

(REIT) Financial Report for Fiscal Period Ended February 28, 2019**April 12, 2019**

REIT Securities Issuer: Takara Leben Real Estate Investment Corporation
 Securities Code: 3492
 Representative: Masayuki Ishihara, Executive Director
 Asset Management Company Representative: Takara PAG Real Estate Advisory Ltd. Tetsuo Funamoto, President
 Contact: Tetsu Kasuga, Director and CFO
 TEL 03-6435-5264

Stock Exchange Listing: Tokyo Stock Exchange
 URL: <https://takara-reit.co.jp/>

Scheduled date of commencement of cash distribution payment: May 24, 2019
 Scheduled date of submission of securities report: May 29, 2019
 Preparation of supplementary financial results briefing materials: Yes
 Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Financial Results for Fiscal Period Ended February 28, 2019 (from September 1, 2018 to February 28, 2019)**(1) Operating Results**

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Ended February 28, 2019	2,129	464.2	1,311	554.0	1,172	-	1,171	-
Ended August 31, 2018	377	-	200	-	35	-	33	-

Fiscal period	Net income per unit	Return on unitholders' equity	Ordinary income to total assets	Ordinary income to operating revenues
	yen	%	%	%
Ended February 28, 2019	3,392	3.6	1.7	55.1
Ended August 31, 2018	903	0.1	0.1	9.4

(Note1) The number of days for the Fiscal Period ended August 31, 2018 is 355 days from September 11, 2017 but the actual asset management period is 33 days from July 30, 2018 to August 31, 2018.

(Note2) We conducted a 10-for-1 unit split on April 21, 2018.

(Note3) Net income per unit for the Fiscal Period ended August 31, 2018 is calculated by dividing net income by daily weighted average number of investment units (37,353 units). Also, assuming that the beginning of the period is July 30, 2018 which is the commencement of actual asset management, net income per unit for this period is 97 yen using 345,500 units as the weighted average number of units.

(Note4) Regarding the Return on unitholders' equity and Ordinary income to total assets, the balance of unitholders' equity and total assets for the Fiscal Period ended August 31, 2018 are used with the average balance of July 30, 2018, actual commencement date of asset management and August 31, 2018, end of the period.

(Note5) Percentage figures for Operating Revenue, Operating Income, Ordinary Income and Net Income indicate period-on-period changes. However, no percentage figure is shown since the fiscal period ended August 31, 2018 is the first fiscal period.

(2) Distribution

Fiscal period	Distribution s per unit (not including cash distribution in excess of earnings)	Total distribution (not including cash distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distribution in excess of earnings	Distribution per unit (including distribution in excess of earnings)	Total distribution (including distribution in excess of earnings)	Distribution payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
Ended February 28, 2019	3,200	1,105	198	68	3,398	1,174	94.3	3.4
Ended August 31, 2018	57	19	41	14	98	33	58.3	0.1

(Note 1) Distributions in excess of earnings per unit, consist only of allowance for temporary difference adjustment. There is no distribution under tax law resulting in a decrease of investment capital.

(Note 2) For the fiscal period ended August 31, 2018 of distribution payout ratio is calculated by the following formula due to changes in the number of investment units during the period following issuance of new investment units during the period:

$$\text{Distribution payout ratio} = \text{Total distribution (not including distribution in excess of earnings)} \div \text{Net income} \times 100$$

Distribution payout ratio is 100.3% using the Total distribution (including distributions in excess earnings).

(Note 3) For the fiscal period ended August 31, 2018 of ratio of distribution to net assets is calculated based on the weighted average net assets per unit with the actual asset management period commencement date July 30, 2018 deemed as the beginning of the period.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
Ended February 28, 2019	69,523	33,083	47.6	95,754
Ended August 31, 2018	69,578	32,011	46.0	92,652

(4) Cash Flows

Fiscal period	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 the end of the period
	million yen	million yen	million yen	million yen
Ended February 28, 2019	3,022	△168	△1,376	2,370
Ended August 31, 2018	△1,022	△64,287	66,202	892

2. Forecasts of Financial Results for Fiscal Periods August 31, 2019 (from March 1, 2019 to August 31, 2019) and February 29, 2020 (from September 1, 2019 to February 29, 2020)

(% figures are the rate of period-on-period increase (decrease))

Fiscal period	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (not including distribution in excess of earnings)	Distribution in excess of earnings per unit	Distribution per unit (including distribution in excess of earnings)
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	million yen
Ending August 31, 2019	2,128	△0.0	1,186	△9.6	1,044	△10.9	1,043	△11.0	3,014	6	3,020
Ending February 29, 2020	2,130	0.1	1,198	1.1	1,054	1.0	1,053	1.0	3,044	6	3,050

(Reference) Forecast net income per unit (fiscal period ending August 31, 2019) 3,020 yen

Forecast net income per unit (fiscal period ending February 29, 2020) 3,049 yen

*Distributions in excess of earnings per unit consist only of the allowance for temporary difference adjustment. There is no distribution under tax law resulting in a decrease of investment capital

* Other

(1) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

- ① Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- ② Changes in accounting policies other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatement: No

(2) Total Number of Investment Units Issued and Outstanding

- ① Total number of investment units issued and outstanding (including treasury units) at the end of the period |
 - Fiscal Period Ending February 28, 2019 : 345,500 units
 - Fiscal Period Ending August 31, 2019 : 345,500 units
- ② Number of treasury units at the end of the period
 - Fiscal Period Ending February 28, 2019 : 0 units
 - Fiscal Period Ending August 31, 2019 : 0 units

(Note) For the number of investment units serving as the basis for calculation of net income per unit, please see "Notes on Per Unit Information" on page 28.

(3) Rounding processing

Unless otherwise specified in this document, numerical values such as monetary amounts are rounded down to the nearest unit and figures are rounded off to the second decimal place.

*Presentation of Status of Implementation of Audit Procedures

At the time of disclosure of this financial result, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act have not been completed.

*Explanation of Appropriate Use of Forecasts of Financial Results, and Other Matters of Special Note

(Note to forward-looking statements)

This document contains forecasts and other forward-looking statements based on the information currently available and on certain assumptions judged as rational by Takara Leben Real Estate Investment Corporation (hereafter referred to as “Investment Corporation”), and the actual operating results and so on may differ significantly from that anticipated by Investment Corporation due to various factors. Moreover, the forecasts are not intended to guarantee any amount of distribution and distribution in excess of earning. For notes regarding assumptions underlying these forecasts, please refer to “Assumptions for the Forecasts of Financial Results for the Fiscal Periods August 31, 2019 and February 29, 2020.” on page 4.

Assumptions for the Forecasts of Financial Results for the Fiscal Periods Ending
August 31, 2019 and February 29, 2020

Item	Assumptions																											
Calculation period	<ul style="list-style-type: none">• The third fiscal period: March 1, 2019 to August 31, 2019 (184 days)• The fourth fiscal period: September 1, 2019 to February 29, 220 (182 days)																											
Property portfolio	<ul style="list-style-type: none">• It is assumed that there will be no changes (acquisition of new asset, disposal of property portfolio, etc.) in beneficiary right in trust assets mainly of real estate and real estate held by the Investment Corporation (28 properties) as of the date of this document (referred to as the “Existing Properties” hereinafter in these assumptions)• In practice, however, changes may arise with acquisitions or disposal of assets other than Existing Properties.																											
Operating revenues	<ul style="list-style-type: none">• Operating revenues from the Existing Properties are based on the expected occupancy rate and the expected rent fluctuations, in turn based on the assumptions of tenant fluctuation and rent level, the contents of lease agreement that are effective as of the date of this document.• Forecasts are based on the assumption that there will be no delay in payment of rent or non-payments by the tenant.																											
Operating expenses	<div><div><div><div></div><div></div><div></div></div><div><div>(millions of yen unless otherwise noted)</div><div>Fiscal period ending August 31, 2019 (the third fiscal period)</div><div>Fiscal period ending February 29, 2020 (the second fiscal period)</div></div></div><table><tr><td>Property-related expenses total</td><td>788</td><td>772</td></tr><tr><td>Subcontract expenses</td><td>199</td><td>164</td></tr><tr><td>(Maintenance expenses)</td><td>119</td><td>119</td></tr><tr><td>(Property management fee)</td><td>37</td><td>37</td></tr><tr><td>Repair expenses</td><td>18</td><td>36</td></tr><tr><td>Tax and dues</td><td>165</td><td>165</td></tr><tr><td>Depreciation</td><td>240</td><td>240</td></tr><tr><td>Non-property-related expenses total</td><td>153</td><td>159</td></tr><tr><td>Asset management fees</td><td>106</td><td>106</td></tr></table><ul style="list-style-type: none">• The main operating expenses are as follows:• Property-related expenses of the Existing Properties and constituting major operating expenses, other than depreciation are calculated based on historical data and these costs reflect expected fluctuations.• Depreciation expenses are calculated using the straight-line depreciation method, including certain ancillary expenses.• With respect to property tax, planning tax, etc. on real estate held by the Investment Corporation of the tax amount assessed and determined, the amount corresponding to the relevant calculation period is recognized as rental expenses. However, if real estate or other assets were newly acquired and an adjusted amount of property tax, etc., for the year to which the calculation period belongs (the “amount equivalent to property tax, etc.”) arises between the Investment Corporation and the seller, the relevant adjusted amount is capitalized as part of the acquisition cost of the real estate, etc. in question. According for the Existing Properties, no amount will be recognized as a tax expense for the second fiscal period.• As for repair expenses, the amount assumed as necessary for each property is based on the repair plan of the Asset Management Company, for each fiscal period. However, the repair expenses may be substantially different from the expected amount due to certain unexpected factors.</div>	Property-related expenses total	788	772	Subcontract expenses	199	164	(Maintenance expenses)	119	119	(Property management fee)	37	37	Repair expenses	18	36	Tax and dues	165	165	Depreciation	240	240	Non-property-related expenses total	153	159	Asset management fees	106	106
Property-related expenses total	788	772																										
Subcontract expenses	199	164																										
(Maintenance expenses)	119	119																										
(Property management fee)	37	37																										
Repair expenses	18	36																										
Tax and dues	165	165																										
Depreciation	240	240																										
Non-property-related expenses total	153	159																										
Asset management fees	106	106																										
Non-operating expenses	<ul style="list-style-type: none">• The costs to issue and list the new investment units will be amortized on a monthly basis over three years from the time they are incurred, 12 million yen, and 12 million yen are expected for the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively.• For interest expenses and other borrowing-related costs, 128 million yen, and 131 million yen are expected for the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively.																											

Interest-bearing debt	<ul style="list-style-type: none"> • It is assumed that the total amount of interest-bearing debt will be 33,260 million yen, and 33,260 million yen as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. • • The LTV ratio is expected to be around 47.8%, and 47.8% as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. • The LTV ratio is calculated using the following formula: $\text{LTV ratio} = \text{Total amount of interest-bearing debt as of the end of the fiscal period} / \text{Total assets as of the end of the fiscal period} \times 100$
Investment units	<ul style="list-style-type: none"> • It is assumed that, there will be no change in the number of investment units issued outstanding as of today (345,500) due to the issuance of new investment units or otherwise by the end of the fiscal period ending February 29, 2020 (the fourth fiscal period).
Distributions per unit (excluding excess of earnings per unit)	<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 Investment Corporation's Articles of Incorporation. • Actual distributions per unit (excluding distributions in excess of earnings) may fluctuate due to various factors including changes in rental revenues, changes in investment assets and tenants, and unexpected repairs and other factors.
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> • Allowance for temporary difference adjustment of 2,073,000 yen is expected to book concerning the difference between net income and taxable income associated with recording of asset retirement obligation as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. It is assumed that the distribution in excess of earnings per unit will be 6 yen, and 6 yen as of the end of the fiscal periods ending August 31, 2019 (the third fiscal period), and February 29, 2020 (the fourth fiscal period), respectively. • It is assumed that no deferred losses on hedges will be incurred, which is an item of deduction from net assets, as described above. • In addition, of distribution in excess of earnings, that falling under the category of distribution under tax law resulting in a decrease of investment capital is not scheduled at this point.
Other	<ul style="list-style-type: none"> • It is assumed that there will be no change in laws and regulations, the taxation system, accounting standards, the Securities Listing Regulations of the Tokyo Stock Exchange, or the rules of the Investment Trust Association, Japan, etc. that could affect the above forecasts. • It is assumed that there will be no unexpected significant change in general economic trends, real estate market conditions, etc.

3. Financial Statements

(1) Balance Sheets

(Unit: thousand yen)

	1st fiscal period (As of August 31, 2018)	2nd fiscal period (As of February 28, 2019)
Assets		
Current assets		
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
Total current assets	4,194,819	4,352,074
Fixed assets		
Property and equipment		
Buildings in trust	16,950,478	17,007,976
Accumulated depreciation	△78,314	△318,008
Buildings 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
Land in trust	48,291,144	48,291,144
Construction in progress in trust	-	10,692
Total property and equipment	65,183,822	65,016,742
Intangible assets		
Software	-	5,225
Total intangible assets	-	5,225
Investments and other assets		
Long-term prepaid expenses	116,780	78,921
Deferred tax assets	39	16
Security deposits	10,000	11,000
Other assets	10	10
Total investments and other assets	126,830	89,947
Total fixed assets	65,310,652	65,111,915
Deferred assets		
Investment unit issuance costs	72,627	59,811
Total deferred assets	72,627	59,811
Total assets	69,578,099	69,523,801

(Unit: thousand yen)

	1st fiscal period (As of August 31, 2018)	2nd fiscal period (As of February 28, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	247,759	133,538
Short-term loans	4,600,000	3,260,000
Accounts payable	16,746	129,366
Accrued expenses	13,970	11,853
Income tax payable	1,919	939
Accrued consumption taxes	-	107,459
Advances received	16,041	23,507
Other current liabilities	22,770	632
Total current liabilities	4,919,207	3,667,298
Non-current liabilities		
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
Derivative liabilities	13,883	80,286
Total non-current liabilities	32,647,348	32,773,227
Total liabilities	37,566,555	36,440,526
Net assets		
Unitholders' equity		
Unitholders' capital	31,991,672	31,991,672
Deduction from unitholders' capital		
Allowance for temporary difference adjustment	-	※ 1 △14,165
Total deduction from unitholders' capital	-	△14,165
Unitholders' capital, net	31,991,672	31,977,506
Surplus		
Retained earnings	33,755	1,186,054
Total surplus	33,755	1,186,054
Total unitholders' equity	32,025,427	33,163,561
Valuation and translation adjustments		
Deferred gains or losses on hedges	△13,883	△80,286
Total valuation and translation adjustments	△13,883	△80,286
Total net assets	※ 2 32,011,543	※ 2 33,083,275
Total liabilities and net assets	69,578,099	69,523,801

(2) Statements of Income

(Unit: thousand yen)

	1st fiscal period From: Sep 11,2017 To: August 31, 2018	2nd fiscal period From: Sep 1,2018 To: February 28, 2019
Operating revenues		
Rental revenue	※ 1 345,244	※ 1 1,969,097
Other rental revenue	※ 1 32,185	※ 1 160,250
Total operating revenue	377,429	2,129,347
Operating expenses		
Expenses related to property rental business	※ 1 141,762	※ 1 651,681
Asset management fee	2,707	112,685
Asset custody and administrative service fees	4,893	12,828
Directors' compensations	1,600	2,400
Taxes and dues	16,585	1,977
Other operating expenses	9,287	35,995
Total operating expenses	176,837	817,568
Operating income	200,592	1,311,778
Non-operating income		
Interest income	6	18
Interest on refund of consumption taxes	-	731
Total non-operating income	6	749
Non-operating expenses		
Interest expenses	15,025	82,035
Foundation expenses	2,753	-
Borrowing related expenses	142,910	44,718
Amortization of investment unit issuance costs	4,272	12,816
Total non-operating expenses	164,962	139,570
Ordinary income	35,637	1,172,957
Income before income taxes	35,637	1,172,957
Income taxes - current	1,920	942
Income taxes - deferred	△39	22
Total income taxes	1,881	965
Net income	33,755	1,171,992
Retained earnings brought forward	-	14,062
Unappropriated retained earnings	33,755	1,186,054

(3) Statements of Unitholders' Equity

1st fiscal period (from September 11, 2017 to August 31, 2018)

(Unit: thousand yen)

	Unitholders' equity				Valuation and translation adjustments		Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Retained earnings	Total surplus				
Balance at the beginning of the period	-	-	-	-	-	-	-
Changes during the period							
Issuance of new investment units	31,991,672			31,991,672			31,991,672
Net income		33,755	33,755	33,755			33,755
Net changes of items other than unitholders' equity					△13,883	△13,883	△13,883
Total changes during the period	31,991,672	33,755	33,755	32,025,427	△13,883	△13,883	32,011,543
Balance at the end of the period	※ 1 31,991,672	33,755	33,755	32,025,427	△13,883	△13,883	32,011,543

2nd fiscal period (from September 1, 2018 to February 28, 2019)

(Unit: thousand yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Unitholders' capital, net
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Deferred gains or losses on hedges	Total valuation and translation adjustments	
		Allowance for temporary difference adjustment	Total capital deduction				
Balance at the beginning of the period	31,991,672	-	-	31,991,672	33,755	33,755	32,025,427
Changes during the period							
Dividends of surplus					△19,693	△19,693	△19,693
Excess profit distribution by provision for temporary difference adjustment		△14,165	△14,165	△14,165			△14,165
Net income					1,171,992	1,171,992	1,171,992
Net changes of items other than unitholders' equity							
Total changes during the period	-	△14,165	△14,165	△14,165	1,152,299	1,152,299	1,138,133
Balance at the end of the period	※ 1 31,991,672	△14,165	△14,165	31,977,506	1,186,054	1,186,054	33,163,561

(Unit: thousand yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of the period	△13,883	△13,883	32,011,543
Changes during the period			
Dividends of surplus			△19,693
Excess profit distribution by provision for temporary difference adjustment			△14,165
Net income			1,171,992
Net changes of items other than unitholders' equity	△66,402	△66,402	△66,402
Total changes during the period	△66,402	△66,402	1,071,731
Balance at the end of the period	△80,286	△80,286	33,083,275

(4) Statements of Cash Distribution

(Unit: yen)

Category	1st fiscal period From: Sep 11,2017 To: August 31, 2018	2nd fiscal period From: Sep 1,2018 To: February 28, 2019
I Unappropriated retained earning	33,755,504	1,186,054,670
II Addition of cash distribution in excess of earnings	14,165,500	68,409,000
Of which, allowance for temporary difference adjustment	14,165,500	68,409,000
III Cash distribution	33,859,000	1,174,009,000
[Cash distribution per unit]	(98)	(3,398)
Of which, cash distribution of earnings	19,693,500	1,105,600,000
[Of which, cash distribution of earnings per unit]	(57)	(3,200)
Of which, allowance for temporary difference adjustment	14,165,500	68,409,000
[Of which, cash distribution in excess of earnings per unit (attributable to allowance for temporary difference adjustment)]	(41)	(198)
IV Retained earnings carried forward	14,062,004	80,454,670
Method of calculation of amount of cash distribution	<p>Cash distributions declared ended August 31, 2018 were 19,693,500yen. In accordance with the distribution policy in Article 36, Paragraph 1, Item 1 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, profit distributions (do not include distributions in excess of earnings) declared ended August 31, 2018 were 19,693,500yen which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan), except for fractional distribution per unit less than one yen.</p> <p>In addition, the Investment Corporation makes distributions in excess of earnings considering an effect of differences between net income and taxable income (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) and items deducted from net assets (as defined</p>	<p>Cash distributions declared for the six months ended February 28, 2019 were 1,105,600,000yen. In accordance with the distribution policy in Article 36, Paragraph 1, Item 1 of the Investment Corporation's articles of incorporation which stipulates making distributions in excess of 90% of distributable profit as defined in Article 67-15, Paragraph 1 of the Special Taxation Measures Act of Japan for the fiscal period, profit distributions (do not include distributions in excess of earnings) declared for the eleven months ended February 28, 2019 were 1,105,600,000yen which were all of profit as defined in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan after deduction of reversal of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan), except for fractional distribution per unit less than one yen.</p> <p>In addition, the Investment Corporation makes distributions in excess of earnings considering an effect of differences between net income and taxable income (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan) and</p>

	<p>in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporation of Japan) in accordance with the policy for the distributions in excess of earnings prescribed in the article of incorporation 36, Paragraph 1, Item 2. Distributions in excess of earnings for the eleven months ended August 31, 2018 were amounting to 14,165,500yen which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of earnings less than one yen. All of the distributions in excess of earnings for the eleven months ended August 31, 2018 amounting to 14,165,500yen consist only of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). Unit capital refund from deduction of unit capital under tax rules is not included.</p>	<p>items deducted from net assets (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporation of Japan) in accordance with the policy for the distributions in excess of earnings prescribed in the article of incorporation 36, Paragraph 1, Item 2. Distributions in excess of earnings for the eleven months ended February 28, 2019 were amounting to 68,409,000yen which were corresponding to differences between net income and taxable income for the period, except for fractional distribution per unit in excess of earnings less than one yen. All of the distributions in excess of earnings for the eleven months ended February 28, 2019 amounting to 68,409,000yen consist only of allowance for temporary difference adjustment (as defined in Article 2, Paragraph 2, Item 30 of the Ordinance on Accountings of Investment Corporations of Japan). Unit capital refund from deduction of unit capital under tax rules is not included.</p>
--	---	--

(5) Statements of Cash Flow

(Unit: thousand yen)

	1st fiscal period From: Sep 11,2017 To: August 31, 2018	2nd fiscal period From: Sep 1,2018 To: February 28, 2019
Cash flows from operating activities		
Income before income taxes	35,637	1,172,957
Depreciation	78,392	240,391
Amortization of investment unit issuance costs	4,272	12,816
Borrowing related expenses	136,596	40,255
Interest income	△6	△18
Interest expenses	15,025	82,035
Decrease (increase) in operating accounts receivable	△31,154	△43,557
Decrease (increase) in consumption taxes receivable	△1,389,734	1,389,734
Decrease (increase) in accrued consumption taxes	-	107,459
Decrease (increase) in prepaid expenses	△17,992	5,523
Decrease (increase) in long-term prepaid expenses	△14,706	3,834
Increase (decrease) in operating accounts payable	113,150	△5,424
Increase (decrease) in accounts payable	13,924	115,432
Increase (decrease) in advances received	16,041	7,466
Other, net	19,052	△20,561
Subtotal	△1,021,502	3,108,346
Interest income received	6	18
Interest expenses paid	△1,054	△84,152
Income taxes paid	△0	△1,922
Net cash used in operating activities	△1,022,552	3,022,289
Cash flows from investing activities		
Purchase of property, plant and equipment in trust	△65,047,546	△175,422
Purchase of property, intangible assets	-	△5,500
Payments of tenant leasehold and security deposits	△10,000	△1,000
Repayments of tenant leasehold and security deposits in trust	776,171	37,363
Proceeds from tenant leasehold and security deposits in trust	△5,715	△23,777
Net cash used in investing activities	△64,287,090	△168,335
Cash flows from financing activities		
Increase in short-term loans	4,582,849	-
Repayment of short-term loans payable	-	△1,340,000
Proceeds from long-term loans	29,701,734	-
Proceeds from issuance of investment units	31,917,583	-
Payments for investment unit issuance expenses	-	△2,812
Dividends paid	-	△33,555
Net cash provided by financing activities	66,202,168	△1,376,367
Net increase in cash and cash equivalents	892,525	1,477,586
Cash and cash equivalents at beginning of period	-	892,525
Cash and cash equivalents at end of period	※ 1 892,525	※ 1 2,370,111

(6) Notes on the Going Concern Assumption

Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of non-current assets	<p>(1) Property and equipment (including property and equipment in trust) The straight-line method is adopted. The useful life of primary property and equipment is as follows: Buildings 5~65 years Structures 37~55 years Tools, furniture and fixtures 4~6 years</p> <p>(2) Intangible assets The straight-line method is adopted. The useful life of primary intangible assets is as follows: Software 5 years</p> <p>(3) Long-term prepaid expenses The straight-line method is adopted.</p>
2. Accounting for deferred assets	<p>(1) Foundation expenses The entire amount is expensed as incurred.</p> <p>(2) Amortization of investment unit issuance expenses Investment unit issuance expenses are amortized equally over three years.</p>
3. Standards for revenue and expense recognition	<p>Accounting for fixed property tax, etc Accounting for fixed property tax, city planning tax, depreciable asset tax, etc. ("fixed property tax, etc.") on real estate or beneficiary interest in trust for real estate held is that, of the tax amount assessed and determined, the amount corresponding to the concerned calculation period is expensed as expenses related to rent business. The amount equivalent to fixed property tax, etc. in the initial fiscal year upon acquisition of real estate or beneficiary interest in trust for real estate is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. In the fiscal period under review, the amount equivalent to fixed property tax for August 31, 2018, etc. included in the cost of acquisition of real estate, etc. was 147,695 thousand yen.</p>
4. Method of hedge accounting	<p>(1) Hedge accounting approach Deferral hedge accounting is adopted.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swap Hedged items: Interest on loans</p> <p>(3) Hedging policy The Investment Corporation conducts derivative transactions for the purpose of hedging the risks provided in its Articles of Incorporation pursuant to rules and regulations.</p> <p>(4) Method of assessing the effectiveness of hedging The effectiveness of hedging is assessed by comparing the cumulative change in cash flows of the hedging instruments with the cumulative change in cash flows of the hedged items and verifying the ratio of the amount of change in the two.</p>
5. Scope of cash and cash equivalents in the statements of cash flow	Cash on hand and cash in trust, demand deposits and deposits in trust, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and that are subject to an insignificant risk of changes in value.
6. Other significant matters serving as the basis for preparation of financial statements	<p>(1) Accounting for beneficiary interest in trust for real estate, etc. Concerning beneficiary interest in trust for real estate, etc. held, all accounts of assets and liabilities within trust assets as well as all accounts of revenue and expenses from the trust assets are recognized in the relevant account item of the balance sheet and the statement of income. The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <p>① Cash and deposits in trust</p> <p>② Buildings, Structures, Tools, furniture and fixtures, Land and Construction in progress in trust</p> <p>③ Security deposits in trust</p>

(2) Accounting for consumption tax, etc.

The accounting for consumption tax and local consumption tax is the taxes are excluded from the transaction amounts. Non-deductible consumption tax targeted for subtraction are booked as an expense of the period incurred.

(Additional Information)

[Allowance for temporary difference adjustment]

1st fiscal period (From September 11, 2017 to August 31, 2018)

1. Reason for change of temporary difference, Item

(Unit: thousand yen)

Item	Reason for change of temporary difference	Amount for allowance (or reversal)
Buildings in trust	Excess of depreciation allowance	345
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	13,820

2. Concrete method of reversing

(1) Buildings in trust

The allowance will be reversed corresponding to disposal of the buildings in the future.

(2) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

2nd fiscal period (From September 1, 2018 to February 28, 2019)

1. Reason for change of temporary difference, Item

(Unit: thousand yen)

Item	Reason for change of temporary difference	Amount for allowance (or reversal)
Buildings in trust	Excess of depreciation allowance	2,073
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	66,336

2. Concrete method of reversing

(1) Buildings in trust

The allowance will be reversed corresponding to disposal of the buildings in the future.

(2) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

(8) Notes to the Financial Statements

[Notes to the Balance Sheet]

*1 Allowance for temporary difference adjustment

1st fiscal period (From September 11, 2017 to August 31, 2018)

Not applicable.

2nd fiscal period (From September 1, 2018 to February 28, 2019)

1. Reason for change of temporary difference, Item

(Unit: thousand yen)

Item	Reason for change of temporary difference	Initial accrual	Beginning balance	Current period provision amount	Net amount of the reversal	Period-end balance	Concrete method of reversing
Buildings in trust	Temporary depreciation due to asset retirement obligations	345	-	345	-	345	-
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	13,820	-	13,820	-	13,820	-

2. Concrete method of reversing

(1) Buildings in trust

The allowance will be reversed corresponding to disposal of the buildings in the future.

(2) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

*2 Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: thousand yen)

1st fiscal period (As of August 31, 2018)	2nd fiscal period (As of February 28, 2019)
50,000	50,000

[Notes to the Statement of Income]

*1 Breakdown of operating income (loss) from real estate leasing

	(Unit: thousand yen)			
	1st fiscal period		2nd fiscal period	
	From: September 11, 2017		From: September 1, 2018	
	To: August 31, 2018		To: February 28, 2019	
A. Operating revenue from real estate leasing				
Lease business revenue				
Rental revenue	289,488		1,653,859	
Common area charges	40,448		227,774	
Parking revenue	13,330		76,975	
Other rental revenue	1,977	345,244	10,486	1,969,097
Other lease business revenue				
Utilities reimbursement	27,663		149,671	
Other revenue	4,522	32,185	10,579	160,250
Total operating revenue from real estate leasing		377,429		2,129,347
B. Operating expenses from real estate leasing				
Expenses related to property rental business				
Management fee	33,128		198,909	
Utilities expenses	26,265		157,339	
Insurance premium	695		3,813	
Repair expenses	1,499		40,626	
Trust fee	1,671		9,250	
Depreciation	78,392		240,116	
Other expenses	109		1,626	
Total operating expenses from real estate leasing		141,762		651,681
C. Operating income from real estate leasing (A－B)		235,667		1,477,665

[Notes to the Statement of Unitholders' Equity]

*1 Total number of investment units authorized, and total number of investment units issued and outstanding

	1st fiscal period From: September 11, 2017 To: August 31, 2018	2nd fiscal period From: September 1, 2018 To: February 28, 2019
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	345,500 units	345,500 units

[Notes to the Statement of Cash Flows]

*1 Reconciliation of cash and cash equivalents at end of period to the amount of balance sheet items

	1st fiscal period From: Sep 11, 2017 To: August 31, 2018	2nd fiscal period From: September 1, 2018 To: February 28, 2019
Cash and deposits	731,698 thousand yen	3,238,605 thousand yen
Cash and deposits in trust	1,941,949 thousand yen	954,028 thousand yen
Payment for restricted bank deposit (Note)	△1,781,123 thousand yen	△1,822,522 thousand yen
Cash and cash equivalents	892,525 thousand yen	2,370,111 thousand yen

(Note) It indicates a deposit in trust reserved for the repayment of the deposit to a tenant.

※2 Contents of the significant non-cash transactions

The significant amount of asset retirement obligations newly booked

	1st fiscal period From: Sep 11, 2017 To: August 31, 2018	2nd fiscal period From: September 1, 2018 To: February 28, 2019
Significant amount of asset retirement obligations	89,002 thousand yen	-

[Notes on Lease Transactions]

Disclosure is omitted due to immateriality.

[Notes on Financial Instruments]

1 . Our policy on financial instruments

(1) Policy for financial instrument transactions

The basic policy is to establish a stable and sound financial base with the aim of securing stable earnings over the medium to long term and realizing sustainable growth of assets under management. Based on this basic policy, the Investment Corporation will raise funds by borrowing from financial institutions and issuing new investment units, taking into consideration the bank formation, various borrowing methods, fixed and floating ratio and the dispersion of maturity date etc.

We may issue additional investment units for the purpose of property acquisitions, repair of our properties, repayment obligations including repayment of borrowings or other activities. In such event, we ensure our financial soundness and are mindful of the potential for dilution of our investment units in order to achieve stable growth in unitholders' value. In the case of investment of surplus funds, we shall try to operate with consideration for safety and exchangeability.

In addition, for derivatives transactions, the Investment Corporation makes for only hedging purpose of interest rate risk arising from liabilities related to borrowings, etc., not for speculative purpose.

(2) Nature and extent of risks arising from financial instruments and risk management

Borrowings are primarily aimed at acquisition of assets, procurement of debt repayment / repayment funds, and are exposed to risks that the borrowings cannot be refinanced and the Investment Corporation manages the risk by diversification of lenders and issuance of new investment units etc.

Regarding floating interest rate fluctuation risks, the Investment Corporation manages the risk by interest rate swap etc.

(3) Supplementary information on fair value, etc. of financial instruments

The fair value of financial instruments includes the value based on the market price, and the value reasonably calculated when there is no market price. Because the certain assumptions are adopted in the calculation of the above value, the value may differ depending on different assumptions etc.

2. Fair value, etc. of financial instruments

The amount on the balance sheet, the market value and the difference between them as of August 31, 2018 are as follows.

	Carrying amount (thousand yen)	Fair value (thousand yen)	Amount of difference (thousand yen)
(1) Cash and deposits	731,698	731,698	-
(2) Cash and deposits in trust	1,941,949	1,941,949	-
Assets total	2,673,648	2,673,648	-
(3) Short-term loans payable	4,600,000	4,600,000	-
(4) Long-term loans payable	30,000,000	30,000,000	-
Liabilities total	34,600,000	34,600,000	-
(5) Derivative transactions (*)	(13,883)	(13,883)	-

The amount on the balance sheet, the market value and the difference between them as of February 28, 2019 are as follows.

	Carrying amount (thousand yen)	Fair value (thousand yen)	Amount of difference (thousand yen)
(1) Cash and deposits	3,238,605	3,238,605	-
(2) Cash and deposits in trust	954,028	954,028	-
Assets total	4,192,633	4,192,633	-
(3) Short-term loans payable	3,260,000	3,260,000	-
(4) Long-term loans payable	30,000,000	30,000,000	-
Liabilities total	33,260,000	33,260,000	-
(5) Derivative transactions (*)	(80,286)	(80,286)	-

(*) Assets and liabilities arising from derivative transactions are offset and presented in the net amount, with the balance shown in parentheses () when in a net liability position.

(Note1) Calculation method of fair value of financial instruments and derivatives transactions

(1) Cash and deposits ; (2) Cash and deposits in trust;

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at the book value.

(3) Short-term loans payable

Since these are settled in a short period of time and are variable interest rates, the fair value is approximately equal to the book value, so it is based on the book value.

(4) Long-term loans payable

Those with floating interest rates reflect market interest rates in a short period of time and their fair values are considered to be approximately equal to their book values, so the book values are used.

(5) Derivative transactions

Please refer to "Notes on Derivative Transactions" later in this document.

(Note2) Financial instruments for which estimation of fair value is recognized to be difficult

(Unit: thousand yen)

Category	1st fiscal period (As of August 31, 2018)	2nd fiscal period (As of February 28, 2019)
Tenant leasehold and security deposits in trust	2,544,461	2,603,603

Tenant leasehold and security deposits in trust are not subject to valuation at fair value, because a reasonable estimation of cash flows is recognized to be extremely difficult due to there being no market price and difficulty of calculating the actual deposit period from when lessees move in to when they move out.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts (August 31, 2018)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Cash and deposits	731,698				
Cash and deposits in trust	1,941,949				
Total	2,673,648				

Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts (February 28, 2019)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years
Cash and deposits	3,238,605				
Cash and deposits in trust	954,028				
Total	4,192,633				

(Note 4) Amount of repayment of loans scheduled to be due after the date of settlement of accounts (August 31, 2018)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term loans payable	4,600,000	-	-	-	-	-
Long-term loans payable	-	15,000,000	10,000,000	5,000,000	-	-
Total	4,600,000	15,000,000	10,000,000	5,000,000	-	-

Amount of repayment of loans scheduled to be due after the date of settlement of accounts (February 28, 2019)

(Unit: thousand yen)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 3 years	Later than 3 years and not later than 4 years	Later than 4 years and not later than 5 years	Later than 5 years
Short-term loans payable	3,260,000	-	-	-	-	-
Long-term loans payable	-	15,000,000	10,000,000	5,000,000	-	-
Total	3,260,000	15,000,000	10,000,000	5,000,000	-	-

[Notes on Securities]

1st fiscal period (As of August 31, 2018)

Not applicable.

2nd fiscal period (As of February 28, 2019)

Not applicable.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

1st fiscal period (As of August 31, 2018)

Not applicable.

2nd fiscal period (As of February 28, 2019)

Not applicable.

2. Derivative transactions to which hedge accounting is applied

1st fiscal period (As of August 31, 2018)

The following is the contract amount or the notional principal provided in the contract as of the date of fiscal period for each hedge accounting method.

(Unit: thousand yen)

Hedge accounting method	Derivative instruments	Hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Deferred hedge accounting	Interest rate swap floating receivable; fixed payable	Long-term loans payable	30,000,000	30,000,000	△13,883

(Note 1) Contract amount, etc. is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by lending financial institutions, etc.

2nd fiscal period (As of February 28, 2019)

The following is the contract amount or the notional principal provided in the contract as of the date of fiscal period for each hedge accounting method.

(Unit: thousand yen)

Hedge accounting method	Derivative instruments	Hedged item	Contract amount, etc. (Note 1)		Fair value (Note 2)
				Of which, later than 1 year	
Deferred hedge accounting	Interest rate swap floating receivable; fixed payable	Long-term loans payable	30,000,000	30,000,000	△80,286

(Note 1) Contract amount, etc. is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by lending financial institutions, etc.

[Notes on Retirement Benefits]

1st fiscal period (As of August 31, 2018)

Not applicable.

2nd fiscal period (As of February 28, 2019)

Not applicable.

[Notes on Income Taxes]

1. Deferred tax assets and deferred tax liabilities consist of the following:

(Unit: thousand yen)

	1st fiscal period (As of August 31, 2018)	2nd fiscal period (As of February 28, 2019)
Deferred tax assets		
Non-deductible accrued enterprise tax	39	16
Asset retirement obligations	28,116	28,222
Deferred gains or losses on hedges	4,385	25,362
Total Deferred tax assets	32,541	53,600
Valuation allowance	△4,583	△26,215
Total Deferred tax assets	27,957	27,385
Deferred tax liabilities		
Building and equipment corresponding to the asset retirement obligations	△27,918	27,369
Total Deferred tax liabilities	△27,918	27,369
Deferred tax assets, net	39	16

2. A reconciliation of the Investment Corporation's effective tax rates and statutory tax rate is as follows:

(Unit:%)

	1st fiscal period (As of August 31, 2018)	2nd fiscal period (As of February 28, 2019)
Statutory tax rate	31.74	31.51
(Adjustments)		
Deductible distributions	△30.16	△31.54
Other	3.70	0.11
Effective income tax rate	5.28	0.08

[Notes on Related-Party Transactions]

1. Parent company, etc.

1st fiscal period (from September 11, 2017 to August 31, 2018)

Type	Name of company, etc. or person	Address	Capital stock or investments in capital (million yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) TLR(%)	Relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at the end of the period (thousand yen)
						Concurrent holding of position as officer, etc.	Business relations				
Parent company (Note2)	PAG Investment Management Limited	4-1-28 Toranomon, Minato-ku, Tokyo	490	Investment management	(Owned) 100.0	—	Investor	Private placement for incorporation (Note3)	150,000	—	—

(Note1) Of the amounts above, the transaction amount does not include consumption tax, while the balance at the end of the period includes consumption tax.

(Note2) At the time of trading, the percentage of ownership of voting rights was 100.0%, but due to the issuance of new investment units by public offering, the percentage of voting rights became 0.4%. Currently it is no longer a parent company. Therefore, the percentage of voting rights owned and the amount of transaction are the percentage and the amount of the period that was the parent company.

(Note3) Established private placement of the Investment Corporation at 1,000,000 yen per unit.

2. Affiliated company, etc.

1st fiscal period (from September 11, 2017 to August 31, 2018)

Not applicable.

3. Fellow subsidiary, etc.

1st fiscal period (from September 11, 2017 to August 31, 2018)

Not applicable.

4. Director, major individual unitholder, etc.

1st fiscal period (from September 11, 2017 to August 31, 2018)

Type	Name of company, etc. or person	Address	Capital stock or investments in capital (million yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) TLR(%)	Relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of position as officer, etc.	Business relations				
Director	Masayuki Ishihara	—	—	Executive director Takara Leben Real Estate Investment Corporation and Executive Chairman and CEO Takara PAG Real Estate Advisory Limited	—	Executive director Takara Leben Real Estate Investment Corporation and Executive Chairman and CEO Takara PAG Real Estate Advisory Limited		Payment of asset management fee to the Asset Management Company	615,292	Accounts payable - other	2,923

(Note1) Of the amounts above, the transaction amount does not include consumption tax, while the balance at the end of the period includes consumption tax.

(Note2) The transaction is one that was conducted by Masayuki Ishihara as Executive Chairman and CEO of a third party (the Asset Manager), and the transaction amount is based on the terms and conditions provided in the Articles of Incorporation of the Investment Corporation and Asset management agreement.

[Notes on Related-Party Transactions]

1. Parent company, etc.

2nd fiscal period (from September 1, 2018 to February 28, 2019)

Not applicable.

2. Affiliated company, etc.

2nd fiscal period (from September 1, 2018 to February 28, 2019)

Not applicable.

3. Fellow subsidiary, etc.

2nd fiscal period (from September 1, 2018 to February 28, 2019)

Not applicable.

4. Director, major individual unitholder, etc.

2nd fiscal period (from September 1, 2018 to February 28, 2019)

Type	Name of company, etc. or person	Address	Capital stock or investments in capital (million yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) TLR(%)	Relationship		Description of transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
						Concurrent holding of position as officer, etc.	Business relations				
Director	Masayuki Ishihara	—	—	Executive director Takara Leben Real Estate Investment Corporation and Executive Chairman and CEO Takara PAG Real Estate Advisory Limited	—	Executive director Takara Leben Real Estate Investment Corporation and Executive Chairman and CEO Takara PAG Real Estate Advisory Limited		Payment of asset management fee to the Asset Management Company	112,685	Accounts payable - other	121,700

(Note1) Of the amounts above, the transaction amount does not include consumption tax, while the balance at the end of the period includes consumption tax.

(Note2) The transaction is one that was conducted by Masayuki Ishihara as Executive Chairman and CEO of a third party (the Asset Manager), and the transaction amount is based on the terms and conditions provided in the Articles of Incorporation of the Investment Corporation and Asset management agreement.

[Notes on Share of Profit (Loss) of Entities Accounted for Using Equity Method, etc.]

1st fiscal period (from September 11, 2017 to August 31, 2018)

Not applicable.

2nd fiscal period (from September 1, 2018 to February 28, 2019)

Not applicable.

[Notes on Asset Retirement Obligations]

1. Asset retirement obligation booked in the balance sheet

(1) Overview

The Investment Corporation has booked the asset retirement obligations required by regulations to remove asbestos from "Nagoya Center Plaza Building" and "Sendai Nikko Building" obtained as of July 30, 2018, and to eliminate PCB from "Nagoya Center Plaza Building" and "TTS Minami Aoyama Building"

(2) Method of calculating the amount of the asset retirement obligation

	Property	Expected period of use	Discount rate
Asbestos	Nagoya Center Plaza Building	26 years	0.748%
	Sendai Nikko Building	31 years	0.833%
PCB	Nagoya Center Plaza Building	26 years	0.748%
	TTS Minami Aoyama Building	28 years	0.784%

(3) Movement of asset retirement obligation

(Unit: thousand yen)

	1st fiscal period From: September 11, 2017 To: August 31, 2018	2nd fiscal period From: September 1, 2018 To: February 31, 2019
Balance at the beginning of the period	-	89,002
Increase due to acquisition of tangible fixed assets	88,941	-
Adjustment for passage of time	61	335
Balance at the end of the period	89,002	89,338

[Notes on Segment Information]

(Segment information)

Segment information is omitted because the Investment Corporation operates a single segment, which is the real estate leasing business.

[Notes on Investment and Rental Properties]

The Investment Corporation mainly owns Office, Residence, Hotel, Retail and Other for the purpose of obtaining rental income in the four major metropolitan areas and the major regional cities. The amounts recorded in the balance sheet of these real estate for rental, etc., increase / decrease during the period and market value are as follows.

(Unit: thousand yen)

	1st fiscal period From: Sep 11,2017 To: August 31, 2018	2nd fiscal period From: September 1,2018 To: February 31, 2019
Carrying amount		
Balance at beginning of period	-	65,183,822
Amount of increase (decrease) during period	65,183,822	△167,079
Balance at end of period	65,183,822	65,016,742
Fair value at end of period	68,221,000	69,274,000

(Note1) Carrying amount is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to acquisition of real estate beneficiary interest in trust of 27 properties (65,261,214 thousand yen) and capex (1,000thousand yen), while the amount of decrease is mainly attributable to accumulated depreciation (78,392 thousand yen) in 1st fiscal period. Of the amount of increase (decrease) in investment and rental properties, the amount of increase is mainly attributable to capex (73,036thousand yen), while the amount of decrease is mainly attributable to accumulated depreciation (240,116 thousand yen) in 2nd fiscal period.

(Note 3) Fair value at the end of the period is the appraisal value by an outside real estate appraiser.

The income (loss) concerning investment and rental properties for the fiscal period ended August 31, 2018 (1st fiscal period) and the fiscal period ended February 28, 2019 (2nd fiscal period) is as stated in “Notes to the Statement of Income” earlier in this document.

[Notes on Per Unit Information]

	1st fiscal period From: September 11,2017 To: August 31, 2018	2nd fiscal period From: September 1,2018 To: February 31, 2019
Net assets per unit	92,652yen	95,754 yen
Net income per unit	903yen (97yen)	3,392 yen

(Note1) Net income per unit is calculated by dividing net income by daily weighted average number of investment units (37,353 units). Also, assuming that the beginning of the period is July 30, 2018, which is the commencement of actual asset management, net income per unit for this period is also shown in parentheses using 345,500 units as the weighted average number of units. In addition, diluted net income per unit is not stated, because there are no diluted investment units.

(Note2) We conducted a 10-for-1 unit split on April 21, 2018. Net income per unit is calculated assuming that the investment unit was split at the beginning of the fiscal year.

(Note3) The basis for calculation of net income per unit is as follows:

	1st fiscal period From: September 11, 2017 To: August 31, 2018	2nd fiscal period From: September 1,2018 To: February 31, 2019
Net income (thousand yen)	33,755	1,171,992
Amount not attributable to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	33,755	1,171,992
Average number of investment units during period (units)	37,353	345,500

[Notes on Significant Subsequent Events]

Not applicable.

(9) Changes in Investment Units Issued and Outstanding

The total amount of investment and the total number of outstanding investment units until the end of February 28, 2019 are as follows.

Date	Event	Unitholders' capital (thousand yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
September 11,2017 (Note1)	Establishment through private placement	150,000	150,000	150	150	(Note2)
April 21,2018	Investment Unit Split	—	150,000	1,350	1,500	(Note3)
July 26,2018	Capital increase through public offering	31,841,672	31,991,672	344,000	345,500	(Note4)

(Note1) The Investment Corporation were incorporated on September 11, 2017

(Note2) New investment units were issued at an offer price of 1,000,000 yen per unit upon the establishment of the Investment Corporation.

(Note3) We conducted a 10-for-1 unit split on April 21, 2018

(Note4) New investment units were issued through public offering at an issue price of 96,000 yen (paid-in amount of 92,563 yen) per unit for the purpose of acquisition of new properties, etc.

4 . Changes in Directors

(1) Directors of the Investment Corporation

There were no changes in directors in the fiscal period under review.

(2) Directors of the Asset Management Company

There were no changes in directors in the fiscal period under review.

5 . Reference Information

(1) Investment Status

Investment Status						
Type of asset	Primary use	Geographic area (Note 1)	1st fiscal period (As of August 31, 2018)		2nd fiscal period (As of February 28, 2019)	
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)	Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate in trust	Office	Four major metropolitan areas	44,333	63.7	44,248	63.6
		Major regional cities	8,199	11.8	8,166	11.7
	Residence	Four major metropolitan areas	4,927	7.1	4,909	7.1
		Major regional cities	1,217	1.8	1,214	1.7
	Hotel	Four major metropolitan areas	-	-	-	-
		Major regional cities	4,461	6.4	4,440	6.4
	Retail and Other	Four major metropolitan areas	995	1.4	994	1.4
		Major regional cities	1,049	1.5	1,042	1.5
	Subtotal		65,183	93.7	65,016	93.5
	Deposits and other assets		4,394	6.3	4,507	6.5
Total amount of assets		69,578	100.0	69,523	100.0	

	1st fiscal period (As of August 31, 2018)		2nd fiscal period (As of February 28, 2019)	
	Amount (million yen)	As a percentage of total assets (%)	Amount (million yen)	As a percentage of total assets (%)
Total amount of liabilities (Note2)	37,566	54.0	36,440	52.4
Total amount of net assets (Note2)	32,011	46.0	33,083	47.6

(Note1) References to Japan's "four major metropolitan areas" are to the Tokyo, Nagoya, Osaka and Fukuoka metropolitan areas. "Tokyo metropolitan area" are to Tokyo, Kanagawa, Chiba and Saitama prefectures. "Osaka metropolitan area" are to Osaka, Kyoto and Hyogo prefectures. "Nagoya metropolitan area" are to Aichi, Gifu and Mie prefectures. "Fukuoka metropolitan area" are to Fukuoka prefecture.

References to Japan's "major regional cities" are to ordinance-designated cities, core cities, specially-designated cities and prefectural capital cities, excluding those included in Japan's four major metropolitan areas. References to "ordinance-designated cities" are to the cities of Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Okayama, Hiroshima and Kumamoto as of the end of the period. References to "core cities" are to Japanese cities that have a population of at least 200,000 persons and are designated as such by an ordinance under the Local Autonomy Act of Japan. References to "specially-designated cities" are to Japanese cities that had a population of at least 200,000 persons and were designated as such by an ordinance under the same act at the time of the abolishment of the system of specially-designated cities as of April 1, 2015.

(Note2) "Total amount held", "Total amount of liabilities" and "Total amount of net assets" are based on the balance sheet as of August 31, 2018 (real estate in trust, the book value after depreciation), and as of February 28, 2019, respectively, rounded down to the nearest million yen is stated.

(Note3) "As a percentage of total assets" rounded to the second decimal place.

(2) Invested Assets

①Major investment securities

Not applicable.

②Investment property

Not applicable.

④ Other major investment assets

a Summary of Investment Assets

The Investment Assets held by the Investment Corporation as of February 28, 2019 (Trust beneficiary right with real estate or real estate as a trust property, hereinafter collectively referred to as "investment assets"),

Category	Property Number (Note1)	Property	Location (city or ward, prefecture)	Acquisition price (million yen) (Note2)	Percentage of total acquisition price (%) (Note3)	Appraisal value (million yen) (Note4)	Acquisition date
Office	O-01	NT Building	Shinagawa-ku, Tokyo	12,350	19.2	13,300	July 30, 2018
	O-02	Higashi-Ikebukuro Central Place	Toshima-ku, Tokyo	9,780	15.2	10,400	July 30, 2018
	O-03	Nagoya Center Plaza Building	Nagoya, Aichi	4,870	7.6	4,890	July 30, 2018
	O-04	TTS Minami Aoyama Building	Minato-ku, Tokyo	4,090	6.4	4,400	July 30, 2018
	O-05	Omiya NSD Building	Saitama, Saitama	3,493	5.4	3,820	July 30, 2018
	O-06	SAMTY Shin-Osaka Center Building	Osaka, Osaka	3,450	5.4	3,620	July 30, 2018
	O-07	Hakata Gion Building	Fukuoka, Fukuoka	2,500	3.9	2,600	July 30, 2018
	O-08	Chuo Bakuromachi Building	Osaka, Osaka	1,485	2.3	1,900	July 30, 2018
	O-09	L.Biz Jimbocho Building	Chiyoda-ku, Tokyo	1,006	1.6	1,140	July 30, 2018
	O-10	Shinsaibashi Building	Osaka, Osaka	772	1.2	805	July 30, 2018
	O-11	L.Biz Sendai	Sendai, Miyagi	1,680	2.6	1,770	July 30, 2018
	O-12	Sendai Nikko Building	Sendai, Miyagi	1,740	2.7	1,790	July 30, 2018
	O-13	Morioka Ekimae-dori Building	Morioka, Iwate	1,480	2.3	1,680	July 30, 2018
	O-14	Nagano Central Building	Nagano, Nagano	898	1.4	1,070	July 30, 2018
	O-15	EME Koriyama Building	Koriyama, Fukushima	900	1.4	1,030	July 30, 2018
	O-16	Utsunomiya Central Building	Utsunomiya, Tochigi	771	1.2	988	July 30, 2018
	O-17	Yamagata Ekimae-dori Building	Yamagata, Yamagata	600	0.9	783	July 30, 2018
			Subtotal	—	51,866	80.6	55,986
Residence	R-01	Amare Tokaidori	Nagoya, Aichi	1,100	1.7	1,240	July 30, 2018
	R-02	Dormy Ukimafunado	Itabashi-ku, Tokyo	1,080	1.7	1,120	July 30, 2018
	R-03	Benefis Hakata-Minami Grand Sweet	Fukuoka, Fukuoka	1,032	1.6	1,100	July 30, 2018
	R-04	LUXENA HIGASHI-KOENJI	Suginami-ku, Tokyo	1,060	1.6	1,070	July 30, 2018
	R-05	Alpha Space Toritsudai	Meguro-ku, Tokyo	589	0.9	608	July 30, 2018
	R-06	J City Hatchobori	Hiroshima, Hiroshima	1,200	1.9	1,360	July 30, 2018
			Subtotal	—	6,061	9.4	6,498
Hotel	H-01	Dormy Inn Matsuyama	Matsuyama,Ehime	2,427	3.8	2,500	July 30, 2018
	H-02	Hotel Sunshine Utsunomiya	Utsunomiya, Tochigi	2,000	3.1	2,100	July 30, 2018
			Subtotal	—	4,427	6.9	4,600
Retail and other assets	C-01	Prio Daimyo II	Fukuoka, Fukuoka	980	1.5	1,090	July 30, 2018
	C-02	Co-op Sapporo Syunko	Asahikawa, Hokkaido	1,036	1.6	1,100	July 30, 2018
			Subtotal		2,016	3.1	2,190
Total			—	64,370	100.0	69,274	—

(Note1) The code "O" represents office properties, "R" represents residential properties, "H" represents hotel properties and "C" represents retail and other properties.

(Note2) "Acquisition price" is the amount of the sale and purchase price of real estate, etc. stated in the trust beneficiary right transfer contract (hereinafter, the "Sale and Purchase Contract") for each portfolio asset (not including consumption tax and local consumption tax or brokerage fees and other expenses), rounded down to the nearest million yen.

(Note3) The sum of the ratio of the investment ratio of each acquired asset may not match the ratio described in the "total" column and "subtotal" column, since the Acquisition price of each acquired asset to the total amount of Acquisition price, rounded off to the second decimal place.

(Note4) "Appraisal value" indicates the appraisal value stated in the real estate appraisal report as of February 28, 2019. In addition, it is a generic name of each real estate appraisal report created by entrusting the appraisal evaluation of each invested asset to a real estate appraiser or an appraisal evaluation institution based on the evaluation standards.

(Note5) As of September 1, 2018, the name has been changed from "MB Odakyu Building" to "L. Biz Sendai".

b Summary of Buildings

The Buildings held by the Investment Corporation as of February 28, 2019 are as follows:

Category	Property Number	Property	Date of Construction (Note1)	Number of tenants (Note2)	Annual contracted rent (in million) (Note3)	Leasehold and security deposits (in million) (Note4)	Total leased area (㎡) (Note5)	Total leasable area (㎡) (Note6)	Occupancy rate (%) (Note7)	
Office	O-01	NT Building	March 1996	13	598	508	9,830.62 (Note9)	10,104.12 (Note9)	97.3	
	O-02	Higashi-Ikebukuro Central Place	November 1984	1	453 (Note8)	470	7,793.60	7,793.60	100.0	
	O-03	Nagoya Center Plaza Building	November 1978	35	337	278	9,560.86	9,560.86	100.0	
	O-04	TTS Minami Aoyama Building	May 1984	7	197	143	1,995.64	1,995.64	100.0	
	O-05	Omiya NSD Building	March 1993	10	200	137	4,006.68	4,006.68	100.0	
	O-06	SAMTY Shin-Osaka Center Building	April 1991	9	194	115	5,022.79	5,022.79	100.0	
	O-07	Hakata Gion Building	November 2007	16	143	63	3,653.70	3,653.70	100.0	
	O-08	Chuo Bakuromachi Building	April 1993	19	103	42	3,650.67	3,739.57	97.6	
	O-09	L.Biz Jimbocho Building	June 2009	1	53	35	859.82	859.82	100.0	
	O-10	Shinsaibashi Building	December 1990	7	47	19	1,408.52	1,408.52	100.0	
	O-11	L.Biz Sendai	March 1993	28	110	73	3,295.75	3,368.98	97.8	
	O-12	Sendai Nikko Building	March 1989	6	115	84	2,540.11	2,540.11	100.0	
	O-13	Morioka Ekimae-dori Building	April 1987	20	138	103	4,257.73	4,480.31	95.0	
	O-14	Nagano Central Building	November 1994	21	85	60	2,473.81 (Note9)	2,619.93 (Note9)	94.4	
	O-15	EME Koriyama Building	March 1988	19	94	82	2,736.25	2,931.65	93.3	
	O-16	Utsunomiya Central Building	September 1995	16	79	52	2,499.15	2,768.91	90.3	
	O-17	Yamagata Ekimae-dori Building	November 1984	8	66	40	2,337.01	2,505.92	93.3	
	Subtotal／Average				236	3,019	2,312	67,922.71	69,361.11	97.9
	Residence	R-01	Amare Tokaidori	July 2007	81	72	11	2,772.28	2,935.38	94.4
R-02		Dormy Ukimafunado	April 1997	2	62	48	2,462.60	2,462.60	100.0	
R-03		Benefis Hakata-Minami Grand Sweet	March 2009	68	66	1	2,712.31	2,782.51	97.5	
R-04		LUXENA HIGASHI-KOENJI	July 2008	34	59	10	1,380.09	1,405.29	98.2	
R-05		Alpha Space Toritsudai	April 1990	13	35	3	907.13	907.13	100.0	
R-06		J City Hatchobori	November 2005	64	82	12	2,571.50	2,623.39	98.0	
Subtotal／Average				262	379	89	12,805.91	13,116.30	97.6	
Hotel	H-01	Dormy Inn Matsuyama	October 2017	1	153	51	5,119.15	5,119.15	100.0	
	H-02	Hotel Sunshine Utsunomiya	February 1991	1	128	31	5,267.16	5,267.16	100.0	
	Subtotal／Average				2	281	82	10,386.31	10,386.31	100.0
Retail and other assets	C-01	Prio Daimyo II	April 2002	6	52	34	761.01	761.01	100.0	
	C-02	Co-op Sapporo Syunko	August 1994	1	83	83	7,214.92	7,214.92	100.0	
	Subtotal／Average				7	135	118	7,975.93	7,975.93	100.0
Total／Average				507	3,816	2,603	99,090.86	100,839.65	98.3	

- (Note1) "Date of Construction" of the main building, as described in the property registry.
- (Note2) The number of tenants is equal to the aggregate number of end tenants with which lease agreements have been entered into as of February 28, 2019. For properties with master lease agreements, if the master lease agreement is a pass-through-type master lease agreement, the number of end tenants is indicated and if the master lease agreement is a fixed-type master lease agreement, the number of master lessees is indicated.
- (Note3) The annual contracted rent for each property is yearly rent described in the lease agreements or calculated by multiplying the aggregate anticipated monthly rent (limited to rent for space occupied by tenants as of February 28, 2019), including common service fee (if any) and excluding usage fees for warehouses, parking lots and sales-linked rents, regardless of whether the rent was free or discounted as of February 28, 2019, as indicated in the lease agreements as of February 28, 2019, by 12 (if there are multiple lease agreements, the aggregate anticipated monthly rent for all lease agreements), excluding consumption tax.
- (Note4) Indicates the total leasehold and security deposits from the relevant tenants set forth in lease agreements effective as of February 28, 2019.
- (Note5) The total leased area is equal to total leased area to tenant in each property based on the lease agreements for building or floor plans as of February 28, 2019.
- (Note6) The total leasable area is equal to gross floor area of leasable space in each property, based on the lease agreements for building or floor plans as of February 28, 2019.
- (Note7) The occupancy rate is calculated by dividing total leased area (as of February 28, 2019) for each property by the total leasable area. The subtotal and total is calculated by dividing aggregate leased area for each property type by aggregate leasable area.
- (Note8) Higashi-Ikebukuro Central Place will be changed from fixed-type master lease to pass-through-type master lease based on a memorandum of understanding of the master lease and real estate management business consignment change agreement on April 12, 2019.
- (Note9) For NT Building and Nagano Central Building, the figures provided are in proportion to our compartmentalized ownership.

c Individual property profit

The income and expenditure situation of individual property in the current term is as follows.

(Unit: thousand yen)

Property Number	O-01	O-02	O-03	O-04	O-05
Property	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

(Unit: thousand yen)

Property Number	O-06	O-07	O-08	O-09	O-10
Property	SAMTY Shin-Osaka Center Building	Hakata Gion Building	Chuo Bakuromachi Building	L.Biz Jimbocho Building	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	—	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

(Unit: thousand yen)

Property Number	O-11	O-12	O-13	O-14	O-15
Property	L.Biz Sendai	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	—	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

(Unit: thousand yen)

Property Number	O-16	O-17	R-01	R-02	R-03
Property	Utsunomiya Central Building	Yamagata Ekimae-dori Building	Amare Tokaidori	Dormy Ukimafunado	Benefis Hakata-Minami Grand Sweet
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	—	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

(Unit: thousand yen)

Property Number	R-04	R-05	R-06	H-01	H-02
Property	LUXENA HIGASHI-KOENJI	Alpha Space Toritsudai	J City Hatchobori	Dormy Inn Matsuyama	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	—	—
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	—
Insurance premium	38	28	74	142	159
Repair expenses	3,007	207	911	—	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

(Unit: thousand yen)

Property Number	C-01	C-02
Property	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	—
② Operating expenses from real estate leasing	4,985	1,023
Management fee	1,271	417
Utilities expenses	3,237	—
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

d Summary of Appraisal value

Category	Property Number	Property	Appraisals	Appraisal value (in million)	Direct Capitalization Method		Discounted Cash Flow Method			Appraisal NOI (in million) (注1)	Appraisal NOI Yield (%) (注2)
					Price based on direct capitalization method (in million)	Capitalization rate (%)	Price based on DCF method (in million)	Discount rate (%)	Terminal Cap rate (%)		
Office	O-01	NT Building	Japan Real Estate Institute	13,300	13,600	4.0	13,000	3.7	4.2	564	4.6
	O-02	Higashi-Ikebukuro Central Place	Japan Real Estate Institute	10,400	10,500	3.9	10,200	3.7	4.1	417	4.3
	O-03	Nagoya Center Plaza Building	Japan Real Estate Institute	4,890	4,950	5.1	4,830	4.9	5.3	274	5.6
	O-04	TTS Minami Aoyama Building	Tanizawa Sōgō Appraisal Co., Ltd.	4,400	4,510	3.5	4,350	3.6	3.7	161	3.9
	O-05	Omiya NSD Building	Daiwa Real Estate Appraisal Co., Ltd.	3,820	3,950	4.7	3,770	4.5	4.9	193	5.5
	O-06	SAMTY Shin-Osaka Center Building	Daiwa Real Estate Appraisal Co., Ltd.	3,620	3,750	4.4	3,570	4.2	4.6	178	5.2
	O-07	Hakata Gion Building	Daiwa Real Estate Appraisal Co., Ltd.	2,600	2,660	4.4	2,580	4.2	4.6	119	4.8
	O-08	Chuo Bakuromachi Building	Daiwa Real Estate Appraisal Co., Ltd.	1,900	1,930	4.3	1,890	4.1	4.5	91	6.2
	O-09	L.Biz Jimbocho Building	Tanizawa Sōgō Appraisal Co., Ltd.	1,140	1,170	3.8	1,130	3.9	4.0	45	4.5
	O-10	Shinsaibashi Building	Daiwa Real Estate Appraisal Co., Ltd.	805	836	4.3	792	4.1	4.5	41	5.3
	O-11	L.Biz Sendai	JLL Morii Valuation & Advisory K.K.	1,770	1,810	4.8	1,730	4.6	5.0	94	5.6
	O-12	Sendai Nikko Building	Tanizawa Sōgō Appraisal Co., Ltd.	1,790	1,830	4.5	1,770	4.6	4.7	89	5.1
	O-13	Morioka Ekimae-dori Building	Daiwa Real Estate Appraisal Co., Ltd.	1,680	1,680	5.8	1,680	5.6	6.0	104	7.0
	O-14	Nagano Central Building	Daiwa Real Estate Appraisal Co., Ltd.	1,070	1,080	5.7	1,060	5.5	5.9	69	7.7
	O-15	EME Koriyama Building	Daiwa Real Estate Appraisal Co., Ltd.	1,030	1,020	5.7	1,030	5.5	5.9	65	7.3
	O-16	Utsunomiya Central Building	Daiwa Real Estate Appraisal Co., Ltd.	988	1,010	5.5	978	5.3	5.7	67	8.7
	O-17	Yamagata Ekimae-dori Building	Daiwa Real Estate Appraisal Co., Ltd.	783	802	5.7	775	5.5	5.9	51	8.6
	Subtotal/Average			55,986	57,088	—	55,135	—	—	2,628	5.1

Category	Property Number	Property	Appraisals	Appraisal value (in million)	Direct Capitalization Method		Discounted Cash Flow Method			Appraisal NOI (in million) (注1)	Appraisal NOI Yield (%) (注2)
					Price based on direct capitalization method (in million)	Capitalization rate (%)	Price based on DCF method (in million)	Discount rate (%)	Terminal Cap rate (%)		
Residence	R-01	Amare Tokaidori	Tanizawa Sōgō Appraisal Co., Ltd.	1,240	1,260	4.6	1,230	4.7	4.8	60	5.5
	R-02	Dormy Ukimafunado	JLL Morii Valuation & Advisory K.K.	1,120	1,130	4.6	1,100	4.4	4.8	57	5.3
	R-03	Benefis Hakata- Minami Grand Sweet	Tanizawa Sōgō Appraisal Co., Ltd.	1,100	1,110	4.7	1,090	4.8	4.9	55	5.3
	R-04	LUXENA HIGASHI- KOENJI	Tanizawa Sōgō Appraisal Co., Ltd.	1,070	1,080	4.1	1,060	4.2	4.3	45	4.3
	R-05	Alpha Space Toritsudai	Daiwa Real Estate Appraisal Co., Ltd.	608	619	4.0	603	3.8	4.2	27	4.7
	R-06	J City Hatchobori	Tanizawa Sōgō Appraisal Co., Ltd.	1,360	1,370	4.8	1,350	4.9	5.0	68	5.7
	Subtotal／Average			6,498	6,569	—	6,433	—	—	314	5.2
Hotel	H-01	Dormy Inn Matsuyama	Chuo Real Estate Appraisal Co., Ltd.	2,500	2,470	5.1	2,510	4.9	5.3	131	5.4
	H-02	Hotel Sunshine Utsunomiya	Daiwa Real Estate Appraisal Co., Ltd.	2,100	2,090	4.9	2,100	4.7	5.1	113	5.7
	Subtotal／Average			4,600	4,560	—	4,610	—	—	245	5.5
Retail and other assets	C-01	Prio Daimyo II	Daiwa Real Estate Appraisal Co., Ltd.	1,090	1,120	4.1	1,080	3.9	4.3	46	4.7
	C-02	Co-op Sapporo Syunko	Chuo Real Estate Appraisal Co., Ltd.	1,100	1,100	6.3	1,100	6.1	6.5	71	6.9
	Subtotal／Average			2,190	2,220	—	2,180	—	—	118	5.9
Total／Average				69,274	70,437	—	68,358	—	—	3,307	5.1

e Engineering, Environmental and Seismic Reviews

Category	Property Number	Property	Surveyor	Survey date	Emergency repair expenses (in thousand) (Note1)	Short-term repair expenses (in thousand) (Note1)	Long-term repair expenses (in thousand) (Note2)	Repurchase price (in million) (Note3)	PML (%) (Note4)
Office	O-01	NT Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	37,390	4,752	1.2
	O-02	Higashi-Ikebukuro Central Place	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	14,178	2,796	2.9
	O-03	Nagoya Center Plaza Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	34,889	4,302	2.2
	O-04	TTS Minami Aoyama Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	8,052	585	7.9
	O-05	Omiya NSD Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	14,593	1,485	4.8
	O-06	SAMTY Shin-Osaka Center Building	Daiwa Real Estate Appraisal Co., Ltd.	March 2018	0	0	19,719	1,722	9.5
	O-07	Hakata Gion Building	Daiwa Real Estate Appraisal Co., Ltd.	March 2018	0	0	8,878	1,282	2.3
	O-08	Chuo Bakuromachi Building	Daiwa Real Estate Appraisal Co., Ltd.	March 2018	0	0	13,470	1,348	5.5
	O-09	L.Biz Jimbocho Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	1,998	239	7.2
	O-10	Shinsaibashi Building	Daiwa Real Estate Appraisal Co., Ltd.	March 2018	0	0	6,969	664	9.1
	O-11	L.Biz Sendai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	11,246	1,376	2.3
	O-12	Sendai Nikko Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	13,645	1,065	2.0
	O-13	Morioka Ekimae-dori Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	12,052	1,878	7.0
	O-14	Nagano Central Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	11,910	1,330	6.7
	O-15	EME Koriyama Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	11,476	1,142	2.3
	O-16	Utsunomiya Central Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	15,560	1,163	2.3
	O-17	Yamagata Ekimae-dori Building	Daiwa Real Estate Appraisal Co., Ltd.	February 2018	0	0	9,939	1,074	4.8
Residence	R-01	Amare Tokaidori	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	4,321	714	6.7
	R-02	Dormy Ukimafunado	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	8,498	545	6.9
	R-03	Benefis Hakata-Minami Grand Sweet	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	4,107	681	2.5
	R-04	LUXENA HIGASHI-KOENJI	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	2,229	355	4.6
	R-05	Alpha Space Toritsudai	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	3,246	263	4.5
	R-06	J City Hatchobori	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	3,942	686	3.0
Hotel	H-01	Dormy Inn Matsuyama	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	656	1,314	2.8
	H-02	Hotel Sunshine Utsunomiya	Daiwa Real Estate Appraisal Co., Ltd.	March 2018	0	0	11,637	1,480	1.4
Retail and other assets	C-01	Prio Daimyo II	Daiwa Real Estate Appraisal Co., Ltd.	March 2018	0	0	1,458	166	4.4
	C-02	Co-op Sapporo Syunko	Tokio Marine & Nichido Risk Consulting Co., Ltd.	February 2018	0	0	6,186	882	0.9

(Note1) "Emergency repair expenses" and "Short-term repair expenses" are the total of the expenses required in the building status evaluation report as the urgently required expenses and the repair renewal expenses required within approximately one year.

(Note2) "Long-term repair costs" is based on the building status evaluation report, and indicates repair costs per year (excluding emergency repair costs and short-term repair costs) projected for the next 12 years.

(Note3) "Repurchase price" is based on the building status evaluation report, and the construction re-purchase price when newly constructed according to the same design and specifications at the time of the report preparation is rounded down to the nearest million yen .

(Note4) PML of portfolio is 1.0%.

(3) Capital expenditure of investment assets

① Scheduled capital expenditure

As for the assets held by the Investment Corporation as of August 31, 2019, the major planned amount of capital expenditure accompanying the renovation work etc. for the February 2019 plan currently planned is as follows. In addition, the following planned amount of construction may occasionally be booked as repair expenses.

Property	Location (city or ward, prefecture)	Purpose	Schedule	Planned amount(thousand yen)		
				Total	Current payment amount	Total spending
Omiya NSD Building	Saitama, Saitama	Outer wall renewal work	From April 2019 To April 2019	35,550	-	-
Chuo Bakuromachi Building	Osaka, Osaka	Washroom renewal	From June 2019 To June 2019	15,900	-	-
Shinsaibashi Building	Osaka, Osaka	LED installment	From March 2019 To March 2019	8,995		
Nagano Central Building	Nagano, Nagano	Air conditioning renewal	From July 2019 To July 2019	22,500	-	-

② Capital expenditure during the period

The major constructions etc. corresponding to the capital expenditure in the fiscal period ended February 28, 2019 are as follows. The construction corresponding to the capital expenditure of the assets held as a whole in the 2nd fiscal period is 73,036 thousand yen, and together with the repair expenses of 40,626 thousand yen, a total of 113,662 thousand yen is being implemented.

Property	Location (city or ward, prefecture)	Purpose	Schedule	Amount (thousand yen)
EME Koriyama Building	Koriyama, Fukushima	Air conditioning renewal	From November 10, 2018 To November 30, 2018	9,123
Benefis Hakata-Minami Grand Sweet	Fukuoka, Fukuoka	LED installment	From December 10, 2018 To December 12, 2018	1,438
Total				10,561

③ Reserve for long-term repair plan

Not applicable.