6,808	5,902	0	3,646
Insurance premium	186	138	145	25	71
Repair expenses	974	372	1,669	97	781
Trust fee	400	400	400	300	400
Other expenses	18	25	30	12	30
③ NOI(①-②)	91,582	69,325	50,688	24,731	22,899
④ Depreciation	10,847	11,273	3,578	2,548	2,694
⑤ Operating income (loss) from real estate leasing (③-④)	80,735	58,052	47,110	22,183	20,204
⑥ Acquisition price	3,450,000	2,500,000	1,485,000	1,006,000	772,000
⑦ NOI yield	5.4%	5.6%	6.9%	5.0%	6.0%

(Note1) NOI Yield = Net Operating Income ÷ Acquisition price × 365/Number of operation days (181 days)

(Note2) Since property tax and city planning tax in 2<sup>nd</sup> fiscal period are capitalized in book value, NOI in 2<sup>nd</sup> fiscal period is larger than NOI in 3<sup>rd</sup> fiscal period, in which those tax are booked as expenses.

# Financial Summary by property

(Unit: JPY thousands)

Property name	O-11	O-12	O-13	O-14	O-15
	L.Biz Sendai (former MB Odakyu Building)	Sendai Nikko Building	Morioka Ekimae-dori Building	Nagano Central Building	EME Koriyama Building
					
① Lease business revenue	67,379	67,305	82,147	50,006	52,969
Lease business revenue	59,308	61,510	76,522	46,069	49,741
Other lease business revenue	8,070	5,794	5,625	3,937	3,228
② Operating expenses from real estate leasing	15,921	12,785	23,570	13,856	18,161
Management fee	8,600	5,842	11,166	7,496	7,976
Utilities expenses	5,980	6,203	9,715	4,607	7,391
Insurance premium	148	115	202	143	123
Repair expenses	707	0	2,070	1,287	2,355
Trust fee	300	450	375	300	300
Other expenses	184	174	39	21	14
③ NOI(①-②)	51,457	54,519	58,577	36,150	34,807
④ Depreciation	8,695	5,466	14,364	7,942	8,723
⑤ Operating income (loss) from real estate leasing (③-④)	42,761	49,053	44,212	28,207	26,083
⑥ Acquisition price	1,680,000	1,740,000	1,480,000	898,000	900,000
⑦ NOI yield	6.2%	6.3%	8.0%	8.1%	7.8%

(Note1) NOI Yield = Net Operating Income ÷ Acquisition price × 365/Number of operation days (181 days)

(Note2) Since property tax and city planning tax in 2<sup>nd</sup> fiscal period are capitalized in book value, NOI in 2<sup>nd</sup> fiscal period is larger than NOI in 3<sup>rd</sup> fiscal period, in which those tax are booked as expenses.

# Financial Summary by property

(Unit: JPY thousands)

Property name	O-16	O-17	R-01	R-02	R-03
	Utsunomiya Central Building	Yamagata Ekimae-dori Building	Amare Tokaidori	Dormy Ukimafunado	Benefis Hakata-Minami Grand Suite
					
① Lease business revenue	48,040	40,281	38,501	31,847	35,322
Lease business revenue	44,599	34,761	37,609	31,836	34,272
Other lease business revenue	3,441	5,519	891	11	1,049
② Operating expenses from real estate leasing	12,264	14,135	6,029	2,234	5,492
Management fee	7,330	7,145	3,599	322	3,049
Utilities expenses	4,276	6,295	306	0	352
Insurance premium	125	116	77	58	73
Repair expenses	215	264	1,580	1,541	1,692
Trust fee	300	300	300	300	300
Other expenses	16	14	165	11	24
③ NOI(①-②)	35,776	26,145	32,471	29,613	29,829
④ Depreciation	5,985	5,877	8,647	2,631	6,674
⑤ Operating income (loss) from real estate leasing (③-④)	29,790	20,268	23,824	26,981	23,155
⑥ Acquisition price	771,000	600,000	1,100,000	1,080,000	1,032,000
⑦ NOI yield	9.4%	8.8%	6.0%	5.5%	5.8%

(Note1) NOI Yield = Net Operating Income ÷ Acquisition price × 365/Number of operation days (181 days)

(Note2) Since property tax and city planning tax in 2<sup>nd</sup> fiscal period are capitalized in book value, NOI in 2<sup>nd</sup> fiscal period is larger than NOI in 3<sup>rd</sup> fiscal period, in which those tax are booked as expenses.



# Financial Summary by property

(Unit: JPY thousands)

Property name	R-04 LUXENA HIGASHI-KOENJI	R-05 Alpha Space Toritsudai	R-06 J City Hatchobori	H-01 Dormy Inn Matsuyama	H-02 Hotel Sunshine Utsunomiya
					
① Lease business revenue	29,839	17,514	42,428	76,500	64,263
Lease business revenue	28,739	17,424	40,920	76,500	64,263
Other lease business revenue	1,099	90	1,508	0	0
② Operating expenses from real estate leasing	8,228	2,859	6,703	2,390	4,626
Management fee	4,585	1,845	4,822	765	808
Utilities expenses	281	349	580	1,168	0
Insurance premium	38	28	74	142	159
Repair expenses	3,007	207	911	0	3,233
Trust fee	300	375	300	300	400
Other expenses	14	53	14	14	24
③ NOI(①-②)	21,611	14,655	35,725	74,109	59,637
④ Depreciation	3,419	1,167	4,717	19,220	11,748
⑤ Operating income (loss) from real estate leasing (③-④)	18,191	13,487	31,007	54,888	47,888
⑥ Acquisition price	1,060,000	589,000	1,200,000	2,427,000	2,000,000
⑦ NOI yield	4.1%	5.0%	6.0%	6.2%	6.0%

(Note1) NOI Yield = Net Operating Income ÷ Acquisition price × 365/Number of operation days (181 days)

(Note2) Since property tax and city planning tax in 2<sup>nd</sup> fiscal period are capitalized in book value, NOI in 2<sup>nd</sup> fiscal period is larger than NOI in 3<sup>rd</sup> fiscal period, in which those tax are booked as expenses.

# Financial Summary by property

(Unit: JPY thousands)

Property name	C-01	C-02
	Prio Daimyo II	Co-op Sapporo Shunko
		
① Lease business revenue	30,366	41,760
Lease business revenue	26,167	41,760
Other lease business revenue	4,199	0
② Operating expenses from real estate leasing	4,985	1,023
Management fee	1,271	417
Utilities expenses	3,237	0
Insurance premium	18	95
Repair expenses	25	197
Trust fee	400	300
Other expenses	32	12
③ NOI(①-②)	25,381	40,736
④ Depreciation	1,102	7,059
⑤ Operating income (loss) from real estate leasing (③-④)	24,278	33,676
⑥ Acquisition price	980,000	1,036,000
⑦ NOI yield	5.2%	7.9%

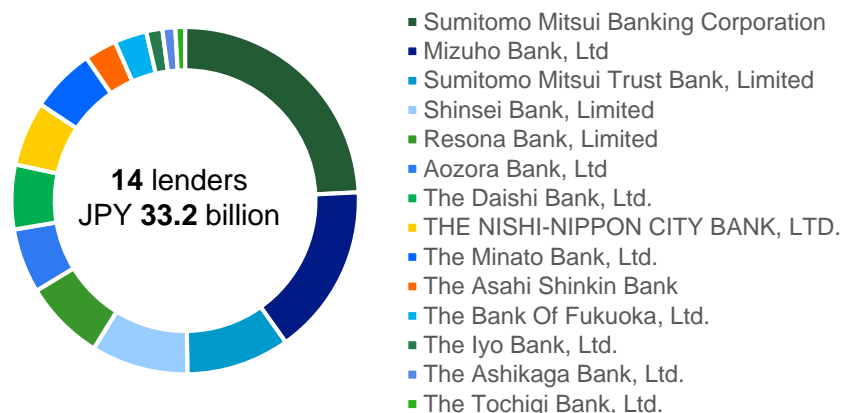
(Note1) NOI Yield = Net Operating Income ÷ Acquisition price × 365/Number of operation days (181 days)

(Note2) Since property tax and city planning tax in 2<sup>nd</sup> fiscal period are capitalized in book value, NOI in 2<sup>nd</sup> fiscal period is larger than NOI in 3<sup>rd</sup> fiscal period, in which those tax are booked as expenses.



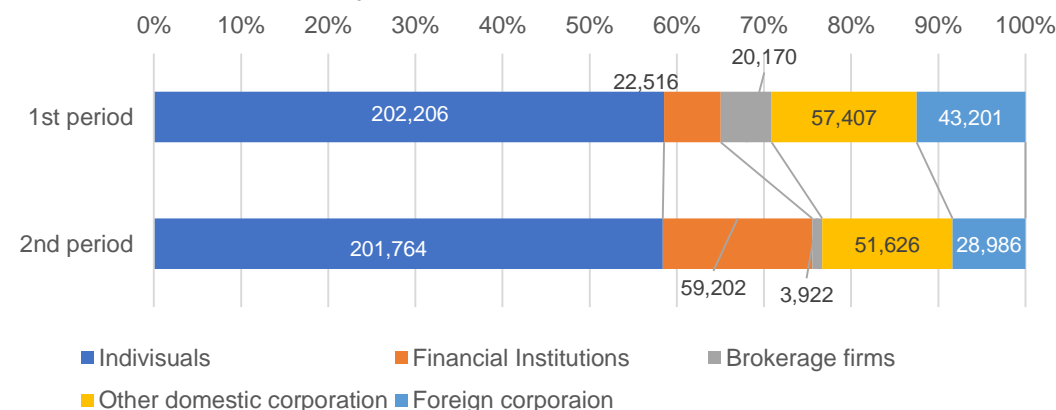
# Lender Formation and Unitholders' Composition

## Lender Formation



Lender	Balance (JPY million)
Sumitomo Mitsui Banking Corporation	8,060
Mizuho Bank, Ltd	5,300
Sumitomo Mitsui Trust Bank, Limited	3,200
Shinsei Bank, Limited	3,000
Resona Bank, Limited	2,500
Aozora Bank, Ltd	2,000
The Daishi Bank, Ltd.	2,000
THE NISHI-NIPPON CITY BANK, LTD.	2,000
The Minato Bank, Ltd.	2,000
The Asahi Shinkin Bank	1,000
The Bank Of Fukuoka, Ltd.	1,000
The Iyo Bank, Ltd.	500
The Ashikaga Bank, Ltd.	400
The Tochigi Bank, Ltd.	300
Total	33,260

## Breakdown by units



## Major Unitholders (Top 10)

	Name	Units Owned	% of units issued
1	Takara Leben Co., Ltd.	18,700	5.4
2	The Master Trust Bank of Japan (Trust Account)	17,089	4.9
3	Japan Trustee Services Bank, Ltd. (Trust Account)	12,683	3.6
4	PAG JREIT CO-INVEST LIMITED	10,400	3.0
5	The Nomura Trust and Banking Co., Ltd. (Trust Account)	6,688	1.9
6	JP MORGAN CHASE BANK 385751	6,310	1.8
7	Kinki Sangyo Credit Union	5,590	1.6
8	Leben Community Co., Ltd.	5,200	1.5
9	THE BANK OF NEW YORK 134088	5,142	1.4
10	Trust & Custody Services Bank, Ltd (Trust Account)	4,355	1.2

## Environment

- Completed LED constructions (2<sup>nd</sup> period: 7 projects)
- Started to obtain environmental certifications
- Hearing with some tenants on green lease agreement
- Participate GRESB real estate certification in 2019



## Social

- Installation of free footbath in Dormy Inn Matsuyama
- Promote diversity (women managers accounts for 18%)
- Organized BCP rules within asset management company
- Performed employee satisfaction survey with Takara Leben



## Governance

- Same-boat investments by sponsors
- Comply with related-party transaction rules
- Organized sustainability internal rules
- Performed continuous training to all officers and employee on compliance, sustainability

Total  
approximately  
**10.6%**

Takara Leben Group  
approximately 6.9%

PAG  
approximately 3.4%

Yamada Denki  
approximately 0.3%

## Disclosure/Public Communication

- IR activities
  - One on one meeting 24 institutional investors
  - Individual investors: Participate 6 forums
- Communicate with main tenants regularly
- Issued CSR reports by Takara Leben



Benchmarks	1 <sup>st</sup> period	2 <sup>nd</sup> period
Number of days of period	33	181
NOI (JPY million)	314	1,717
FFO (Funds from Operation/JPY million)	112	1,412
FFO per unit (JPY)	324	4,087
Interest-bearing debt (JPY million)	34,600	33,260
Interest-bearing debt to total asset (%)	49.7	47.8
Loan to appraisal value (%)	50.7	48.0
Net Asset Value per unit (JPY)	101,345	104,710

(Note)

NOI = Operating revenues – Operating expenses + Depreciation

FFO = Net income + Depreciation ± Loss (gain) on disposal of asset

FFO per unit = FFO ÷ The number of units outstanding at the end of period

Interest-bearing debt to total asset (LTV) = The balance of interest-bearing-debt at the end of period ÷ Total asset at the end of period × 100

Loan to appraisal value = Interest-bearing-debt at the end of period ÷ Total appraisal value of real estate × 100

Net Asset Value per unit = (Book value of net asset at the end of period – total amount paid of dividend + Total appraisal value of real estate – Book value of real estate) ÷ The number of unit outstanding at the end of period



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