

# Global One Real Estate Investment Corp.

## Summary of Financial Results for the Six-Month Period Ended March 2020

19 May 2020

REIT Issuer:	Global One Real Estate Investment Corp.
Stock Exchange Listing:	Tokyo Stock Exchange
Securities code:	8958
Website:	<a href="https://www.go-reit.co.jp/en/">https://www.go-reit.co.jp/en/</a>
Representative:	Akio Uchida, Executive Director
Asset Manager:	Global Alliance Realty Co., Ltd.
Representative:	Kenji Kojo, President
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Scheduled date for filing of securities report:	26 June 2020
Scheduled date for dividends payments:	15 June 2020
Explanatory material to be prepared:	Yes
Analyst meeting to be convened:	Yes

- Amounts of less than one million yen are rounded down.

### 1. Financial summary for the six-month period that ended March 2020 (1 October 2019 – 31 March 2020)

#### (1) Earning Position

(Percentages indicate rate of change from previous six-month period)

	Operating revenue		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six-month period ended March 2020	5,859	-5.4	2,672	-12.7	2,270	-12.9	2,269	-13.0
Six-month period ended Sept 2019	6,194	18.6	3,062	29.0	2,607	34.2	2,606	34.2

  

	Net income per unit	Ratio of net income to net assets	Ordinary profit to total assets	Ordinary profit to operating revenue
	Yen	%	%	%
Six-month period ended March 2020	2,359	2.3	1.1	38.7
Six-month period ended Sept 2019	2,729	2.8	1.3	42.1

(Note) Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (955,072 units for the six-month period ended September 2019 and 961,884 units for the six-month period ended March 2020).

(2) Dividend distributions

	Dividend per unit (excluding dividends in excess of profit)	Total dividends (excluding dividends in excess of profit)	Dividend in excess of profit per unit	Total dividends in excess of profit
	Yen	Million yen	Yen	Million yen
Six-month period ended March 2020	2,359	2,269	—	—
Six-month period ended Sept 2019	2,440	2,346	—	—
	Payout ratio (*)	Dividend ratio to net assets		
	%	%		
Six-month period ended March 2020	100.0	2.3		
Six-month period ended Sept 2019	90.0	2.5		

(\*) Payout ratio is calculated using the following formula:

Payout ratio = Total dividends (excluding dividends in excess of profit) / Net income × 100

Dividend per unit for the fiscal period ended September 2019 is calculated by subtracting the provision of reserve for reduction entry of 260 million yen from unappropriated retained earnings and dividing the remaining amount by the number of investment units issued and outstanding.

(3) Financial position

	Total assets	Net assets	Net assets to total assets	Net assets per unit
	Million yen	Million yen	%	Yen
Six-month period ended March 2020	200,606	96,722	48.2	100,555
Six-month period ended Sept 2019	201,445	96,800	48.1	100,635

(4) Cash flows

	CF from operating activities	CF from investing activities	CF from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Six-month period ended March 2020	3,712	-1,602	-2,346	8,905
Six-month period ended Sept 2019	14,961	-21,315	6,988	9,141

2. Earnings forecasts for the six-month period ending September 2020 (1 April 2020 – 30 September 2020) and earnings forecasts for the six-month period ending March 2021 (1 October 2020 – 31 March 2021)

(Percentages indicate rate of change from previous six-month period)

	Operating revenue		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six-month period ending Sept 2020	5,748	-1.9	2,708	1.3	2,310	1.8	2,309	1.8
Six-month period ending March 2021	5,688	-1.1	2,700	-0.3	2,310	0.0	2,309	0.0

	Dividend per unit (excluding Dividends in excess of profit)	Dividend in excess of profit per unit
	yen	yen
Six-month period ending Sept 2020	2,400	—
Six-month period ending March 2021	2,400	—

(Reference)

	Six-month period ending Sept 2020	Six-month period ending March 2021
Projected net income per unit	2,400 yen	2,400 yen

\*Others

- (1) Changes in accounting policies, changes in accounting estimates and restatements of revisions
  - (a) Changes in accounting policies due to amended Accounting Standards None
  - (b) Changes in accounting policies due to other factors None
  - (c) Changes in accounting estimates None
  - (d) Restatements of revisions None
- (2) Number of units issued and outstanding
  - (a) Number of units issued and outstanding at the end of the period (including own units):

For the six-month period ended March 2020	961,884
For the six-month period ended September 2019	961,884
  - (b) Number of own units at the end of the period:

For the six-month period ended March 2020	0
For the six-month period ended September 2019	0

\*This Summary of Financial Results is not subject to audit procedures by a certified public accountant or an audit firm.

\* Special notes

(Forward-looking Statements)

Forward-looking statements in this presentation (i.e., earnings forecasts) are based on information currently available and certain assumptions GOR believes reasonable. Actual results may differ materially from the forward-looking statements in this presentation due to various factors. The forecasts contained in this document are “current” as of the date of this release, based on the assumptions on page 11 (“Assumptions underlying earnings forecasts for the six-month period ending September 2020 (the 34th Period) and the six-month period ending March 2021 (the 35th Period)”). Actual results (i.e., operating revenue, operating profit, ordinary profit, net income, dividend per unit) may differ depending on various factors. The forecasts do not guarantee the amounts of future dividends.

## 1. Operation results

### (1) Operation results

#### I. Overview of the six-month period that ended March 2020 (the “33rd Period”)

##### A. Historical background

- 16 April 2003: Global One Real Estate Investment Corp. (“GOR”) was established by Global Alliance Realty Co., Ltd. (“GAR”) as a J-REIT under the Act on Investment Trusts and Investment Corporations of Japan. The total investment amount was 200 million yen, or 400 units, at the time of incorporation.
- 28 May 2003: Corporate registration was completed with the Kanto Local Finance Bureau (Registration No. 20, granted by the Director-General of the Kanto Local Finance Bureau).
- 25 September 2003: GOR achieved an IPO on the Real Estate Investment Trust Section of the Tokyo Stock Exchange (Securities Code: 8958) where an additional 48,000 units were issued and 23,623 million yen in funds were raised.

GOR has completed its accounting closing for the 33rd Period.

##### B. Investment environment and operation results

###### <Investment environment>

During the period, the Japanese economy experienced a continued gradual recovery trend amid improvements in the job and household income environment. However, the economy is currently in a severe state as it is facing significant decline due to the spread of COVID-19 infection.

In the office building rental market, the supply-demand balance remained tight due to continuing forward-looking moves for relocation eyeing expansion of existing offices and moves to better locations and continued demand for floor expansion in buildings against the backdrop of strong business performance, as well as steady progress in tenant attraction in new buildings.

The office building transaction market continues to enjoy a favourable funding environment and robust investment appetite from domestic as well as foreign investors. With information on Class A office buildings remaining limited, there are signs of overheating in property-acquisition competition, leading to transaction prices remaining high.

As mentioned above, office building market conditions remained steady up to the end of the 33rd Period. GOR will pay close attention to the impact of slowdown in economic activities due to the spread of COVID-19 infection while paying utmost attention to changes in the rental market, transaction market and financial environment.

<Operation results>

(a) Acquisitions and sales in portfolio

The 1st Period (initial accounting period ended March 2004)

On 26 September 2003: GOR acquired Sphere Tower Tennoz, Kintetsu Omori Building, and Kintetsu Shin-Nagoya Building with a total acquisition price of 39,753 million yen.

On 25 December 2003: GOR acquired Otemachi First Square (office condo, approximately 9.1% of the dedicated area, with an acquisition price of 23,495 million yen).

The 3rd Period (six-month period ended March 2005)

On 1 October 2004: GOR sold Kintetsu Omori Building.

On 29 March 2005: GOR acquired Ginza First Building (office condo, approximately 92.1% of the dedicated area, with an acquisition price of 12,282 million yen).

The 5th Period (six-month period ended March 2006)

On 21 October 2005: GOR acquired Rakuten Crimson House Aoyama (\*1), with an acquisition price of 35,000 million yen.

The 8th Period (six-month period ended September 2007)

On 25 April 2007: GOR acquired Meiji Yasuda Life Insurance Saitama-Shintoshin Building (50% of co-ownership interest with an acquisition price of 22,700 million yen).

The 9th Period (six-month period that ended March 2008)

On 2 October 2007: GOR sold a 33% share of its interest in Sphere Tower Tennoz.

On 31 January 2008: GOR acquired Yodoyabashi Flex Tower with an acquisition price of 7,834 million yen.

The 15th Period (six-month period ended March 2011)

On 1 March 2011: GOR acquired Hirakawacho Mori Tower (office condo, approximately 26.2% of ownership interest, with an acquisition price of 18,200 million yen).

The 19th Period (six-month period ended March 2013)

On 20 November 2012: GOR acquired ARK Hills Sengokuyama Mori Tower (office condo, approximately 5.6% of ownership interest, with an acquisition price of 8,423 million yen).

The 21st Period (six-month period ended March 2014)

On 20 December 2013: GOR sold Sphere Tower Tennoz.

On 27 March 2014: GOR sold part of interest (67% co-ownership interest) in Kintetsu Shin-Nagoya Building.

On 28 March 2014: GOR acquired Arca Central (office condo, approximately 56.1% of ownership interest, with an acquisition price of 15,031 million yen).

The 22nd Period (six-month period ended September 2014)

On 30 May 2014: GOR acquired additional ownership interest in Arca Central (office condo, approximately 1.7% of ownership interest, with an acquisition price of 360 million yen).

On 1 August 2014: GOR acquired Yokohama Plaza Building (ownership with an acquisition price of 17,950 million yen).

The 23rd Period (six-month period ended March 2015)

On 9 October 2014: GOR sold its remaining interest (33% co-ownership interest) in the Kintetsu Shin-Nagoya Building.

The 27th Period (six-month period ended March 2017)

On 24 March 2017: GOR acquired Shinagawa Seaside West Tower (trust beneficial interest in real estate (50% quasi co-ownership), with an acquisition price of 12,000 million yen), and Meiji Yasuda Life Insurance Osaka Midosuji Building (50% of co-ownership interest with an acquisition price of 9,200 million yen).

The 32nd Period (six-month period ended September 2019)

On 18 April 2019: GOR acquired Toyosu Prime Square (\*2) (50% quasi co-ownership of trust beneficial interest, with an acquisition price of 21,000 million yen) and sold Ginza First Building.

(\*1) “TK Minami-Aoyama Building” was renamed “Rakuten Crimson House Aoyama” on 16 March 2020. The same shall apply hereinafter.

(\*2) “Hulic Toyosu Prime Square” was renamed “Toyosu Prime Square” on 1 April 2020. The same shall apply hereinafter.

The 33rd Period (six-month period ended March 2020)

No acquisition or sale was performed in the six-month period ended March 2020.

(b) Portfolio performance

As of 31 March 2020, the GOR portfolio includes 11 office buildings. The total acquisition price accounts for 191,194 million yen with a Total leasable area of 132,161.21 sqm. The overall occupancy rate of the GOR portfolio stands at 99.8% as of the end of the 33rd Period.

The following shows the portfolio leasing status over the last year (through the end of March 2020):

As of the end of		Number of properties	Number of tenants (*1)	Total leasable area (sqm)	Occupancy rate (%)(*2)
April	2019	11	207	132,150.01	99.7
May	2019	11	207	132,150.01	99.7
June	2019	11	207	132,150.01	99.7
July	2019	11	208	(*3) 132,150.00	99.8
August	2019	11	208	132,150.00	99.8
September	2019	11	208	132,150.00	99.8
October	2019	11	208	132,150.00	99.8
November	2019	11	208	132,150.00	99.8
December	2019	11	208	132,150.00	99.8
January	2020	11	206	(*4) 132,161.21	99.3
February	2020	11	206	132,161.21	99.3
March	2020	11	207	132,161.21	99.8

(\*1) A tenant who leases more than one space within the portfolio is counted as one tenant.

(\*2) "Occupancy Rate" is calculated by dividing the total leased area by the total leasable area.

(\*3) The total leasable area decreased by 0.01 sqm as a result of recalculating leased area at Meiji Yasuda Life Insurance Saitama-Shintoshin Building due to extending the agreement with a tenant.

(\*4) At Meiji Yasuda Life Insurance Saitama-Shintoshin Building, the total leasable area increased by 11.21 sqm as a result of conversion of part of the common hallway into leasable sections.

C. Financing activities

In order to procure funds, GOR may borrow funds and issue investment corporation bonds, as well as issue investment units. With regard to interest-bearing liabilities, GOR makes it a principle to borrow long-term loans with fixed interest rates from the perspective of managing assets over the long term and reducing the risk of fluctuation in interest rates in the future.

During the period under review, GOR borrowed 9,000 million yen on 31 March 2020 to execute repayment of existing loans of 9,000 million yen due for repayment on 31 March 2020.

As of 31 March 2020, unitholders' capital (net amount) was 93,901 million yen, the total number of units issued and outstanding was 961,884, the unpaid loan balance was 75,500 million yen, and the total balance of investment corporation bonds issued and outstanding was 19,000 million yen.

GOR's credit rating status as of 31 March 2020 is as follows:

Rating agencies	Rating descriptions	
Japan Credit Rating Agency, Ltd.	Long-term Issuer Rating:	AA-
	Outlook:	Stable
	Bond:	AA-

D. Financial results and dividend distributions

GOR recorded operating revenue of 5,859 million yen, operating profit of 2,672 million yen, ordinary profit of 2,270 million yen, and net income of 2,269 million yen for the 33rd Period.

Regarding dividends, the application of a tax exemption (under Article 67-15 of the Act on Special Measures Concerning Taxation) means that profit distributions are expected to become tax deductible. It was decided to make the amount of profit distribution 2,269,084,356 yen, which is a multiple of 968,814, the number of investment units issued. As a result, dividend per investment unit is 2,359 yen.



## II. Outlook of the next six-month period ending September 2020

### A. Basic policies

GOR manages and operates its portfolio properties consisting primarily of real estate and other assets (real estate, leasehold rights to real estate or surface rights or beneficial interests of trusts in which only these assets are entrusted among the assets as set forth in Article 105 paragraph 1 of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations of Japan) for investment purposes in accordance with Articles 2 and 21 of “the Articles of Incorporation” and “Management Target and Policies” provided in its attachment. GOR manages the assets held by GOR (“Assets under Management”) from a medium- to long-term viewpoint with the aim of achieving steady growth of the Assets under Management and securing stable income.

GOR and its asset manager GAR together look to realize “Maximization of unitholder value,” not only from a real estate investment and asset management perspective but also from a financial management perspective.

### B. Portfolio strategies

GOR aims to achieve the steady growth of its assets and secure stable profits from a medium- to long-term perspective, operate its finances in a secure manner, and manage its assets with the goal of “maximizing value for unitholders.” Specifically, GOR pursues portfolio strategies with a focus on the following points:

- (a) Aiming to invest mainly in superior properties that have a competitive edge and advantages to stand out in the market, keeping the key words of “*closer*,” “*newer*” and “*larger*” in mind.

GOR places importance on investing in properties that have medium- to long-term competitiveness. This is based on the premise that such properties have advantages that make them an attractive option and are more likely to be chosen by tenants. GOR carefully searches for and invests in superior properties bearing advantages over rivals and medium- to long-term competitiveness under the criteria of “*closer*” (i.e. conveniently situated), “*newer*” (recently built) and “*larger*” (large-sized).

- (b) Strict selection of investment targets with the aim of striking the right balance between the quality of assets and the pace of growth

As described above, GOR is strict in selecting superior properties to invest in, but admittedly, there are only so many opportunities for investment in said properties, and such properties cannot be acquired as easily as regular properties. GOR believes there exists the risk that investment at fair prices may become impossible under a market climate with signs of overheating in transaction prices. As such, in seeking to achieve steady growth in asset value, GOR expects to see the pace of growth change along the way, alternating between phases of relatively gradual growth and rapid growth. Therefore, GOR's approach is to take utmost care and avoid focusing too much on the pace of asset growth and investing in properties that may undermine the principle of “maximum value for unitholders,” strike the right balance between quality of assets and the pace of growth, and acquire properties on the premise of holding them over the medium to long term. It must be noted, however, that GOR may sell properties when it decides that doing so will contribute to achieving maximum value for unitholders after comprehensively studying the current real estate market, characteristics of the property, and status of the portfolio.

- (c) Seeking to maintain high occupancy rates and maintain or increase rental revenues while at the same time managing and operating properties in ways that help achieve the right balance between the maintenance of the quality of property management and operations and cost reduction

GOR strives to maintain and build on relationships of mutual trust with tenants and

enhance its services to boost tenant satisfaction, and, by doing so, seeks to maintain high occupancy rates and maintain or increase rental revenues. At the same time, GOR aims to constantly manage its properties in ways that optimize the balance between efforts to maintain the quality of property management and operations and reducing costs, in order to optimize property management costs while ensuring tenant satisfaction.

C. Material matters after the account closing

N/A

D. Earnings forecasts

Earnings for the six-month period ending September 2020 (The 34th Period: 1 April 2020 – 30 September 2020) and the six-month period ending March 2021 (The 35th Period: 1 October 2020 – 31 March 2021) are forecasted as follows:

Concerning assumptions for the 34th Period and the 35th Period, please see the following items: “Assumptions underlying earnings forecasts for the six-month period ending September 2020 (the 34th Period) and the six-month period ending March 2021 (the 35th Period)”

Earnings forecasts for the six-month period ending September 2020  
(The 34th Period: 1 April 2020 – 30 September 2020)

Operating revenue	5,748	million yen
Operating profit	2,708	million yen
Ordinary profit	2,310	million yen
Net income	2,309	million yen
Dividend per unit	2,400	yen
Dividend in excess of profit per unit	—	yen

Earnings forecasts for the six-month period ending March 2021  
(The 35th Period: 1 October 2020 – 31 March 2021)

Operating revenue	5,688	million yen
Operating profit	2,700	million yen
Ordinary profit	2,310	million yen
Net income	2,309	million yen
Dividend per unit	2,400	yen
Dividend in excess of profit per unit	—	yen

(\*) The above figures are “current,” based on the assumptions below. Actual results (i.e., operating revenue, operating profit, ordinary profit, net income, dividend per unit) may differ depending on various factors. The above forecasts do not guarantee the amounts of future dividends.

Assumptions underlying earnings forecasts for the six-month period ending September 2020 (the 34th Period) and the six-month period ending March 2021 (the 35th Period)

Items	Assumptions
Accounting period	The 34th Period: 1 April 2020 - 30 September 2020 (183 days) The 35th Period: 1 October 2020 - 31 March 2021 (182 days)
Operating assets	<ul style="list-style-type: none"> <li>Assumes that GOR will only hold a total of 11 properties on 31 March 2020, through the end of the 35th Period (ending 31 March 2021) without any additional acquisitions or sales during the 34th Period and the 35th Period.</li> <li>Notwithstanding the above assumption, estimates may change in the event of a change in the portfolio.</li> </ul>
Number of units issued	<ul style="list-style-type: none"> <li>The number of units that have been issued and outstanding as of 31 March 2020 is 961,884 units.</li> <li>Dividend per unit is calculated based on the above number of units issued, or 961,884.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>Rental revenue takes into account various factors (e.g., trend of tenants, competition in the neighbourhood, and market trends) and assumes that there will be no arrears or non-payment of rent by tenants.</li> <li>Assumes that rent and other income to be received from store tenants will decrease by a certain degree in both the 34th Period and the 35th Period, taking into consideration the current status where some store tenants are requesting rent reduction due to the impact of the spread of COVID-19 infection and the fact that when the spread of COVID-19 infection will end remains unclear.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Property-related expenses, excluding depreciation and amortization expenses, are calculated reflecting variable factors based on historical data.</li> <li>Property management fees relating to leasing activities are estimated at approximately 608million yen for the 34th Period and approximately 586 million yen for the 35th Period, and tax and public dues are estimated at approximately 535 million yen for the 34th Period and approximately 532 million yen for the 35th Period.</li> <li>Repair and maintenance expenses are estimated at approximately 119 million yen for the 34th Period and approximately 120 million yen for the 35th Period. However, unforeseen emergency repairs may become necessary depending on various factors and actual repair expenses may exceed the estimates.</li> <li>Depreciation and amortization expenses, estimated at approximately 863 million yen for the 34th Period and approximately 875 million yen for the 35th Period, are calculated on a straight-line basis over the holding period.</li> <li>Operating expenses other than property-related expenses (e.g. management fees, asset custody fees, and agency fees) are estimated at approximately 559 million yen for the 34th Period and approximately 555 million yen for the 35th Period.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>Total non-operating expenses (e.g. interest expenses) are estimated at approximately 398 million yen for the 34th Period and approximately 390 million yen for the 35th Period.</li> </ul>
Borrowings and bonds	<ul style="list-style-type: none"> <li>As of 31 March 2020, GOR has a total of 75,500 million yen in outstanding loans. It is assumed that loans due during 34th Period and the 35th Period will be fully refinanced.</li> <li>Dividend per unit may change due to fluctuation in interest rates.</li> <li>As of 31 March 2020, GOR has a total of 19,000 million yen in outstanding corporate bonds issued. It is assumed that this amount will remain</li> </ul>

	unchanged through the end of the 35th Period (ending 31 March 2021).
Dividend per unit	<ul style="list-style-type: none"> <li>• Dividend per unit is calculated in accordance with “Cash Dividend Policies” set forth in the Articles of Incorporation.</li> <li>• Dividend per unit may change due to various factors (e.g., change in the portfolio properties, increase or decrease in rent income resulting from tenant relocation, and unforeseen emergency repairs).</li> </ul>
Dividend in excess of profit per unit	<ul style="list-style-type: none"> <li>• Dividend distributions in excess of profit are not assumed during the 34th Period and the 35th Period at this point in time.</li> </ul>
Others	<ul style="list-style-type: none"> <li>• Assumes that there will be no material changes that may affect the aforementioned forecasts during this period in related laws, accounting standards and tax regulations in Japan, TSE listing regulations, and/or rules of the Investment Trusts Association, Japan.</li> <li>• Assumes that unforeseen significant changes will not occur in the general economic trends or the real estate markets of Japan.</li> </ul>

## 2. Investment risks

In response to the spread of COVID-19 infection, the provisions “(i) General risk/D. Risks affecting change in price of investment securities” and “(iii) Real estate-related risk/R. Risks concerning unforeseen accidents and natural disasters” stated in “Investment risks” in the most recent annual securities report (submitted for filing on 26 December 2019) have, as of the date of this report, been revised as follows, and the content of “(vi) Other risks; D. Risks concerning spread of COVID-19 infection” is added as follows. The changed portions are underlined.

### (i) General risk

#### D. Risks affecting change in price of investment securities

The market price of investment securities is impacted by various factors surrounding the market, including interest rate trends and economic conditions, in addition to the impacts of supply and demand for investors in the stock exchange.

GOR’s principal targets of investment are real estate-related assets, and real estate prices fluctuate due to real estate market conditions, social conditions and other factors. Furthermore, real estate generally has low liquidity and there is a possibility that GOR may not be able to sell real estate when it wants or that sales prices will drop. Even for cases of real estate-related assets other than real estate that are backed by real estate or have real estate as reserved assets, their prices are impacted by the prices of real estate subject to the concerned investment, and thus face similar risks as cases of real estate. Accordingly, the value of assets held by GOR may drop due to these factors, and such drop in asset value may lead to a drop in the market price of investment securities. Furthermore, formation of the market price of investment securities is impacted by matters related to investment securities. For instance, the value of assets under management, availability of acquisitions or sales of real estate-related assets, future prospects of the business, financial standing, gaps between forecasts and results of business performance, GOR or GAR being imposed with administrative guidance, notification of administrative penalties or administrative penalties by a supervising authority, etc., balance between supply and demand for investment securities and recommendation or change in forecasts by securities analysts, as well as various factors including general social and economic matters. These include changes in the overall market alongside changes in general economic conditions and actual market status, real estate market conditions, social events including natural disasters such as earthquake, tsunami, land liquefaction, etc. that affect the credibility of real estate trading, size and liquidity of the general REIT market in the future, changes in various systems related to REITs including tax, downturn in the equity market or increase in interest rates, and the attractiveness of investment securities when compared with other equity securities inclusive of those other than securities of REITs.

In particular, the market prices of REIT securities are adversely affected by stagnation in economic activities due to the impact of the worldwide spread of COVID-19 infection. On 7 April 2020, a declaration of a state of emergency concerning pandemic influenza and new infectious diseases was issued targeting Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyogo and Fukuoka prefectures based on Article 32, Paragraph 1 of the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response. The target was changed to cover all prefectures on 16 April 2020, and economic activities are suppressed further due to the declaration of a state of emergency and incidental measures, requests, etc. In the case COVID-19 infection spreads further and brings long-lasting impacts, economic activities will be suppressed even further and the financial instruments market as well as market price of investment securities may be adversely affected to a significant degree.

In the case the market price of investment securities drops due to such various factors, investors may suffer a loss.

(iii) Real estate-related risk

R. Risks concerning unforeseen accidents, natural disasters, and outbreak of infectious disease

There is a possibility that real estate will be lost, deteriorated or damaged or that the value of real estate is affected by fires, explosions, lightning strikes, wind/hail/snowstorms, water disasters, earthquake fire, earthquake rupture, earthquake collapse, eruption and tsunami as well as electric accidents, machinery accidents, and other unforeseen accidents, in addition to wars, riots, fracas, terror attacks, and other disasters. Furthermore, an outbreak of infectious disease including a new type of influenza at real estate or in the surrounding area may cause problems that disrupt normal operations of real estate, and the value of the real estate may be affected by such disruption.

As of the date of this report, contracts for insurance including fire insurance (excluding earthquake insurance) are concluded for investment target real estate concerning real estate-related assets held by GOR, and GAR has a basic policy to obtain appropriate insurance for investment target real estate concerning real estate-related assets to be acquired by GOR in the future.

However, in the case insurance contracts are not concluded due to individual circumstances concerning real estate-related assets, in the case damage exceeding the ceiling amount to be paid based on insurance contract occurs, in the case accidents, disasters, etc. not covered by insurance contracts occur (Damage caused by wars, riots, fracas, terror attacks, etc. is not always completely covered by insurance. Furthermore, ordinary fire insurance does not cover fires that occur due to earthquakes.), or in the case payments based on insurance contracts are not made by insurance companies, GOR may be adversely affected in a significant manner.

Furthermore, even if insurance is paid out, there is a possibility that returning real estate to the state before the occurrence of the accident, disaster, etc. is not possible due to governmental regulations or other reasons.

In addition, in the case of occurrence of an act of providence, especially a large earthquake that causes damage across a wide region, it cannot be denied that there is a possibility that several buildings among real estate held by GOR will be affected at the same time by the act of providence. GOR has not obtained earthquake insurance for its investment target real estate as of the date of this report and cannot cover damage to these assets due to earthquakes using insurance even in the case such occurs. Furthermore, even if earthquake insurance is obtained, compensation for human suffering may not be covered by insurance.

On the other hand, as for damage caused by natural disasters including earthquake fire, earthquake rupture, earthquake collapse, eruption and tsunami, GAR has a policy to decide its policy on obtaining insurance by comparing and considering the impact when a disaster occurs and the insurance premium burden as needed.

In addition, in the case of occurrence of a natural disaster, there is a possibility that the ability of tenants to make payments, etc. will be adversely affected.

(vi) Other risks

D. Risks concerning spread of COVID-19 infection

Economic activities are materially stagnating not only domestically but globally due to the worldwide spread of COVID-19 infection as well as the declaration of a state of emergency concerning pandemic influenza and new infectious diseases issued on 7 April 2020 targeting Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyogo and Fukuoka prefectures, which was subsequently expanded to cover all prefectures on 16 April 2020, in addition to incidental measures, requests, etc. In the case COVID-19 infection spreads further and brings long-lasting impacts in the future, there is a possibility that tenants will request rent reduction or deferment of rent payments due to reasons including deterioration in credibility and lowered demand for office spaces as a result of progress in the teleworking system, in addition to possible risk of vacancies as a result of tenant withdrawal materializing.

Furthermore, GAR is shifting its business configuration to utilizing the teleworking system in

order to prevent its officers and employees from infection. However, because there are operations for which teleworking is unsuitable and because the same business efficiency as before the outbreak cannot be guaranteed, there is a possibility that GAR's operations will not progress smoothly. As a result, such may adversely affect management of GOR's assets.

When the spread of COVID-19 infection will end remains unclear, and the final cumulative impact is difficult to predict. In addition to the risk of adverse effects described above, there is also the possibility that other risks will materialize, resulting in an adverse effect on the earnings, etc. of GOR.