

(REIT) Financial Report for the Fiscal Period Ended August 2018

October 17, 2018

REIT Securities Issuer: XYMAX REIT Investment Corporation

Listing: Tokyo Stock Exchange

Securities Code: 3488

URL: <https://xymaxreit.co.jp/en/index.html>

Representative: Nobuhito Inatsuki, Executive Director

Asset Management Company: XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation

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Scheduled date for submission of securities report: November 29, 2018

Scheduled date for commencement of distribution payment: November 16, 2018

Supplementary materials for financial results: Yes

Financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Status of Management and Assets for the Fiscal Period Ended August 2018 (from September 14, 2017 to August 31, 2018)

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal period ended Aug. 2018	1,374	-	897	-	584	-	583	-

	Net income per unit	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
Fiscal period ended Aug. 2018	4,606	2.6	1.6	42.5

(Note 1) At XYMAX REIT Investment Corporation (hereinafter, "XYMAX REIT"), the accounting period for the fiscal period ended August 2018 is a period of 352 days from September 14, 2017 to August 31, 2018, but the number of days of the actual asset management period was a period of 197 days from February 16, 2018.

(Note 2) Net income per unit is calculated by dividing net income by the daily weighted average number of investment units (126,587 units). In addition, net income per unit when calculated based on the daily weighted average number of investment units with the date of commencement of actual management (February 16, 2018) deemed as the beginning of the fiscal period (221,695 units) is 2,630 yen.

(Note 3) Return on equity and ratio of ordinary income to total assets are calculated using the average of equity and average of total assets as of February 16, 2018, which is the actual asset management commencement date, and as of the end of the fiscal period.

(Note 4) Percentage figures for operating revenue, operating income, ordinary income and net income are the rate of period-on-period increase (decrease) but are not applicable for the fiscal period ended August 2018, because it is the first fiscal period.

(2) Distribution

	Distribution per unit (excluding distribution in excess of earnings)	Total distribution (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distribution in excess of earnings	Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	%	%
Fiscal period ended Aug. 2018	2,610	583	0	0	100.0	2.6

(Note 1) Due to issuance of new investment units, payout ratio is calculated by the following formula, rounded to one decimal place:

$$\text{Payout ratio} = \frac{\text{Total distribution (excluding distribution in excess of earnings)}}{\text{Net income}} \times 100$$

(Note 2) Ratio of distribution to net assets is calculated by the following formula:

$$\text{Distribution per unit (excluding distribution in excess of earnings)} / [(\text{Net assets per unit at beginning of period} + \text{Net assets per unit at end of period}) \div 2] \times 100$$

(3) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per unit
	million yen	million yen	%	yen
Fiscal period ended Aug. 2018	37,150	23,168	62.4	103,710

(4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal period ended Aug. 2018	448	(32,299)	34,752	2,901

2. Operating Forecasts for the Fiscal Period Ending February 2019 (from September 1, 2018 to February 28, 2019) and Fiscal Period Ending August 2019 (from March 1, 2019 to August 31, 2019)

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

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	mn yen	%	mn yen	%	mn yen	%	mn yen	%	yen	yen
Fiscal period ending Feb. 2019	1,270	(7.6)	827	(7.8)	776	32.8	775	33.1	3,473	0
Fiscal period ending Aug. 2019	1,289	1.4	702	(15.1)	657	(15.4)	656	(15.4)	2,937	0

(Reference) Forecast net income per unit

(Forecast net income ÷ Forecast total number of investment units issued and outstanding at end of period)

Fiscal period ending February 2019: 3,473 yen Fiscal period ending August 2019: 2,937 yen

(Note) Distribution per unit is calculated based on the total number of investment units issued and outstanding as of the date of this document of 223,400 units.

* Other

(1) Changes in Accounting Policies, Accounting Estimates, and Retrospective Restatements

- i. Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- ii. Changes in accounting policies other than i.: None
- iii. Changes in accounting estimates: None
- iv. Retrospective restatements: None

(2) Total number of investment units issued and outstanding

i. Total number of investment units issued and outstanding (including treasury investment units) at end of period

Fiscal period ended Aug. 2018	223,400 units
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ii. Number of treasury investment units at end of period

Fiscal period ended Aug. 2018	0 units
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(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 20.

* Presentation of Status of Implementation of Audit Procedures

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

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

The operating forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by XYMAX REIT. Accordingly, the actual results of operations, etc. may differ materially due to various factors. In addition, the forecasts are not a guarantee of the amount of distribution. For the assumptions underlying the operating forecasts, matters of note in the use of the operating forecasts, etc., please see "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2019 (from September 1, 2018 to February 28, 2019) and Fiscal Period Ending August 2019 (from March 1, 2019 to August 31, 2019)" on page 5. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of profit per unit may vary due to changes in the circumstances.

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1. Related Parties of the Investment Corporation

Disclosure is omitted, because there have not been significant changes to the “Structure of the Investment Corporation” in the securities registration statement (submitted on January 11, 2018, as amended).

2. Management Policy and Management Status

(1) Management Policy

Disclosure is omitted, because there have not been significant changes to “Investment Policy,” “Investment Targets” and “Distribution Policy” in the securities registration statement (submitted on January 11, 2018, as amended).

(2) Management Status

(Overview of the Fiscal Period under Review)

I. Brief History of the Investment Corporation

XYMAX REIT was incorporated under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended) (hereinafter, the “Investment Trusts Act”) with XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation (hereinafter, the “Asset Management Company”) as the organizer and investments in capital of 300 million yen (3,000 units) on September 14, 2017, and completed the registration with the Kanto Local Finance Bureau on October 31, 2017 (Registration No. 131 with the Director-General of the Kanto Local Finance Bureau). Later, XYMAX REIT implemented an issuance of new investment units through public offering (209,905 units) with February 14, 2018 as the payment due date, and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter, “Tokyo Stock Exchange”) on February 15, 2018 (securities code: 3488). In addition, an issuance of new investment units through third-party allotment (10,495 units) was implemented on March 20, 2018.

These resulted in total number of investment units issued and outstanding of 223,400 units as of the last day of the fiscal period.

XYMAX REIT utilizes the real estate management (Note 1) strengths of the XYMAX Group (Note 2) to conduct appropriate portfolio management and thereby maximize the value of real estate with the aim of maximizing unitholder value.

(Note 1) “Real estate management” collectively refers to property management, comprehensive building maintenance services, and combined property management and comprehensive building maintenance services (including cases where contracted with such services in subleasing cases). The same shall apply hereinafter.

(Note 2) “XYMAX Group” refers to the corporate group comprising XYMAX Corporation and its consolidated subsidiaries and affiliates accounted for using the equity method. The same shall apply hereinafter.

II. Management Environment

In the fiscal period ended August 2018, the Japanese economy continued to show an expanding trend with real GDP growth rate increasing by annual rate of 3.0% for the April to June 2018 period despite that for the January to March 2018 period falling by 0.9%, which was a first negative growth in nine quarters. With robust capital investment by companies and ongoing favorable employment situation, the Japanese economy is expected to remain solid. Overseas economies also enjoy favorable environment such as the growing economic activities by the U.S. On the other hand, however, trends of long-term interest rates under the Bank of Japan’s monetary policy and impact of trade frictions on economies are considered as risk factors.

Under such domestic economic circumstances, the following movements were seen in the markets of office, retail and hotel in which XYMAX REIT mainly invests.

In the office market, demand for office space expansion is strong against the backdrop of companies’ aggressive hiring, etc., and vacancies are often absorbed by the existing tenant of the building before they even appear in the leasing market. According to “Office Market Report Tokyo Q2 2018” (Note) announced by XYMAX REAL ESTATE INSTITUTE Corporation, “Increase and Decrease in Vacant Space” showed the Decrease in Vacant Space exceeding Increase for the fourteenth consecutive quarter since 1Q 2015, and “Contract Rent DI” marked the thirteenth consecutive quarter of above-zero DI since 2Q 2015, suggesting robust rent and occupancy rate.

In the retail market, while sales of some items such as apparel sold by the retailers (tenants) decreased year-on-year, the overall sales increased slightly year-on-year as sales of items such as food remained solid.

In the hotel market, whereas the total number of overnight guests in Japan between January and June this year decreased slightly year-on-year to 237.22 million, the total number of international overnight guests during the same period increased by 10.7% year-on-year to 43.23 million. The number of inbound tourists between January and August this year exceeded 21.3 million in total (Source: Japan National Tourism Organization, partially including estimates), and thus accommodation demand is likely to remain solid centering on the needs of foreign visitors to Japan.

In the real estate transaction market, investment appetite of listed REITs, private REITs, overseas investors and domestic business corporations including real estate companies is strong, continuing to intensify acquisition competition and keeping transaction prices high.

(Note) For more details of the research findings, please refer to the website of XYMAX Real Estate Institute Corporation (<https://soken.xymax.co.jp/>)

III. Management Status

The 12 properties in the portfolio as of the last day of the fiscal period were acquired for 33,040 million yen in total on February 16, 2018. Accordingly, the actual asset management period during the fiscal period was 197 days.

Furthermore, as of the last day of the fiscal period, the 12 properties in the portfolio had a total leasable area of 72,701.04m², total leased area of 71,959.01m² and occupancy rate of 99.0%.

IV. Financing Status

(Equity Financing)

In the fiscal period, 21,224 million yen was procured from capital increase through public offering with February 14, 2018 as the payment due date and 1,061 million yen was procured from capital increase through third-party allotment with March 20, 2018 as the payment due date. As a result, as of the last day of the fiscal period, unitholders' capital was 22,585 million yen.

(Debt Financing)

In the fiscal period, through a loan syndicate with Mizuho Bank, Ltd. as the arranger, funds totaling 13,320 million yen were borrowed from Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (now, MUFG Bank, Ltd.), The Nishi-Nippon City Bank, Ltd., The Bank of Fukuoka, Ltd., Resona Bank, Limited, The Hiroshima Bank, Ltd., The Hokkaido Bank, Ltd., Shinsei Bank, Limited, Aozora Bank, Ltd., The Chiba Bank, Ltd., The Higo Bank, Ltd. and Fukoku Mutual Life Insurance Company on February 16, 2018. On the other hand, prepayment of 1,060 million yen was made using the proceeds from the above-mentioned third-party allotment.

As a result, as of the last day of the fiscal period, the balance of loans outstanding was 12,260 million yen.

V. Overview of Business Performance

Business performance in the fiscal period resulted in operating revenue of 1,374 million yen, operating income of 897 million yen, ordinary income of 584 million yen and net income of 583 million yen.

Concerning distribution for the fiscal period, pursuant to the distribution policy provided in XYMAX REIT's Articles of Incorporation, the decision was made to distribute unappropriated retained earnings in the amount of 583,074,000 yen, which is the largest integral multiple of the total number of investment units issued and outstanding (223,400 units) by application of special provisions for taxation on investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended)). This resulted in distribution per unit of 2,610 yen.

(Outlook for the Next Fiscal Period)

I. General Management Outlook

(A) External Growth Strategy

Capture wide range of real estate disposition needs through real estate management customer base

XYMAX REIT captures real estate disposition needs from the customer base of the XYMAX Group based on a sponsor support agreement with sponsor XYMAX Corporation with the aim to lead such needs to property acquisition opportunities for XYMAX REIT.

(B) Internal Growth Strategy

Utilization of the real estate management insight and know-how and network of the XYMAX Group

Through the sponsor support agreement with XYMAX Group, XYMAX REIT is provided with various real estate management insight, know-how, databases, management systems, private fund management experience, etc. On this basis, XYMAX REIT can and will perform stable and efficient management.

(C) Financial Strategy

Financial management with emphasis on stability and soundness, and LTV ratio control

XYMAX REIT shall execute a financial strategy that places emphasis on stability and soundness and secure agility in fund procurement, taking into consideration the securing of stable revenue over the medium to long term, steady growth in size of assets under management and stability of management.

II. Significant Subsequent Events

Not applicable.

III. Operating Forecasts

XYMAX REIT's operating forecasts for the fiscal period ending February 2019 (from September 1, 2018 to February 28, 2019) and fiscal period ending August 2019 (from March 1, 2019 to August 31, 2019) are as follows:

	Operating revenue	Operating income	Ordinary income	Net income	Distribution per unit (excluding distribution in excess of profit)	Distribution in excess of profit per unit
	million yen	million yen	million yen	million yen	yen	yen
Fiscal period ending Feb. 2019	1,270	827	776	775	3,473	0
Fiscal period ending Aug. 2019	1,289	702	657	656	2,937	0

Furthermore, for the assumptions underlying the operating forecasts, please refer to "Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2019 (from September 1, 2018 to February 28, 2019) and Fiscal Period Ending August 2019 (from March 1, 2019 to August 31, 2019)" presented later in this document.

(Note) The forecast figures above are the current forecast figures calculated under certain assumptions. Accordingly, the actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit may vary due to changes in the circumstances. In addition, the forecasts are not a guarantee of the amount of distribution.

Assumptions Underlying the Operating Forecasts for the Fiscal Period Ending February 2019 (from September 1, 2018 to February 28, 2019) and Fiscal Period Ending August 2019 (from March 1, 2019 to August 31, 2019)

Item	Assumption																								
Accounting period	<ul style="list-style-type: none">● Fiscal period ending February 2019 (2nd fiscal period) (from September 1, 2018 to February 28, 2019) (181 days)● Fiscal period ending August 2019 (3rd fiscal period) (from March 1, 2019 to August 31, 2019) (184 days)																								
Assets under management	<ul style="list-style-type: none">● The assumption is that the real estate trust beneficiary rights held by XYMAX REIT as of today (total of 12 properties) (hereinafter, the “current portfolio assets”) will continue to be held and there will be no acquisition of new properties other than the current portfolio assets through to the end of the fiscal period ending August 2019 (3rd fiscal period).● Change may arise due to acquisition of new properties other than the current portfolio assets, disposition of the current portfolio assets, etc.																								
Operating revenue	<ul style="list-style-type: none">● Operating revenue from leasing is calculated on the basis of various factors, such as the content of lease agreements entered into for the current portfolio assets and past tenant and market trends, and by taking into account various factors, such as the assumed occupancy rate and rent fluctuation projections based on tenant move-in/move-out and rent level projections.● Variable rent is calculated on the basis of mainly the forecast operating figures submitted by the operator and based on the method of calculation provided in the lease agreement. [Hotel Vista Sendai] Fixed rent: Monthly amount of 20.0 million yen Variable rent: (i) From contract commencement to August 2018: None (ii) From September 2018 to February 2019: Monthly amount of 4.7 million yen (iii) From March 2019: The monthly variable rent shall be the amount equal to the total variable rent received by the lessee from the sublessee (hereinafter, “variable rent from subtenant” (Note)) in the past 12 months, including said month, divided by 12 (Note) “Variable rent from subtenant” refers to the amount calculated by multiplying gross sales from the hotel operations of the sublessee by a certain percentage. Actual effective percentage is not disclosed, because consent for disclosure has not been obtained from the sublessee. <table><tr><td></td><td>Fiscal period ending Feb. 2019 (2nd fiscal period)</td><td>Fiscal period ending Aug. 2019 (3rd fiscal period)</td></tr><tr><td>Variable rent</td><td>28 million yen</td><td>30 million yen</td></tr></table> <ul style="list-style-type: none">● The assumption is that there will be no delinquent or unpaid rent by tenants and no gain (loss) on sales of real estate properties.		Fiscal period ending Feb. 2019 (2nd fiscal period)	Fiscal period ending Aug. 2019 (3rd fiscal period)	Variable rent	28 million yen	30 million yen																		
	Fiscal period ending Feb. 2019 (2nd fiscal period)	Fiscal period ending Aug. 2019 (3rd fiscal period)																							
Variable rent	28 million yen	30 million yen																							
Operating expenses	<ul style="list-style-type: none">● Of operating expenses, the main components are as follows (rounded down to the nearest specified unit; the same shall apply hereinafter):<table><tr><td></td><td>Fiscal period ending Feb. 2019 (2nd fiscal period)</td><td>Fiscal period ending Aug. 2019 (3rd fiscal period)</td></tr><tr><td>Expenses related to rent business [Total]</td><td>322 million yen</td><td>465 million yen</td></tr><tr><td>Management fee</td><td>80 million yen</td><td>81 million yen</td></tr><tr><td>Repair expenses</td><td>35 million yen</td><td>35 million yen</td></tr><tr><td>Property taxes</td><td>0 million yen</td><td>134 million yen</td></tr><tr><td>Depreciation</td><td>119 million yen</td><td>123 million yen</td></tr><tr><td>Other than expenses related to rent business [Total]</td><td>120 million yen</td><td>121 million yen</td></tr><tr><td>Asset management fee</td><td>79 million yen</td><td>76 million yen</td></tr></table>● Expenses related to rent business, which are the main operating expenses, are calculated on the basis of historical data at XYMAX REIT (historical data disclosed by the previous owner, etc. in the case of periods for which there is no historical data at XYMAX REIT) and by taking into consideration factors causing fluctuation in expenses.● Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc.● In general, fixed property tax, city planning tax, etc. are calculated on a pro rata basis and reimbursed at the time of acquisition with the current owner upon transactions of real estate, etc. At XYMAX REIT, the amount equivalent to the reimbursement is included in the cost of acquisition and thus not expensed in the period of acquisition. In addition, the due date for assessment and determination of the fiscal 2019 fixed property tax, city planning tax, etc. is after April 2019 and the tax amount corresponding to the accounting period up to the fiscal period ending February 2019 (2nd fiscal period) is thus not expensed. Therefore, in the case of the current portfolio assets, there is no expensing in the fiscal period ending February 2019 (2nd fiscal period). In addition, fixed property tax, city planning tax, etc. to be expensed in the fiscal period ending August 2019 (3rd fiscal period) is expected to be 134 million yen.● Repair expenses are the amount necessary in each fiscal period as assumed on a property-by-property basis by the Asset Management Company. However, repair expenses possibly increasing in amount or additionally arising from unforeseeable factors, the amount generally tending to vary materially from fiscal year to fiscal year and not being an amount that arises periodically, etc. may result in repair expenses for each fiscal period differing materially from the forecast amount.		Fiscal period ending Feb. 2019 (2nd fiscal period)	Fiscal period ending Aug. 2019 (3rd fiscal period)	Expenses related to rent business [Total]	322 million yen	465 million yen	Management fee	80 million yen	81 million yen	Repair expenses	35 million yen	35 million yen	Property taxes	0 million yen	134 million yen	Depreciation	119 million yen	123 million yen	Other than expenses related to rent business [Total]	120 million yen	121 million yen	Asset management fee	79 million yen	76 million yen
	Fiscal period ending Feb. 2019 (2nd fiscal period)	Fiscal period ending Aug. 2019 (3rd fiscal period)																							
Expenses related to rent business [Total]	322 million yen	465 million yen																							
Management fee	80 million yen	81 million yen																							
Repair expenses	35 million yen	35 million yen																							
Property taxes	0 million yen	134 million yen																							
Depreciation	119 million yen	123 million yen																							
Other than expenses related to rent business [Total]	120 million yen	121 million yen																							
Asset management fee	79 million yen	76 million yen																							

Non-operating expenses	<ul style="list-style-type: none"> ● For the fiscal period ending February 2019 (2nd fiscal period), interest expenses and other borrowing related expenses are assumed to be 50 million yen. ● For the fiscal period ending August 2019 (3rd fiscal period), interest expenses and other borrowing related expenses are assumed to be 45 million yen.
Interest-bearing liabilities	<ul style="list-style-type: none"> ● The assumption is that total interest-bearing liabilities will be 11,680 million yen at the end of the fiscal period ending February 2019 (2nd fiscal period) and 11,680 million yen at the end of the fiscal period ending August 2019 (3rd fiscal period). ● There are interest-bearing liabilities of 12,260 million yen as of the last day of the fiscal period ended August 2018 (1st fiscal period), but with refund of consumption taxes corresponding to the fiscal period ended August 2018 (1st fiscal period) scheduled to take place during the fiscal period ending February 2019 (2nd fiscal period), the assumption is that the concerned refund, etc. will be used as the source of funds to repay a portion of the loans (580 million yen) during the fiscal period ending February 2019 (2nd fiscal period). ● LTV ratio is expected to be 31.9% at the end of the fiscal period ending February 2019 (2nd fiscal period) and 32.0% at the end of the fiscal period ending August 2019 (3rd fiscal period). In addition, the following formula is used in the calculation of LTV ratio. $\text{LTV ratio} = \text{Total interest-bearing liabilities} \div \text{Total assets} \times 100$
Investment units	<ul style="list-style-type: none"> ● The assumption is the total number of investment units issued and outstanding as of today of 223,400 units and that there will be no change in the number of investment units due to issuance of new investment units, etc. through to the end of the fiscal period ending August 2019 (3rd fiscal period). ● Distribution per unit (excluding distribution in excess of earnings) and distribution in excess of earnings per unit are calculated on the basis of the forecast total number of investment units issued and outstanding at the end of the fiscal period ending February 2019 (2nd fiscal period) and fiscal period ending August 2019 (3rd fiscal period) of 223,400 units.
Distribution per unit (excluding distribution in excess of earnings)	<ul style="list-style-type: none"> ● Distribution per unit (excluding distribution in excess of earnings) is calculated based on the assumption that distribution will be in accordance with the cash distribution policy provided in XYMAX REIT's Articles of Incorporation. ● Distribution per unit (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying change in assets under management, change in tenants, etc. or incurrence of unexpected repairs.
Distribution in excess of profit per unit	<ul style="list-style-type: none"> ● No cash distribution in excess of earnings (distribution in excess of earnings per unit) is scheduled to be made at this point in time.
Other	<ul style="list-style-type: none"> ● The assumption is that there will be no revision of laws and regulations, tax systems, accounting standards, listing regulations provided by Tokyo Stock Exchange, rules provided by The Investment Trusts Association, Japan, etc. that will impact the forecast figures above. ● The assumption is that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(3) Investment Risks

Disclosure is omitted, because there is no significant change from "Investment Risks" in the securities registration statement (submitted on January 11, 2018, as amended).

3. Financial Statements

(1) Balance Sheet

	(Unit: thousand yen)
	1st fiscal period (As of Aug. 31, 2018)
Assets	
Current assets	
Cash and bank deposits	943,567
Cash and bank deposits in trust	1,958,065
Operating accounts receivable	19,928
Prepaid expenses	32,703
Consumption taxes receivable	572,370
Deferred tax assets	28
Other	2,077
Total current assets	3,528,741
Non-current assets	
Property, plant and equipment	
Tools, furniture and fixtures	108,551
Accumulated depreciation	(15,114)
Tools, furniture and fixtures, net	93,436
Buildings in trust	8,881,351
Accumulated depreciation	(107,658)
Buildings in trust, net	8,773,693
Structures in trust	45,459
Accumulated depreciation	(824)
Structures in trust, net	44,635
Tools, furniture and fixtures in trust	4,047
Accumulated depreciation	(233)
Tools, furniture and fixtures in trust, net	3,814
Land in trust	24,606,271
Total property, plant and equipment	33,521,850
Investments and other assets	
Long-term prepaid expenses	43,504
Lease and guarantee deposits	22,600
Other	33,507
Total investments and other assets	99,611
Total non-current assets	33,621,462
Total assets	37,150,203

(Unit: thousand yen)	
	1st fiscal period (As of Aug. 31, 2018)
Liabilities	
Current liabilities	
Operating accounts payable	201,131
Short-term loans payable	2,916,000
Accounts payable - other	106,382
Income taxes payable	1,687
Advances received	181,442
Other	2,540
Total current liabilities	3,409,184
Non-current liabilities	
Long-term loans payable	9,344,000
Tenant leasehold and security deposits in trust	1,228,116
Total non-current liabilities	10,572,116
Total liabilities	13,981,301
Net assets	
Unitholders' equity	
Unitholders' capital	22,585,746
Surplus	
Unappropriated retained earnings (undisposed loss)	583,155
Total surplus	583,155
Total unitholders' equity	23,168,901
Total net assets	*1 23,168,901
Total liabilities and net assets	37,150,203

(2) Statement of Income

	(Unit: thousand yen)
	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
Operating revenue	
Lease business revenue	*1 1,268,583
Other lease business revenue	*1 106,260
Total operating revenue	1,374,843
Operating expenses	
Expenses related to rent business	*1 352,220
Asset management fee	85,797
Asset custody fee	882
Administrative service fees	12,040
Directors' compensations	4,800
Other operating expenses	21,588
Total operating expenses	477,330
Operating income	897,512
Non-operating income	
Interest income	16
Total non-operating income	16
Non-operating expenses	
Interest expenses	32,979
Borrowing related expenses	102,607
Investment unit issuance expenses	93,423
Deferred organization expenses	72,045
Business commencement expenses	11,654
Total non-operating expenses	312,710
Ordinary income	584,818
Income before income taxes	584,818
Income taxes - current	1,690
Income taxes - deferred	(28)
Total income taxes	1,662
Net income	583,155
Retained earnings brought forward	-
Unappropriated retained earnings (undisposed loss)	583,155

(3) Statement of Unitholders' Equity

1st fiscal period (from September 14, 2017 to August 31, 2018)

(Unit: thousand yen)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance as of September 14, 2017	-	-	-	-	-
Changes of items during period					
Issuance of new investment units	22,585,746			22,585,746	22,585,746
Net income		583,155	583,155	583,155	583,155
Total changes during period	22,585,746	583,155	583,155	23,168,901	23,168,901
Balance as of August 31, 2018	*1 22,585,746	583,155	583,155	23,168,901	23,168,901

(4) Statement of Cash Distribution

Classification	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
I. Unappropriated retained earnings	583,155,819 yen
II. Amount of distribution [Amount of distribution per unit]	583,074,000 yen [2,610 yen]
III. Retained earnings carried forward	81,819 yen
Method of calculation of amount of distribution	<p>Pursuant to the cash distribution policy stipulated in Article 35, Paragraph 1 of XYMAX REIT's Articles of Incorporation, amount of distribution must be equal or less than the amount of profit and exceed 90% of XYMAX REIT's distributable profit that is defined by Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, XYMAX REIT has decided to distribute 583,074,000 yen, which is the maximum value of the integral multiple of the total number of units issued and outstanding (223,400 units), not exceeding unappropriated retained earnings.</p> <p>XYMAX REIT does not make distribution in excess of earnings defined by Article 35, Paragraph 2 of XYMAX REIT's Articles of Incorporation.</p>

(5) Statement of Cash Flows

	(Unit: thousand yen)
	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
Cash flows from operating activities	
Income before income taxes	584,818
Depreciation	123,830
Investment unit issuance expenses	93,423
Interest income	(16)
Interest expenses	32,979
Decrease (increase) in operating accounts receivable	(19,928)
Decrease (increase) in consumption taxes refund receivable	(572,370)
Decrease (increase) in prepaid expenses	(32,703)
Increase (decrease) in operating accounts payable	61,608
Increase (decrease) in accounts payable - other	106,382
Increase (decrease) in advances received	181,442
Decrease (increase) in long-term prepaid expenses	(43,504)
Other	(34,774)
Subtotal	481,187
Interest income received	16
Interest expenses paid	(32,815)
Income taxes paid	(2)
Net cash provided by (used in) operating activities	448,384
Cash flows from investing activities	
Purchase of property, plant and equipment	(108,288)
Purchase of property, plant and equipment in trust	(33,397,869)
Repayments of tenant leasehold and security deposits in trust	(7,120)
Proceeds from tenant leasehold and security deposits in trust	1,236,803
Payments for lease and guarantee deposits	(22,600)
Net cash provided by (used in) investing activities	(32,299,074)
Cash flows from financing activities	
Increase in short-term loans payable	3,976,000
Decrease in short-term loans payable	(1,060,000)
Proceeds from long-term loans payable	9,344,000
Proceeds from issuance of investment units	22,492,322
Net cash provided by (used in) financing activities	34,752,322
Net increase (decrease) in cash and cash equivalents	2,901,632
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	*1 2,901,632

(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, plant and equipment (including trust assets) The straight-line method is adopted. Furthermore, the useful life of core property, plant and equipment is as follows:</p> <table> <tr> <td>Buildings</td><td>3–63 years</td></tr> <tr> <td>Structures</td><td>13–51 years</td></tr> <tr> <td>Tools, furniture and fixtures</td><td>2–13 years</td></tr> </table> <p>(2) Long-term prepaid expenses The straight-line method is adopted.</p>	Buildings	3–63 years	Structures	13–51 years	Tools, furniture and fixtures	2–13 years
Buildings	3–63 years						
Structures	13–51 years						
Tools, furniture and fixtures	2–13 years						
2. Accounting for deferred assets	<p>(1) Deferred organization expenses The entire amount is expensed as incurred.</p> <p>(2) Business commencement expenses The entire amount is expensed as incurred.</p> <p>(3) Investment unit issuance expenses The entire amount is expensed as incurred.</p>						
3. Standards for revenue and expense recognition	<p>Accounting for fixed property tax, etc. For fixed property tax, city planning tax, depreciable property tax, etc. on real estate or trust beneficiary rights that have real estate as trust assets held, the accounting is that, of the tax amount assessed and determined, the amount corresponding to the fiscal period is expensed as expenses related to rent business. Furthermore, the amount equivalent to fixed property tax, etc. in the initial fiscal year borne by XYMAX REIT upon acquisition of real estate or trust beneficiary rights that have real estate as trust assets is not recognized as expenses but included in the cost of acquisition of the concerned real estate, etc. In the fiscal period, the amount equivalent to fixed property tax, etc. included in the cost of acquisition of real estate, etc. was 233 million yen.</p>						
4. Method of hedge accounting	<p>(1) Hedge accounting approach Special accounting is adopted for interest rate swaps that meet the requirements for special treatment.</p> <p>(2) Hedging instruments and hedged items Hedging instruments: Interest rate swap transaction Hedged items: Interest on loans</p> <p>(3) Hedging policy XYMAX REIT conducts derivative transactions for the purpose of hedging the risks provided in its Articles of Incorporation based on its risk management policy.</p> <p>(4) Method of assessing the effectiveness of hedging The assessment of the effectiveness is omitted for interest rate swaps that meet the requirements for special treatment.</p>						
5. Scope of funds in the statement of cash flows	<p>The funds (cash and cash equivalents) in the statement of cash flows comprise cash on hand and cash in trust, demand deposits and bank deposits in trust, and short-term investments with a maturity of 3 months or less from the date of acquisition that are readily convertible to cash and that are subject to a low risk of changes in value.</p>						

6. Other significant matters serving as the basis for preparation of the financial statements	<p>(1) Accounting for trust beneficiary rights that have real estate, etc. as trust assets</p> <p>Concerning trust beneficiary rights that have real estate, etc. as trust assets held, all accounts of assets and liabilities within trust assets and 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.</p> <p>Furthermore, the following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet.</p> <p>(i) Cash and bank deposits in trust</p> <p>(ii) Buildings in trust; Structures in trust; Tools, furniture and fixtures in trust; Land in trust</p> <p>(iii) Tenant leasehold and security deposits in trust</p> <p>(2) Accounting for consumption tax, etc.</p> <p>The accounting for consumption tax and local consumption tax is that the taxes are excluded from transaction amounts. Furthermore, non-deductible consumption tax, etc. on acquisition of assets is included in the cost of acquisition of each asset.</p>
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(8) Notes to the Financial Statements

[Notes to the Balance Sheet]

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

1st fiscal period (As of Aug. 31, 2018)
50,000 thousand yen

[Notes to the Statement of Income]

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

	(Unit: thousand yen)	
	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018	
A. Operating revenue from real estate leasing		
Lease business revenue		
Rent revenue	1,100,548	
Common area maintenance revenue	168,035	1,268,583
Other lease business revenue		
Utility reimbursement	69,759	
Parking revenue	28,147	
Other rental revenue	8,353	106,260
Total operating revenue from real estate leasing		1,374,843
B. Operating expenses from real estate leasing		
Expenses related to rent business		
Maintenance fee	89,059	
Utility expenses	71,065	
Repair expenses	35,850	
Insurance premium	4,034	
Depreciation	123,830	
Other expenses related to rent business	28,379	352,220
Total operating expenses from real estate leasing		352,220
C. Operating income (loss) from real estate leasing [A-B]		1,022,622

[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: Sept. 14, 2017 To: Aug. 31, 2018
Total number of investment units authorized	5,000,000 units
Total number of investment units issued and outstanding	223,400 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

(Unit: thousand yen)

	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
Cash and bank deposits	943,567
Cash and bank deposits in trust	1,958,065
Cash and cash equivalents	2,901,632

[Notes on Lease Transactions]

Not applicable.

[Notes on Financial Instruments]

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

XYMAX REIT shall procure funds for acquisition of assets, repayment of liabilities, etc. through issuance of investment units, borrowing from financial institutions, issuance of investment corporation bonds, etc. Due consideration shall be given to the balance between agility in fund procurement and financial stability when procuring funds.

Surplus funds may be invested in securities and monetary claims, but shall be invested as bank deposits as a rule in consideration of security.

Derivative transactions may be utilized only if for the purpose of hedging the risk of fluctuation in interest rates, etc., but no speculative transactions shall be conducted.

(2) Description of financial instruments and associated risks, and risk management system

Deposits are those for investing XYMAX REIT's surplus funds and are exposed to credit risk, such as failure of the depository financial institutions, but the credit risk is limited by limiting the deposit period to short term and transacting with depository financial institutions that have high credit rating.

Loans are those for mainly the purpose of acquisition of real estate, etc., repayment of liabilities, etc. and are exposed to the liquidity risk of not being able to procure substitute funds upon maturity, but the liquidity risk is mitigated through diversification of fund procurement means and sources, staggering of maturities and securing liquidity on hand and the liquidity risk is also managed by preparing monthly fund management plans and other means. In addition, loans with floating interest rates are exposed to the risk of rise in interest rates payable, but the impact of the rise in market interest rates on XYMAX REIT's operations is limited by keeping the ratio of interest-bearing liabilities to total assets at a low level and maintaining a balance between the ratio of loans with floating interest rates and the ratio of loans with fixed interest rates.

Derivative transactions are utilized for the purpose of hedging the risk of fluctuation in interest rates payable on certain loans. For the hedge accounting approach, hedged items, contract amount, etc., please refer to "2. Matters concerning fair value, etc. of financial instruments."

Tenant leasehold and security deposits are deposits from tenants and are exposed to liquidity risk from tenants vacating, but the risk is limited by retaining an amount in the range that will not hinder the return of deposits as a rule.

(3) Supplementary explanation to matters concerning fair value, etc. of financial instruments

The fair value of financial instruments is values based on market price, but may otherwise include values based on reasonable calculation when no market price is available. Variable factors are taken into account in the calculation of the concerned values. Accordingly, the concerned values may vary when different assumptions are adopted. In addition, the contract amount, etc. of derivative transactions in “2. Matters concerning fair value, etc. of financial instruments” do not itself represent the market risk involved in the derivative transactions.

2. Matters concerning fair value, etc. of financial instruments

The following are the carrying amount and fair value as of August 31, 2018, and the amount of difference between these. Financial instruments for which estimation of fair value is recognized to be extremely difficult are not included in the following table. (Please refer to Note 2 below.)

	Carrying amount (thousand yen)	Fair value (thousand yen)	Amount of difference (thousand yen)
(1) Cash and bank deposits	943,567	943,567	-
(2) Cash and bank deposits in trust	1,958,065	1,958,065	-
Total assets	2,901,632	2,901,632	-
(1) Short-term loans payable	2,916,000	2,916,000	-
(2) Long-term loans payable	9,344,000	9,399,880	55,880
Total liabilities	12,260,000	12,315,880	55,880
Derivative transactions	-	-	-

(Note 1) Method of calculation of the fair value of financial instruments and matters concerning derivative transactions

Assets

(1) Cash and bank deposits; (2) Cash and bank 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 that book value.

Liabilities

(1) Short-term loans payable

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

(2) Long-term loans payable

Of long-term loans payable, because those with floating interest rates reflect market interest rates in a short period of time, the fair value is thought to resemble the book value and thus stated at that book value. However, in the case of long-term loans payable with floating interest rates that qualify for special treatment for interest rate swaps (please refer to “Notes on Derivative Transactions” presented later in this document) and long-term loans payable with fixed interest rates, the fair value is calculated based on the present value of their future cash flows discounted by the time to maturity and rate adjusted for credit risks.

Derivative transactions

Please refer to “Notes on Derivative Transactions” below

(Note 2) Financial instruments for which estimation of fair value is recognized to be extremely difficult

	1st fiscal period (As of Aug. 31, 2018)
Tenant leasehold and security deposits in trust	1,228,116 thousand yen

* Tenant leasehold and security deposits in trust are not subject to disclosure of fair value, because there being no market price and, even if the lease contract period has been set, there being the possibility of contract cancellation before expiration or contract extension or renewal make calculating the actual deposit period impossible and reasonable projection of future cash flows is thus recognized to be extremely difficult.

(Note 3) Amount of redemption of monetary claims scheduled to be due after the end of the fiscal period (August 31, 2018)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Cash and bank deposits	943,567	-	-	-	-	-
Cash and bank deposits in trust	1,958,065	-	-	-	-	-
Total	2,901,632	-	-	-	-	-

(Note 4) Amount of repayment of loans scheduled to be due after the end of the fiscal period (August 31, 2018)

(Unit: thousand yen)

	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Short-term loans payable	2,916,000	-	-	-	-	-
Long-term loans payable	-	2,336,000	2,336,000	2,336,000	2,336,000	-
Total	2,916,000	2,336,000	2,336,000	2,336,000	2,336,000	-

[Notes on Securities]

Not applicable.

[Notes on Derivative Transactions]

1. Derivative transactions to which hedge accounting is not applied

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 amount equivalent to the principal provided in the contract, etc. at the end of the fiscal period for each hedge accounting approach.

(Unit: thousand yen)

Hedge accounting approach	Type, etc. of derivative transaction	Main hedged item	Contract amount, etc. (Note 1)		Fair value
				Of which, due after 1 year	
Special treatment for interest rate swaps	Interest rate swap transaction (receive floating; pay fixed)	Long-term loans payable	2,336,000	2,336,000	(Note 2)

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

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

[Notes on Retirement Benefits]

Not applicable.

[Notes on Tax-Effect Accounting]

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

(Unit: thousand yen)

		1st fiscal period As of Aug. 31, 2018
Deferred tax assets		
Non-deductible accrued enterprise tax		28
Total		28
Deferred tax assets, net		28

2. Breakdown of major components that caused any significant differences between the statutory tax rate and the effective income tax rate after application of tax-effect accounting

(Unit: %)

		1st fiscal period As of Aug. 31, 2018
Statutory tax rate		31.74
[Adjustments]		
Deductible distribution payable		(31.65)
Other		0.19
Effective income tax rate after application of tax-effect accounting		0.28

[Notes on Share of Income of Entities Accounted for Using Equity Method, Etc.]

Not applicable.

[Notes on Related-Party Transactions]

1. Parent company, major corporate unitholder, etc.

1st fiscal period (from September 14, 2017 to August 31, 2018)

Attribute	Name of company, etc.	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) XYMAX REIT (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen) (Note 2)	Account item	Balance at end of period (thousand yen) (Note 2)
						Concurrent holding of positions, etc. by directors	Description of relationship				
Parent company	XYMAX Corporation (Note 3)	Minato-ku, Tokyo	2,612,865	General real estate services	100.0	-	Parent company	Acceptance of capital (Incorporation through private placement)	300,000	-	-

(Note 1) The above discloses a related-party transaction which includes a material transaction, among related-party transactions subject to disclosure.

(Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc.

(Note 3) XYMAX Corporation fell under the category of parent company with 100.0% voting rights held in XYMAX REIT at the time of the transaction, but an issuance of new investment units through public offering resulted in the voting rights becoming 5.59% and thus no longer falls under the category of parent company as of the last day of the fiscal period. Accordingly, percentage of voting rights, etc. held in XYMAX REIT and transaction amount are the percentage and amount for the period when it was a parent company, while balance at end of period is the balance at the point in time when it no longer falls under the category of parent company.

2. Affiliated company, etc.

1st fiscal period (from September 14, 2017 to August 31, 2018)

Not applicable.

3. Fellow subsidiary, etc.

1st fiscal period (from September 14, 2017 to August 31, 2018)

Attribute	Name of company, etc.	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) XYMAX REIT (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen) (Note 2)	Account item	Balance at end of period (thousand yen) (Note 2)
						Concurrent holding of positions, etc. by directors	Description of relationship				
Subsidiary of parent company	XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation	Minato-ku, Tokyo	200,000	Real estate investment management	-	Concurrent holding of positions by directors	Outsourcing of asset management services	Organizer fee (Note 3)	50,000	-	-

(Note 1) The above discloses a related-party transaction which includes a material transaction, among related-party transactions subject to disclosure.

(Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc.

(Note 3) As stated in Note 3 of "1. Parent company, major corporate unitholder, etc.," XYMAX Corporation no longer falls under the category of parent company of XYMAX REIT. Consequently, XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation, too, no longer falls under the category of fellow subsidiary, etc. Accordingly, transaction amount pertaining to organizer fee is the amount for the period when it was a fellow subsidiary, etc.

(Note 4) The amount of organizer fee is based on the terms and conditions provided in XYMAX REIT's Articles of Incorporation.

4. Director, major individual unitholder, etc.

1st fiscal period (from September 14, 2017 to August 31, 2018)

Attribute	Name of company, etc.	Location	Capital stock or investments in capital (thousand yen)	Description of business or occupation	Percentage of voting rights, etc. held by (in) XYMAX REIT (%)	Description of relationship		Description of transaction	Transaction amount (thousand yen) (Note 2)	Account item	Balance at end of period (thousand yen) (Note 2)
						Concurrent holding of positions, etc. by directors	Description of relationship				
Director	Nobuhito Inatsuki	-	-	Executive Director of XYMAX REIT, and Representative Director and President of XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation	-		Executive Director of XYMAX REIT, and Representative Director and President of XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation	Organizer fee (Note 3)	50,000	-	-
								Asset management fee (Note 3) (Note 4)	250,997	Accounts payable - other	92,661

(Note 1) The above discloses a related-party transaction which includes a material transaction, among related-party transactions subject to disclosure.

(Note 2) Of the amounts above, transaction amount does not include consumption tax, etc., while balance at end of period includes consumption tax, etc.

(Note 3) The amount of organizer fee and asset management fee is for transactions conducted by Nobuhito Inatsuki as representative of XYMAX REAL ESTATE INVESTMENT ADVISORS Corporation, and transaction amount is based on the terms and conditions provided in XYMAX REIT's Articles of Incorporation.

(Note 4) Asset management fee includes the portion of the fee for property acquisition included in the book value of individual real estate (165,200 thousand yen).

(Note 5) Transaction terms and conditions are decided based on the actual market situation.

[Notes on Asset Retirement Obligations]

Not applicable.

[Notes on Segment Information, Etc.]

1. Segment information

Segment information is omitted, because XYMAX REIT has a single segment, which is the real estate leasing business.

2. Related information

1st fiscal period (from September 14, 2017 to August 31, 2018)

(1) Information by product and service

Information by product and service is omitted, because operating revenue to external customers for a single products and services category is in excess of 90% of operating revenue on the statement of income.

(2) Information by geographic area

(i) Operating revenue

Information by geographic area of operating revenue is omitted, because operating revenue to external customers in Japan is in excess of 90% of operating revenue on the statement of income.

(ii) Property, plant and equipment

Information by geographic area of property, plant and equipment is omitted, because the amount of property, plant and equipment located in Japan is in excess of 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customer

(Unit: thousand yen)

Name of customer	Operating revenue	Related segment
New Urban Life Holdings Inc.	Not disclosed (Note)	Real estate leasing business
XYMAX Corporation	154,778	Real estate leasing business

(Note) Not disclosed due to unavoidable circumstances in that consent for disclosure has not been obtained from the lessee.

[Notes on Investment and Rental Properties]

XYMAX REIT owns office, retail, hotel, residential and other properties for the purpose of earning revenue from leasing. The carrying amount, amount of increase (decrease) during period and fair value of these investment and rental properties are as follows:

(Unit: thousand yen)

	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
Carrying amount	33,521,850
Balance at beginning of period	-
Amount of increase (decrease) during period	33,521,850
Balance at end of period	33,521,850
Fair value at end of period	41,824,000

(Note 1) Carrying amount is the amount of cost of acquisition, less accumulated depreciation.

(Note 2) Of the amount of increase (decrease) during period, the amount of increase is mainly attributable to acquisition of real estate trust beneficiary rights of 12 properties (33,603,535 thousand yen), while the amount of decrease is mainly attributable to depreciation (123,830 thousand yen).

(Note 3) Fair value at end of period is the appraisal value by an outside real estate appraiser. The date of value is August 31, 2018.

The income (loss) concerning investment and rental properties is presented in "Notes to the Statement of Income."

[Notes on Per Unit Information]

	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
Net assets per unit	103,710 yen
Net income per unit	4,606 yen (2,630 yen)

(Note 1) Net income per unit is calculated by dividing net income by the period's daily weighted average number of investment units (126,587 units). And 2,630yen is calculated using daily weighted average number of investment units of 221,695 units assuming February 16,2018 as the 1st day of the period.

In addition, diluted net income per unit is not stated, because there are no diluted investment units.

(Note 2) The basis for calculation of net income per unit is as follows:

	1st fiscal period From: Sept. 14, 2017 To: Aug. 31, 2018
Net income (thousand yen)	583,155
Amount not attributable to common unitholders (thousand yen)	-
Net income attributable to common investment units (thousand yen)	583,155
Average number of investment units during period (units)	126,587

[Notes on Significant Subsequent Events]

Not applicable.

(9) Changes in Total Number of Investment Units Issued and Outstanding

Changes in unitholders' capital and the total number of investment units issued and outstanding from the incorporation of XYMAX REIT to the last day of the fiscal period under review (August 31, 2018) are as follows:

Date	Description	Total number of investment units issued and outstanding (units)		Unitholders' capital (thousand yen)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
Sept. 14, 2017	Incorporation through private placement	3,000	3,000	300,000	300,000	(Note 1)
Feb. 14, 2018	Capital increase through public offering	209,905	212,905	21,224,544	21,524,544	(Note 2)
Mar. 20, 2018	Third-party allotment	10,495	223,400	1,061,201	22,585,746	(Note 3)

(Note 1) XYMAX REIT was incorporated with issuance of investment units at an issue price of 100,000 yen per unit.

(Note 2) New investment units were issued through public offering at an issue price of 105,000 yen (paid-in amount of 101,115 yen) per unit for the purpose of procuring funds for acquisition of new properties.

(Note 3) New investment units were issued with SMBC Nikko Securities Inc. as allottee at a paid-in amount of 101,115 yen per unit.

4. Changes in Directors

(1) Directors of the Investment Corporation

There were no changes in directors in the fiscal period.

(2) Directors of the Asset Management Company

There were no changes in directors in the fiscal period.

5. Reference Information

(1) Investment Status

Investment status				
Type of asset	Use	Geographic area (Note 1)	1st fiscal period As of Aug. 31, 2018	
			Total amount held (million yen) (Note 2)	As a percentage of total assets (%) (Note 3)
Real estate in trust	Office	Tokyo central 5 wards	14,376	38.7
		Tokyo 23 wards	1,162	3.1
		Tokyo economic area	2,627	7.1
	Retail	Tokyo economic area	8,112	21.8
	Hotel	Cabinet order designated cities	4,431	11.9
	Other	Cabinet order designated cities	2,810	7.6
	Total real estate in trust		33,521	90.2
Deposits and other assets		3,628	9.8	
Total assets		37,150	100.0	

(Note 1) "Tokyo central 5 wards" refers to Tokyo's Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward and Shibuya Ward.

"Tokyo economic area" refers to Tokyo excluding the Tokyo central 8 wards (refers to Tokyo's Chiyoda Ward, Chuo Ward, Minato Ward, Shinjuku Ward, Shibuya Ward, Toshima Ward, Taito Ward and Shinagawa Ward), Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture.

(Note 2) "Total amount held" is based on the balance sheet (in the case of real estate in trust, the depreciated book value) as of August 31, 2018, rounded down to the nearest million yen. Furthermore, the total amount held for real estate in trust with hotel as the use includes the book value of movables incidental to hotels.

(Note 3) "As a percentage of total assets" is rounded to one decimal place.

	1st fiscal period As of Aug. 31, 2018	
	Amount (million yen) (Note 1)	As a percentage of total assets (%) (Note 2)
Total liabilities	13,981	37.6
Total net assets	23,168	62.4
Total assets	37,150	100.0

(Note 1) The total liabilities, total net assets and total assets amounts are based on the carrying amount as of August 31, 2018, rounded down to the nearest million yen.

(Note 2) "As a percentage of total assets" is rounded to one decimal place.

(2) Investment Assets

I. Itemization of Real Estate and Other Assets in the Portfolio

The assets held by XYMAX REIT (real estate or trust beneficiary rights that have real estate as trust assets; hereinafter, may be collectively referred to as the “portfolio assets”) as of August 31, 2018 are as follows:

Classification	Asset no. (Note 1)	Asset name	Location	Acquisition date	Acquisition price (million yen) (Note 2)	Share of portfolio (%) (Note 3)	Book value at end of period (million yen)	Appraisal value (million yen) (Note 4)	Ownership status
Office	OF-01	XYMAX Nishi-Shimbashi Building	Minato-ku, Tokyo	Feb. 16, 2018	2,500	7.6	2,527	3,080	Trust beneficiary rights
	OF-02	XYMAX Iwamotocho Building	Chiyoda-ku, Tokyo	Feb. 16, 2018	4,250	12.9	4,303	5,350	Trust beneficiary rights
	OF-03	XYMAX Shinjuku-Gyoen Building	Shinjuku-ku, Tokyo	Feb. 16, 2018	5,020	15.2	5,076	6,340	Trust beneficiary rights
	OF-04	XYMAX Kamiyacho Building	Minato-ku, Tokyo	Feb. 16, 2018	880	2.7	895	1,140	Trust beneficiary rights
	OF-05	XYMAX Higashi-Azabu Building	Minato-ku, Tokyo	Feb. 16, 2018	1,550	4.7	1,573	2,090	Trust beneficiary rights
	OF-06	XYMAX Higashi-Ueno Building	Taito-ku, Tokyo	Feb. 16, 2018	1,150	3.5	1,162	1,590	Trust beneficiary rights
	OF-07	XYMAX Hachioji Building	Hachioji-shi, Tokyo	Feb. 16, 2018	2,600	7.9	2,627	3,510	Trust beneficiary rights
	Subtotal/Average		-	-	17,950	54.3	18,166	23,100	-
Retail	RT-01	Muza Kawasaki	Kawasaki-shi, Kanagawa	Feb. 16, 2018	4,100	12.4	4,126	5,200	Trust beneficiary rights
	RT-02	Life Kawasaki Miyuki Store	Kawasaki-shi, Kanagawa	Feb. 16, 2018	790	2.4	800	974	Trust beneficiary rights
	RT-03	Vita Seiseki-Sakuragaoka	Tama-shi, Tokyo	Feb. 16, 2018	3,100	9.4	3,185	3,870	Trust beneficiary rights
	Subtotal/Average		-	-	7,990	24.2	8,112	10,044	-
Hotel	HT-01	Hotel Vista Sendai	Sendai-shi, Miyagi	Feb. 16, 2018	4,400	13.3	4,431	5,550	Trust beneficiary rights and movables incidental to hotels
	Subtotal/Average		-	-	4,400	13.3	4,431	5,550	-
Other	OT-01	Renaissance 21 Chihaya	Fukuoka-shi, Fukuoka	Feb. 16, 2018	2,700	8.2	2,810	3,130	Trust beneficiary rights
	Subtotal/Average		-	-	2,700	8.2	2,810	3,130	-
	Total/Average			-	-	33,040	100.0	33,521	41,824

(Note 1) “Asset no.” is the code and number assigned to the portfolio assets of XYMAX REIT property by property according to each type of use. The code “OF” represents office properties, “RT” represents retail properties, “HT” represents hotel properties and “OT” represents other properties.

(Note 2) “Acquisition price” is the amount (the amount of the sale and purchase price of real estate, etc. stated in the trust beneficiary right sale and purchase contract for each portfolio asset) not including the various expenses required for the acquisition of the portfolio assets (brokerage fees, property taxes, etc.), rounded down to the nearest million yen. The sale and purchase price does not include consumption tax and local consumption tax.

(Note 3) “Share of portfolio” is the acquisition price of the portfolio asset expressed as a percentage of the total acquisition price of the portfolio assets, rounded to one decimal place.

(Note 4) Appraisal of each property is entrusted to Japan Real Estate Institute, The Tanizawa Sōgō Appraisal Co., Ltd. and Daiwa Real Estate Appraisal Co., Ltd. “Appraisal value” is the appraisal value stated in each real estate appraisal report with August 31, 2018 as the date of value.

II. Status of Leasing

Asset no.	Asset name	Construction date (Note 1)	Number of tenants (Note 2)	Operating revenue from leasing (million yen) (Note 3)	Security deposit / Guarantee (million yen) (Note 4)	Leased area (m ²) (Note 5)	Leasable area (m ²) (Note 6)	Occupancy rate (%) (Note 7)
OF-01	XYMAX Nishi-Shimbashi Building	Aug. 22, 2000	8	84	105	1,897.75	1,897.75	100.0
OF-02	XYMAX Iwamotocho Building	Mar. 22, 2001	14	149	192	4,152.30	4,152.30	100.0
OF-03	XYMAX Shinjuku-Gyoen Building	Feb. 28, 2001	6	173	225	4,792.13	4,792.13	100.0
OF-04	XYMAX Kamiyacho Building	Apr. 30, 1991	7	39	51	1,148.87	1,205.29	95.3
OF-05	XYMAX Higashi-Azabu Building	Nov. 30, 1991	5	61	85	2,016.00	2,016.00	100.0
OF-06	XYMAX Higashi-Ueno Building	Apr. 9, 1999	8	45	61	1,735.34	1,735.34	100.0
OF-07	XYMAX Hachioji Building	Jan. 26, 1999	25	139	172	5,457.37	5,556.03	98.2
RT-01	Muza Kawasaki	Jan. 7, 2004	17	172	224	3,703.87	3,703.87	100.0
RT-02	Life Kawasaki Miyuki Store	Jan. 13, 1997	1	Undisclosed (Note 8)	Undisclosed (Note 8)	2,677.54	2,677.54	100.0
RT-03	Vita Seiseki-Sakuragaoka	Sept 17, 1999	1	Undisclosed (Note 8)	Undisclosed (Note 8)	27,610.61	27,610.61	100.0
HT-01	Hotel Vista Sendai	Mar. 14, 2016	1	129	50	7,066.25	7,066.25	100.0
OT-01	Renaissance 21 Chihaya	Oct. 19, 2006	139	112	19	9,700.98	10,287.93	94.3
Total/Average		-	232	1,374	1,228	71,959.01	72,701.04	99.0

(Note 1) "Construction date" is the date of new construction of the main building stated in the real estate registry.

(Note 2) "Number of tenants" is the total of the number of tenants (the number of end-tenants if a pass-through type master lease contract has been concluded) pertaining to the real estate in trust based on each lease contract concluded for each real estate in trust as of August 31, 2018.

(Note 3) "Operating revenue from leasing" is the total amount of rent revenue, common area maintenance revenue, parking revenue and other revenue (including other lease business revenue) generated from portfolio real estate during the fiscal period, rounded down to the nearest specified unit.

(Note 4) "Security deposit / Guarantee" is each property's total amount of security deposit and guarantee specified in all lease contracts pertaining to the real estate in trust concluded for each real estate in trust as of August 31, 2018, rounded down to the nearest specified unit.

(Note 5) "Leased area" is the total leased area based on the lease contract and the building drawing, etc. attached to the lease contract for each real estate in trust as of August 31, 2018.

(Note 6) "Leasable area" is the total leased area based on the lease contract and the building drawing, etc. attached to the lease contract for each real estate in trust as of August 31, 2018 and the area based on the building drawing, etc. of vacant spaces.

(Note 7) "Occupancy rate" is the ratio of leased area to leasable area for each real estate in trust as of August 31, 2018, rounded to one decimal place.

(Note 8) Not disclosed due to unavoidable circumstances in that consent for disclosure has not been obtained from the lessee.

III. Summary of Real Estate Appraisal Reports

Classification	Asset no.	Asset name	Appraiser (Note)	Appraisal value (million yen)	Value based on income approach				
					Value based on direct capitalization method (million yen)	Capitalization rate (%)	Value based on DCF method (million yen)	Discount rate (%)	Terminal capitalization rate (%)
Office	OF-01	XYMAX Nishi-Shimbashi Building	Tanizawa Sōgō Appraisal	3,080	3,180	3.7	3,030	3.8	3.9
	OF-02	XYMAX Iwamotocho Building	Japan Real Estate	5,350	5,460	3.7	5,230	3.5	3.9
	OF-03	XYMAX Shinjuku-Gyoen Building	Japan Real Estate	6,340	6,460	3.7	6,210	3.5	3.9
	OF-04	XYMAX Kamiyacho Building	Tanizawa Sōgō Appraisal	1,140	1,200	3.8	1,110	3.9	4.0
	OF-05	XYMAX Higashi-Azabu Building	Daiwa Real Estate Appraisal.	2,090	2,160	3.9	2,060	3.7	4.1
	OF-06	XYMAX Higashi-Ueno Building	Daiwa Real Estate Appraisal.	1,590	1,640	4.0	1,570	3.8	4.2
	OF-07	XYMAX Hachioji Building	Japan Real Estate	3,510	3,550	4.9	3,460	4.7	5.1
	Subtotal/Average			23,100	23,650	-	22,670	-	-
Retail	RT-01	Muza Kawasaki	Tanizawa Sōgō Appraisal	5,200	5,280	4.1	5,170	4.2	4.3
	RT-02	Life Kawasaki Miyuki Store	Daiwa Real Estate Appraisal.	974	988	4.2	968	4.0	4.4
	RT-03	Vita Seiseki-Sakuragaoka	Tanizawa Sōgō Appraisal	3,870	3,790	5.0	3,900	5.1	5.2
	Subtotal/Average			10,044	10,058	-	10,038	-	-
Hotel	HT-01	Hotel Vista Sendai	Tanizawa Sōgō Appraisal	5,550	5,660	4.6	5,500	4.7	4.8
	Subtotal/Average			5,550	5,660	-	5,500	-	-
その他 Other	OT-01	Renaissance 21 Chihaya	Tanizawa Sōgō Appraisal	3,130	3,210	5.0	3,090	5.1	5.2
	Subtotal/Average			3,130	3,210	-	3,090	-	-
	Total/Average			41,824	42,578	-	41,298	-	-

(Note) "Appraiser" is the name of the appraiser shortened as follows:

Japan Real Estate: Japan Real Estate Institute

Tanizawa Sōgō Appraisal: The Tanizawa Sōgō Appraisal Co., Ltd.

Daiwa Real Estate Appraisal: Daiwa Real Estate Appraisal Co., Ltd.

IV. Summary of Engineering Reports and Seismic Risk Evaluation Reports

Asset no.	Asset name	Engineering report				Seismic risk evaluation report		
		Inspection company (Note 1)	Inspection date	Short-term repair cost (thousand yen) (Note 2) (Note 3)	Long-term repair cost (thousand yen) (Note 2) (Note 4)	Inspection company (Note 1)	Inspection date	PML value (%)
OF-01	XYMAX Nishi-Shimbashi Building	Sompo Risk Management Inc.	Nov. 30, 2017	0	4,503	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	6.1
OF-02	XYMAX Iwamotocho Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 30, 2017	0	12,297	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	5.2
OF-03	XYMAX Shinjuku-Gyoen Building	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 30, 2017	0	10,665	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	4.5
OF-04	XYMAX Kamiyacho Building	Earth-Appraisal Co., Ltd.	Nov. 30, 2017	0	7,737	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	3.8
OF-05	XYMAX Higashi-Azabu Building	Earth-Appraisal Co., Ltd.	Nov. 30, 2017	0	4,282	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	3.4
OF-06	XYMAX Higashi-Ueno Building	Earth-Appraisal Co., Ltd.	Nov. 30, 2017	0	2,820	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	5.1
OF-07	XYMAX Hachioji Building	Sompo Risk Management Inc.	Nov. 30, 2017	0	13,742	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	3.9
RT-01	Muza Kawasaki	Earth-Appraisal Co., Ltd.	Nov. 30, 2017	0	13,357	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	1.2
RT-02	Life Kawasaki Miyuki Store	Daiwa Real Estate Appraisal Co., Ltd.	Nov. 30, 2017	0	3,662	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	7.0
RT-03	Vita Seiseki-Sakuragaoka	Daiwa Real Estate Appraisal Co., Ltd.	Nov. 30, 2017	0	150,664	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	2.1
HT-01	Hotel Vista Sendai	Daiwa Real Estate Appraisal Co., Ltd.	Nov. 30, 2017	0	8,071	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	1.7
OT-01	Renaissance 21 Chihaya	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 30, 2017	0	13,916	Tokio Marine & Nichido Risk Consulting Co., Ltd.	Nov. 2017	1.7
Total				0	245,716	Entire portfolio (Note 5)		2.1

(Note 1) Company names in "Inspection company" are the names when the inspection was performed.

(Note 2) "Short-term repair cost" and "Long-term repair cost" are indicated based on the engineering report.

(Note 3) "Short-term repair cost" refers to the cost for repair or upgrading that has priority over daily maintenance and indicates the total amount of estimates of repair costs deemed necessary within one year from the date of the engineering report.

(Note 4) "Long-term repair cost" refers to the cost for repair or upgrading to maintain functions and safe operations against the deterioration with age and indicates the total amount of repair/upgrading costs deemed necessary within 12 years from the date of the engineering report, which is the annual average calculated by the Asset Management Company, rounded to the nearest thousand yen. For Muza Kawasaki and Vita Seiseki-Sakuragaoka, amounts corresponding to the ownership ratios (6.9% and 49.6% respectively, rounded down to one decimal place) are indicated.

(Note 5) "Entire portfolio" is a PML value for a group of the 12 portfolio assets, obtained in the same manner as for each property based on the seismic risk evaluation (portfolio) report dated November 2017 prepared by Tokio Marine & Nichido Risk Consulting Co., Ltd.

V. Capital Expenditures

(A) Schedule of Capital Expenditures

Of capital expenditures associated with renovation work, etc. in the 2nd fiscal period currently planned for assets held by XYMAX REIT as of August 31, 2018, the following are the major estimated amounts. The estimated construction costs below include the portion separately booked as expenses in accounting.

Name of real estate, etc.	Location	Purpose	Scheduled period	Estimated construction costs (thousand yen)		
				Total amount	Amount of payment during period	Total amount already paid
XYMAX Higashi-Azabu Building	Minato-ku, Tokyo	Replacement of PAC/total heat exchanger on the 8th and 9th floors	From: January 2019 To: January 2019	17,350	-	-
XYMAX Higashi-Ueno Building	Taito-ku, Tokyo	Replacement of air-conditioning system on the 1st to 3rd floors	From: December 2018 To: January 2019	15,805	-	-
Vita Seiseki-Sakuragaoka	Tama-shi, Tokyo	Work concerning parking B (residential building)	From: January 2019 To: January 2019	38,465	-	-

(B) Capital Expenditures during the Fiscal Period

The construction work, etc. falling under the category of capital expenditures conducted in the fiscal period for assets held by XYMAX REIT as of August 31, 2018 amounted to 48,995 thousand yen. Combined with repair expenses booked as expenses in the fiscal period (35,850 thousand yen), construction work, etc. totaling 84,846 thousand yen was conducted. There are no construction work, etc. that fall under the category of significant capital expenditure conducted in the fiscal period for assets held by XYMAX REIT.