

Semiannual Financial Report
The 44th Fiscal Period
(From June 1, 2023 to November 30, 2023)

HEIWA REAL ESTATE REIT, Inc.

5-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo

Message from the Executive Director

To Our Valued Investors,

Thank you for your continued support.

Since its stock was first listed in 2005, HEIWA REAL ESTATE REIT (“REIT”) has been investing in and operating medium-sized offices and single and compact residential properties primarily in the 23 wards of Tokyo.

Since the change of sponsor in 2009, the REIT has been pursuing the interests of investors and steadily grown its business with Heiwa Real Estate Group as its sponsor. Since 2020, the COVID-19 pandemic has been adding to the uncertainty in the real estate market. Amid these conditions, the REIT announced the Next Vision (asset size of 300 billion yen, distribution of 3,300 yen, AA- rating, and 100% electricity introduction rate derived from renewable energy), its new medium- to long-term targets, in July 2021. Because of the subsequent early achievement of the targets excluding the asset size of 300 billion yen, the REIT announced NEXT VISION II (asset size of 300 billion yen, distribution of 3,800 yen, annual rental income of +1%, 10% ROI, AA rating, 90% GHG reduction by 2030, 100% electricity introduction rate derived from renewable energy) in January 2024 as new medium-term targets. In NEXT VISION II, the REIT will invest significant funds in value-enhancing construction to accelerate internal growth, in addition to its property replacement strategy from previous years. Aiming for annual rental income of 1% and 10% ROI, we will build a portfolio that can withstand cost increases attributable to inflation and the impact on interest costs due to policy changes by the Bank of Japan. In addition, we will aim for distribution of 3,800 yen by returning cash flows obtained through investments in growth to our unitholders in a sustainable manner. Public interest in ESG has been growing rapidly in recent years. Responses to issues surrounding the environment, society, and corporate governance are important and significantly affect all of the management and business of the REIT. It recognizes that efforts to build a sustainable society contribute to the sustainable growth of the REIT. The REIT establishes ESG targets and strives to achieve them as one of its growth strategies.

The REIT aims to contribute to the interests of its investors and all other stakeholders while leveraging the sponsorship of the Heiwa Real Estate Group for both external and internal growth.

We earnestly ask for your continued support of our business.

1. Overview of asset management

(1) Summary of asset management during the 44th fiscal period

The REIT is striving based on its Basic Philosophy of “Steady Growth of Assets Under Management” and “Stable Medium- to Long-Term Profits,” as well as “cooperation with and use of the Heiwa Real Estate Group” (collectively referring to Heiwa Real Estate Co., Ltd. (“Heiwa Real Estate”) and the subsidiaries of Heiwa Real Estate; the same hereinafter) to manage its assets with the purpose of maximizing investor’s value. Following is a summary of our asset management during the 44th fiscal period.

(i) Brief background of the REIT

Investment units in the REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (“TSE”) since March 8, 2005 (Securities Code: 8966). Between then and the start of the current fiscal period, the REIT executed a capital increase through public offering and issuance of new investment units through private placement on several occasions, an investment unit split and investment unit issuance through a merger with Japan Single-residence REIT Inc. on October 1, 2010 (the “Merger”), a cancellation of treasury investment units in September 2020 and public offering, etc. for three consecutive years in June 2021, June 2022 and June 2023. As a result, total investment units issued and outstanding were 1,149,933 and unitholders’ capital was ¥102,992 million as of the end of the 44th fiscal period (November 30, 2023).

(ii) Operating environment

The Japanese economy showed a weakening trend during the current fiscal period, with the real GDP growth rate for the July-September period, as announced by the Cabinet Office, being negative for the first time in four quarters, although it was supported by the tourism and automobile industries, mainly due to the expansion of inbound demand, strong domestic travel during the holiday season, and the easing of the semiconductor shortage. Contributing factors include the fact that consumer spending remained sluggish due to price hikes of daily necessities. Going forward, future uncertainties will continue to inherently exist in the overseas economy amid the situations in Ukraine and the Middle East and other factors, and it will be necessary to pay attention to trends inside and outside Japan.

In this environment, the TSE REIT index temporarily rose to 1,918.34 points in September, from 1,880.45 points at the end of the previous fiscal period (May 31, 2023), but stood at 1,845.45 points at the end of the current fiscal period (November 30, 2023) due to the persistently high long-term interest rates in the U.S., upward pressure on long-term interest rates in Japan, and other factors.

(a) Office building leasing market

According to the latest office building market data from Miki Shoji Co., Ltd., the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) improved somewhat to 6.03% at the end of the current fiscal period (November 30, 2023) from 6.16% at the end of the previous fiscal period (May 31, 2023), due to contracts signed for new buildings and large-scale vacant spaces, as well as relocations for office expansion, despite some tenant cancellations. Meanwhile, the average rent fell for 40 consecutive months from August 2020, plunging from ¥19,877/tsubo at the end of the previous fiscal period, to ¥19,726/tsubo at the end of the current fiscal period.

Given concerns that there will be a surplus in supply that will exceed demand due to the large supply of office space available in 2023, weak conditions are likely to persist due to downward pressure on rent despite vacancy rates remaining nearly unchanged. Meanwhile, with more tenants starting to use the COVID-19 pandemic as an opportunity to review their office strategies, uncertainty associated with cancellation by tenants due to business size reductions and cost-saving measures, among other factors, is declining. The REIT views occupancy rates of portfolio assets as something to be maintained at a high level through advertising strategies and sensible rents set to meet tenants’ needs.

(b) Residential leasing market

According to At Home Co., Ltd., in November 2023, the average condominium contract rent in major cities across Japan (ten areas including the metropolis of Tokyo and the three surrounding prefectures, Sapporo City, Sendai City, Nagoya City, Osaka City and Fukuoka City), increased year on year for area zones ranging from less than 30 m² to over 70 m² in Tokyo 23 wards, the metropolis of Tokyo outside the 23 wards, Saitama Prefecture, Chiba Prefecture, Sendai City, Nagoya City, Osaka City, and Fukuoka City. In addition, the average contract rent for family-oriented condominiums rose year-on-year in all ten areas for 11 consecutive months, and reached their highest levels since January 2015 in eight areas (Tokyo 23 wards, the metropolis of Tokyo outside the 23 wards, Kanagawa Prefecture, Chiba Prefecture, Sapporo City, Sendai City, Osaka City and Fukuoka City). Furthermore, according to the Survey Report on the Statistics of Construction Starts published in November 2023, the number of new housing starts (rental housing) decreased for four consecutive months from August 2023. It is believed

that occupancy rates will remain at a high level in the future due to the favorable balance of supply and demand for rental condominiums against the backdrop of the increasing flow of people into Tokyo and the recovery in the effective ratio of job vacancies to job applicants and due to continuing stable demand in other major cities.

(c) Real estate

With respect to land prices in the Land Price Research by Prefectural Governments as of July 1, 2023, which was published in September 2023, the average prices for all types of land and land in commercial areas in Japan's three major metropolitan areas rose, for the 11th consecutive year in the Tokyo area, the second consecutive year in the Osaka area, and the third consecutive year in the Nagoya area, with the rate of increase expanding. Prices for land in residential areas rose for the third consecutive year in the Tokyo and Nagoya areas and for the second consecutive year in the Osaka area. In addition, in regional areas, the average prices for all types of land and land in residential areas rose for the first time in 31 years, while land in commercial areas rose for the first time in four years, with the rate of increase expanding. As for land in residential areas, demand for housing in the city center and in four regional cities (Sapporo City, Sendai City, Hiroshima City and Fukuoka City) has been strong, and has spilled over to suburban areas, pushing up land prices. As for land in commercial areas, demand for stores was on a recovery trend mainly in urban areas with the recovery of the flow of people after the end of the COVID-19 pandemic, and demand for offices also remained firm, further promoting the recovery trend in land prices. In government ordinance-designated regional cities, which the REIT considers to be investment targets, land prices continued to increase in both residential and commercial areas, and the rate of increase expanded.

(iii) Management performance

(a) External growth

The REIT conducted a public offering in June 2023 with the aim of expanding its asset size, improving the profitability and quality of its portfolio, and strengthening its financial foundations.. Mainly by using the funds, the REIT acquired two office properties on June 6, 2023 (75% quasi-co-ownership stake in Of-55 Kitahama 1-Chome Heiwa Building (trust beneficial interest, acquisition price: ¥3,370 million), Of-56 Heiwa Real Estate Kitahama Building (trust beneficial interest, acquisition price: ¥1,650 million)), and one office property on August 3, 2023 (Of-57 PRIME TOWER YOKOHAMA (trust beneficial interest, acquisition price: ¥3,800 million)). In addition, the REIT sold one residential property on August 31, 2023 (Re-41 HF HATCHOBORI RESIDENCE III (trust beneficial interest, acquisition price: ¥793 million)), and one residential property on November 30, 2023 (Re-46 HF AWAZA RESIDENCE (trust beneficial interest, acquisition price: ¥577 million)).

As a result, portfolio assets as of the end of the current fiscal period were 126 properties (total acquisition price: ¥228,494 million), including 43 office buildings (total acquisition price of ¥116,952 million) and 83 residential buildings (total acquisition price of ¥111,542 million).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 44th fiscal period, the REIT continued to be engaged in tenant leasing activities, working to shorten vacancy duration as well as systematic efforts to increase its investment value based on tenant needs and the characteristics of each individual property. Supported by these and other initiatives for maintaining and improving the competitiveness of its assets, the occupancy rate for total assets held by the REIT came to 97.7% at the end of the current fiscal period. The REIT was able to stabilize the occupancy rate, which had reached 97.6% at the end of the previous fiscal period, at a high level throughout the current fiscal period. The average month-end occupancy rate for the current fiscal period stood high at 97.6%.

The REIT has been advancing ESG-related initiatives with a focus on consideration for the environment and energy saving and contribution to communities.

(iv) Procurement of funds

The REIT procured capital through public offering (number of investment units issued: 34,500, total issue price: ¥4,948,990 thousand) on June 1, 2023 and through third-party allotment (number of investment units issued: 1,700, total issue price: ¥243,863 thousand) on June 27, 2023 for the purpose of using such funds for property acquisition, and using the rest of funds for the early repayment of loans on June 8, 2023. The REIT took out loans to fund property acquisition and the like: Term Loan 72-1 (loan amount: ¥1,000 million), Term Loan 72-2 (loan amount: ¥1,000 million), Term Loan 72-3 (loan amount: ¥1,000 million) and Term Loan 72-4 (loan amount: ¥1,000 million) on August 3, 2023. In addition, the REIT took out Term Loan 73 Tranche A (loan amount: ¥1,330 million), Tranche B (loan amount: ¥700 million), Tranche C (loan amount: ¥2,700 million) and Tranche D (loan amount: ¥1,550 million), on October 31, 2023, to fund the redemption of Term Loan 27 Tranche B (loan balance: ¥4,400 million), Term Loan 48 Tranche A (loan balance: ¥1,780 million), the principal repayment of which were due on the same day, and to fund

the early repayment of Term Loan 71 Tranche A (loan balance: ¥100 million).

An overview of the loans is provided below. As a result of these loans, the average borrowing period as of the end of the current fiscal period came to 7.3 years, while the average remaining period was 4.2 years, and the average borrowing interest rate was 0.77%.

In addition, to secure financial creditworthiness by increasing the means of flexible and stable fundraising and liquidity on hand, the REIT has established the commitment line with a maximum total limit of ¥7,000 million (contract period is from June 1, 2023 to May 31, 2024) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., and Resona Bank, Limited.

[Term Loan 72-1]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation	¥1,000 million	August 3, 2023	May 31, 2024 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 72-2]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Development Bank of Japan Inc.	¥1,000 million	August 3, 2023	November 28, 2031 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 72-3]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Trust Bank, Limited	¥1,000 million	August 3, 2023	May 31, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 72-4]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Resona Bank, Limited	¥1,000 million	August 3, 2023	November 30, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 73 Tranche A]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited	¥1,330 million	October 31, 2023	October 29, 2027 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 73 Tranche B]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	¥700 million	October 31, 2023	May 31, 2028 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 73 Tranche C]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd. Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd.	¥2,700 million	October 31, 2023	November 29, 2030 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 73 Tranche D]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	¥1,550 million	October 31, 2023	November 29, 2030 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

(Note) Or the next business day if the date shown is not a business day. If the next business day falls in the next month, the previous business day.

As a result, the total interest-bearing liabilities amount (Note) at the end of current fiscal period was ¥112,537 million (period end LTV (Note): 46.72%).

(Note) Interest-bearing liabilities = short-term borrowings + current portion of investment corporation bonds + current portion of long-term borrowings + investment corporation bonds + long-term borrowings
Closing ratio of interest-bearing liabilities to total assets = Closing amount of interest-bearing liabilities / Closing amount of total assets × 100

A rating for the REIT as of the date of this document is presented below.

Credit rating agency	Issuer rating
Japan Credit Rating Agency, Ltd. (JCR)	Rating: AA-; Rating outlook: Stable

(v) Performance and distributions

The management described above led to 44th fiscal period results of ¥8,656 million in operating revenue, ¥4,495 million in operating profit, after deducting interest expenses on borrowings, ¥3,995 million in ordinary profit, and ¥3,995 million in profit. With respect to the distribution of monies (“distributions”) stipulated in Article 137 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951 and subsequent amendments), distributions shall be not more than the amount of unappropriated retained earnings at the end of the current fiscal period and are defined as anything in excess of 90% of the “amount of distributable earnings” stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957 and subsequent amendments) in accordance with the stipulations of Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on this policy, the REIT declared total distributions of ¥3,794,778,900 for the current fiscal period, which are the amounts calculated by adding reversal of reserve for temporary difference adjustment of ¥45,997,320 (¥40 per unit) to the amount calculated by deducting ¥246,222,503 including provision of reserve for reduction entry of ¥1,602,357 in application of “Special provisions for taxation in case of replacement of specified assets” of Article 65-7 of the Special Taxation Measure Act of Japan from net income of ¥3,995,004,083 for the current fiscal period. As a result, distributions per unit have come to ¥3,300.

(2) Overview of capital increase

The table below shows changes in total number of investment units issued and outstanding and unitholders' capital over the past five years.

Date	Summary	Total number of investment units issued and outstanding		Unitholders' capital (million yen)		Remarks
		Change	Remaining units	Change	Balance	
September 29, 2020	Cancellation	-14,914	999,933	—	81,370	(Note 1)
June 1, 2021	Public offering	53,100	1,053,033	8,272	89,642	(Note 2)
June 29, 2021	Third-party allotment	2,700	1,055,733	420	90,063	(Note 3)
June 1, 2022	Public offering	55,200	1,110,933	7,362	97,426	(Note 4)
June 28, 2022	Third-party allotment	2,800	1,113,733	373	97,799	(Note 5)
June 1, 2023	Public offering	34,500	1,148,233	4,948	102,748	(Note 6)
June 27, 2023	Third-party allotment	1,700	1,149,933	243	102,992	(Note 7)

(Note 1) From July 16, 2020 to September 15, 2020, the REIT bought back investment units (market purchase based on discretionary transactions with a securities company). On September 29, 2020, the REIT cancelled all of the investment units that it had bought back following a resolution at the Board of Directors meeting held on September 16, 2020. The funds for buying back the investment units were deducted from unitholders' capital surplus, and unitholders' capital remained unchanged.

(Note 2) The REIT issued additional investment units (public offering) at the offer price of 161,070 yen per unit (the paid-in amount: 155,783 yen per unit) for the purpose of procuring funds for the acquisition of specific assets, etc.

(Note 3) With the additional issuance of investment units through public offering at the paid-in amount of 155,783 yen per unit (Note 2), the REIT issued additional investment units (third-party allotment) to SMBC Nikko Securities Inc.

(Note 4) The REIT issued additional investment units (public offering) at the offer price of 137,913 yen per unit (the paid-in amount: 133,386 yen per unit) for the purpose of procuring funds for the acquisition of specific assets, etc.

(Note 5) With the additional issuance of investment units through public offering at the paid-in amount of 133,386 yen per unit (Note 4), the REIT issued additional investment units (third-party allotment) to SMBC Nikko Securities Inc.

(Note 6) The REIT issued additional investment units (public offering) at the offer price of 148,239 yen per unit (the paid-in amount: 143,449 yen per unit) for the purpose of procuring funds for the acquisition of specific assets, etc.

(Note 7) With the additional issuance of investment units through public offering at the paid-in amount of 143,449 yen per unit (Note 4), the REIT issued additional investment units (third-party allotment) to SMBC Nikko Securities Inc.

[Changes in the market price of investment securities]

The table below shows high and low prices (closing prices) of the investment securities of the REIT in recent fiscal periods on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market, on which the investment securities are listed.

(Unit: yen)

Fiscal period	40th FP	41st FP	42nd FP	43rd FP	44th FP
Closing date	November 30, 2021	May 31, 2022	November 30, 2022	May 31, 2023	November 30, 2023
High	179,800	157,600	162,100	163,700	155,700
Low	150,700	131,400	138,400	147,000	135,400

(3) Distributions

Under the REIT's bylaws, distributions shall be not more than the amount of unappropriated retained earnings at the end of the current fiscal period and are defined as anything in excess of 90% of the "amount of distributable income" stipulated in a special provision in taxation for investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation).

Based on this policy, the REIT made a decision to pay out 3,519,396,280 yen as distributions, calculated by adding reversal of reserve for temporary difference adjustment of 44,549,320 yen (40 yen per unit) to the amount calculated by deducting 83,692,918 yen including provision of reserve for reduction entry of 20,499,584 yen in application of "Special provisions for taxation in case of replacement of specified assets" of Article 65-7 of the Special Taxation Measure Act of Japan from net income of 3,558,539,878 yen. As a result, distributions per unit have come to 3,160 yen.

Fiscal period		40th FP	41st FP	42nd FP	43rd FP	44th FP
		November 30, 2021	May 31, 2022	November 30, 2022	May 31, 2023	November 30, 2023
Unappropriated retained earnings	thousand yen	6,083,325	6,304,797	6,692,914	6,755,071	7,254,729
Reversal of reserve for temporary difference adjustment	thousand yen	79,219	42,229	44,549	44,549	45,997
Retained earnings	thousand yen	3,111,475	3,127,041	3,251,479	3,280,224	3,505,947
Total distributions	thousand yen	3,051,068	3,219,985	3,485,984	3,519,396	3,794,778
Distributions per unit	yen	(2,890)	(3,050)	(3,130)	(3,160)	(3,300)
Distributions of profit	thousand yen	3,051,068	3,219,985	3,485,984	3,519,396	3,794,778
(Distributions of profit per unit)	yen	(2,890)	(3,050)	(3,130)	(3,160)	(3,330)
Contribution refunds	thousand yen	—	—	—	—	—
(Contribution refunds per unit)	yen	(—)	(—)	(—)	(—)	(—)
Of contribution refunds, distributions from reserve for temporary difference adjustment	thousand yen	—	—	—	—	—
(Of contribution refunds per unit, distributions from reserve for temporary difference adjustment per unit)	yen	(—)	(—)	(—)	(—)	(—)
Of contribution refunds, distributions accompanying decrease in capital, etc. under tax law	thousand yen	—	—	—	—	—
(Of contribution refunds per unit, distributions accompanying decrease in capital, etc. under tax law)	yen	(—)	(—)	(—)	(—)	(—)

(4) Management policy and future issues

The REIT has developed and managed a high quality portfolio, primarily consisting of office and residence properties located in Tokyo 23 Wards, with the aim of maximizing investor value through our Basic Philosophy of “Steady Growth of Assets under Management” and “Stable Medium- to Long-Term Profits” as well as through “cooperation with and use of the Heiwa Real Estate Group.” In subsequent fiscal periods, we will continue to adhere to the above philosophy, aiming to further maximize investor value through the stable management of our portfolio and pursuing a strategy of steady growth.

(a) External growth

The REIT sought to expand its portfolio, enhance the portfolio’s quality and increase its revenues by selling three properties and acquiring nine new properties of good quality in the period from the previous fiscal period to the current fiscal period. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize investor value. Although the situation with regard to the financing environment and expectations for higher property prices on the back of the economic recovery may change, companies’ appetite for the acquisition of properties is unlikely to weaken dramatically and the acquisition environment is likely to remain extremely challenging. We will endeavor to promptly obtain information on excellent properties by using our pipeline with Heiwa Real Estate and building up our unique information routes as an asset management company. As a basic strategy, we aim to increase opportunities for primarily acquiring properties owned and developed by Heiwa Real Estate, and additionally for acquiring properties owned and developed by other developers to expand our portfolio, contributing to stable profitability over the medium to long term.

(b) Internal growth

The REIT believes that by using the database and information network developed by the Heiwa Real Estate Group and its property management company, it can quickly detect leasing market trends and conduct precise property management, enabling it to maintain and increase occupancy rates and rent levels in assets under management. In the office building leasing market, we are starting to see an increase in tenant demand as tenants are using the post-pandemic period as an opportunity to review their office strategies. It will, however, be necessary to monitor changes in office demand stemming from teleworking in addition to changing economic, business and other trends in Japan and overseas. Meanwhile, in the residential leasing market, the favorable balance of supply and demand for rental condominiums against the backdrop of the increasing flow of people into Tokyo Prefecture and the recovery in the effective ratio of job vacancies to job applicants, as well as the stable demand in other major cities, are expected to continue in the future. The REIT intends to exercise management carefully tailored to the characteristics of individual properties while continuing to closely monitor market conditions.

In dealing with tenants, the REIT will continue to focus on maintaining and raising rent levels and reducing the number of departures. The REIT will also perform leasing management, including the reduction of time needed to restore properties to their original state, in a bid to shorten the period from tenant departures to the acquisition of new tenants. To make our properties more competitive, we continuously and actively make value-building investments in repairs and improvements of assets under management to maintain and enhance their medium- to long-term value, taking into account each property’s asset age, facility level and other aspects.

(c) Financial strategy

The REIT is actively implementing measures in an effort to stabilize its financial foundations and achieve sustainable growth. It will consider the issuance of investment units as one of financing methods while simultaneously taking into consideration the dilution of existing unitholders’ rights and the impact of investment units on traded prices, among other factors. It will allocate procured funds chiefly to expand the scale of assets through property acquisition, improve the profitability and quality of its portfolio, and/or strengthen its financial foundations through the reduction of LTV, and by doing so, seek to increase investor value such as investment unit prices, distributions and NAV per unit from medium- to long-term perspectives. Concerning loans, the REIT will continue to strive to extend its borrowing periods and diversify maturities by maintaining an appropriate loan-to-value ratio, while promoting measures to reduce risks from higher interest rates in the future and cut financial costs. It will also endeavor to further strengthen its bank formation by strengthening its relationships with financial institutions. The REIT will also issue investment corporation bonds, while keeping a close watch on the effect of reducing financial costs and trends in the financial market. As part of its unitholder returns policy, the REIT will also consider the purchase and cancellation of treasury investment units based on comprehensive consideration of factors such as the level of the investment unit price, the situation of cash reserves, financial conditions and the market environment. By implementing these measures and initiatives on a continuous basis, the REIT will strive

to build sound financial systems that are resilient to changes in the funding environment.

(d) Promotion of more timely disclosure

We practice information disclosure that is accurate, fair and timely, complying with the TSE's Securities Listing Regulations and other regulations, laws, etc. relating to timely disclosure. The REIT discloses information on its decisions on the acquisition of new properties, etc. as a rule at the time of the decision by a REIT organization such as the Board of Directors, while events such as damage to assets under management resulting from incidental occurrences are disclosed at the time they are discovered. As a rule, the REIT uses the TSE's TDnet and its official website as its methods for disclosing information.

(5) Significant subsequent events

A. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, the REIT acquired one real estate on February 29, 2024 (acquisition price of ¥2,510,000 thousand) and entered into purchase agreements of one trust beneficial interest on January 30, 2024 (acquisition price of ¥5,001,000 thousand).

Property no.: Re-108 HF KITASENJU RESIDENCE

Type of specified asset (Note 1)	Real estate
Agreement date	January 30, 2024
Acquisition date	February 29, 2024
Acquisition price (Note 2)	¥2,510,000 thousand
Location (lot number)	1-1-7, Senju, Adachi-ku, Tokyo
Purpose of use	Co-housing
Construction date	June 2, 2023
Structure	Reinforced concrete flat roof 14 floors above ground
Total floor space	3,636.49m ²
Total rentable space	3,234.72m ²

(Note 1) The acquired asset is a building with leasehold land. The leasehold is not the fixed term land lease right provided in section 4, chapter 2 of the Act on Land and Building Leases.

(Note 2) "Acquisition price" is the price described in the real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc

Property no.: Of-58 SHINWA ESAKA BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	January 30, 2024
Scheduled acquisition date (Note 1)	June 14, 2024
Scheduled acquisition price (Note 2)	¥5,001,000 thousand
Location (lot number)	1-13-33, Esakacho, Suita-city, Osaka
Purpose of use	Office and parking
Construction date	January 12, 1990
Structure	Steel beam / steel-framed reinforced concrete Flat roof 9 floors above ground
Total floor space	9,979.52m ²
Total rentable space	7,510.31m ²

(Note 1) The purchase agreement of real estate regarding the acquisition of the property (the "Agreement") falls under a forward commitment by an investment corporation stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." issued by the Financial Services Agency. Under the Agreement, if the Agreement is canceled due to a cause attributable to the REIT or the counterparty, the defaulting party shall pay a cancelation penalty charge equal to 10% of the consideration to be paid for the real estate subject to the sale and purchase transaction. Moreover, funds in hand or funds borrowed will be allotted to acquire financing for the property. As of today, in consideration of cash and deposits held by the REIT and cash flow conditions of the REIT, the REIT does not consider that there will be any concern over acquisition of the property to be acquired with funds in hand. Therefore, the REIT believes that the possibility of the property to be acquired having a material impact on the REIT's financial conditions and payment of distributions is remote.

(Note 2) "Scheduled acquisition price" is the price described in the real estate trust beneficiary right transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

B. Disposition of Assets

On December 22, 2023, the REIT transferred the trust beneficial interest in the asset below held by the REIT in accordance with the basic asset management policy, etc. set out in its bylaws.

Property no.: Re-45; Property name: HF NAKANOSHIMA RESIDENCE

Asset transferred	Real estate trust beneficiary right
Location (residential address)	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka
Transfer price (Note 1)	¥ 575,000 thousand
Carrying amount (Note 2)	¥ 400,000 thousand
Agreement execution date	December 19, 2023
Transfer date	December 22, 2023
Transferee	Not disclosed (Note 3)

(Note 1) The transfer price is the price described in the trading agreement for real estate trust beneficiary right (excluding amounts equal to consumption taxes, etc.), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) This figure shows the expected carrying amount on the date of the transfer.

(Note 3) Not disclosed because the transferee has not consented to disclosure.

C. Borrowing of Funds

The REIT borrowed funds as described below to partly fund for acquisitions of one real estate acquired on February 29, 2024, (as described in A. Acquisition of Assets above) (total borrowing amount of ¥2,500,000 thousand.)

Term loan-74①

Lender	Loan amount (Thousands of Yen)	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
The Bank of Fukuoka, Ltd.	¥500,000	February 29, 2024	May 31, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non- guaranteed

Term loan-74②

Lender	Loan amount (Thousands of Yen)	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
The Chiba Bank, Ltd.	¥1,000,000	February 29, 2024	May 31, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non- guaranteed

Term loan-74③

Lender	Loan amount (Thousands of Yen)	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
SBI Shinsei Bank, Limited	¥1,000,000	February 29, 2024	November 30, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non- guaranteed

(Note) In the event that the maturity date is not a business day, the repayment shall be made on the following business day. In the event that following business day is in the next month, the repayment shall be made on the business day immediately preceding the maturity date.

2. Overview of the REIT

(1) Overview of investment units

Fiscal period		40th FP	41st FP	42nd FP	43rd FP	44th FP
		November 30, 2021	May 31, 2022	November 30, 2022	May 31, 2023	November 30, 2023
Total number of authorized investment units		8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued and outstanding		1,055,733	1,055,733	1,113,733	1,113,733	1,149,933
Unitholders' capital	million yen	90,063	90,063	97,799	97,799	102,992
Number of unitholders		11,034	11,206	11,454	11,229	12,619

(2) Matters concerning investment units

The following represents major unitholders as of November 30, 2023

Name	Units Owned (units)	Ownership Ratio (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	340,906	29.64
The Master Trust Bank of Japan, Ltd. (trust account)	199,318	17.33
Heiwa Real Estate Co., Ltd.	148,645	12.92
The Nomura Trust and Banking Co., Ltd. (trust account)	40,398	3.51
STATE STREET BANK WEST CLIENT - TREATY 505234	16,990	1.47
JP MORGAN CHASE BANK 385771	14,649	1.27
SMBC Nikko Securities Inc.	12,576	1.09
JP MORGAN CHASE BANK 385781	11,761	1.02
Shikoku Railway Company	10,249	0.89
SSBTC CLIENT OMNIBUS ACCOUNT	9,573	0.83
Total	805,065	70.00

(Note) The ratio of number of investment units owned to number of investment units outstanding is rounded down to the third decimal place.

(3) Matters relating to officers

The Executive Director, Supervisory Directors and Independent Auditor in the 43rd fiscal period are shown below.

Role	Name	Major concurrent posts	Total remuneration for each role in the period (thousand yen)
Executive Director (Note 1)	Aya Motomura	Attorney at law, Inaba & Partners	2,502
Supervisory Director (Note 1)	Noriyuki Katayama	Attorney at law, City-Yuwa Partners	3,600
Supervisory Director (Note 1,2)	Hiroyuki Owada	Certified Public Accountant Certified Public Tax Accountant, Owada Certified Public Accountant Office	
Independent Auditor (Note 3)	KPMG AZSA LLC	—	14,000 (Note 4)

(Note 1) No Executive Director or Supervisory Directors have any investment units of the REIT under their own name or anyone else's name. The Supervisory Directors may be officers at companies other than the companies stated above, but those companies, including the ones stated above, do not have a stake in the REIT.

(Note 2) At the closing of the general meeting of investors held on August 30, 2023, Mr. Toshio Suzuki, former Supervisory Director, retired and Mr. Hiroyuki Owada was elected as succeeding Supervisory Director. "Total amount of compensation for each level of organization during the fiscal period" includes compensation paid to officers who resigned during the current fiscal period.

(Note 3) The REIT may dismiss or may not reappoint the independent auditor if necessary in consideration of various circumstances.

(Note 4) The total amount of consideration to KPMG AZSA LLC. includes that for services (2,000 thousand yen) other than those prescribed in Paragraph 1, Article 2 of the Certified Public Accountants Act. Moreover, there is no consideration paid to any other person who belongs to the same network as that of the said audit corporation.

(4) Matter of Liability Insurance Policy for Directors and Officers

The table below lists the directors liability insurance policies concluded by the investment corporation.

Scope of the insured	Overview of policy
Executive Director and Supervisory Director	<p>(Overview of insured events covered) This insurance agreement covers compensation for damage and litigation expenses incurred by the insured as a result of claims made against them for action taken by them within the scope of their role in the company.</p> <p>(Percentage of insurance expenses to be paid) The entire amount is paid by the investment corporation.</p> <p>(Measures to maintain appropriateness of performance of duties) Damage, etc. incurred by the insured as a result of action, etc. with recognition of a criminal act or a violation of laws or regulations are excluded from the compensation.</p>

(5) Asset Management Company, Asset Custodian and General Administrators

The asset management company, asset custody company and administrative service contractors at the end of 44th fiscal period are shown below.

Contract classification	Name
Asset Management Company	HEIWA REAL ESTATE Asset Management CO., LTD.
Asset Custodian	Mizuho Trust & Banking Co., Ltd.
General Services related to Accounting	Ernst & Young Tax Co.
Investors' Registry Administrator	Mizuho Trust & Banking Co., Ltd.
Special Account Administrator	Mizuho Trust & Banking Co., Ltd.
General Services related to Institutional Management	Mitsubishi UFJ Trust and Banking Corporation
General Services related to Investment Corporation Bonds	Resona Bank, Limited

3. Status on investment properties

(1) Composition of assets of real estate investment company

Asset type	Use	Area	43rd Fiscal Period (As of May 31, 2023)		44 th Fiscal Period (As of November 30, 2023)	
			Value of holding (Million yen) (Note 1)	Ratio to total Assets (%) (Note 2)	Value of holding (Million yen) (Note 1)	Ratio to total Assets (%) (Note 2)
Real estate (Note 3)	Office	Tokyo 23 Wards	7,514	3.2	7,498	3.1
		Metropolitan Area (Note 4)	5,083	2.2	5,070	2.1
		Other (Note 5)	4,879	2.1	4,958	2.1
	Residence	Tokyo 23 Wards	31,898	13.7	31,848	13.2
		Metropolitan Area (Note 4)	9,679	4.2	9,637	4.0
		Other (Note 5)	9,370	4.0	9,347	3.9
Subtotal			68,425	29.5	68,360	28.4
Real estate in trust (Note 3)	Office	Tokyo 23 Wards	60,584	26.1	60,797	25.2
		Metropolitan Area (Note 4)	4,786	2.1	8,726	3.6
		Other (Note 5)	24,742	10.7	29,700	12.3
	Residence	Tokyo 23 Wards	36,833	15.9	36,062	15.0
		Metropolitan Area (Note 4)	2,874	1.2	2,863	1.2
		Other (Note 5)	15,911	6.9	15,413	6.4
Subtotal			145,732	62.8	153,565	63.8
Real estate, etc., subtotal			214,157	92.3	221,926	92.1
Deposits and other assets			17,836	7.7	18,948	7.9
Total assets			231,994	100.0	240,874	100.0

(Note 1) “Value of holding” is based on the balance sheet amount (carrying amount after depreciation and impairment accounting in the case of real estate and real estate in trust) as of the end of the period.

(Note 2) “Assets ratio” is the ratio of total amount of assets held by type to total assets, rounded to one decimal place.

(Note 3) The land leasehold right, etc. owned in conjunction with a building, etc. is stated in the sections of “real estate” and “real estate in trust” by aggregating it with the building, etc. “Real estate” does not include construction in progress.

(Note 4) “Metropolitan Area” refers to Tokyo (other than Tokyo 23 Wards) and Kanagawa, Saitama and Chiba prefectures.

(Note 5) “Other” refers to investment areas other than Tokyo 23 Wards and Metropolitan Area.

(2) Major owned assets

The table below shows data about major assets owned by the REIT at the end of the 44th fiscal period (top ten properties in terms of book value at the end of the fiscal period).

	Property name	Book value (million yen)	Rentable area (m ²) (Note 1)	Rental area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)	Main use
Of-50	Shinsaibashi FRONT Building	7,377	4,251.76	4,251.76	100.00	2.5	Office
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,278	8,141.02	7,933.02	97.45	2.7	Residence
Re-25	HF GINZA RESIDENCE EAST	5,370	5,459.49	5,377.66	98.50	1.8	Residence
Of-47	OSAKI CN BUILDING	5,194	3,237.86	3,237.86	100.00	1.5	Office
Of-25	KAYABACHO HEIWA BUILDING	4,873	4,156.53	4,156.53	100.00	2.7	Office
Of-30	HF SAKURADORI BUILDING	4,306	9,934.77	9,934.77	100.00	4.3	Office
Of-51	SAKAE CENTER BUILDING	4,025	5,380.85	5,380.85	100.00	1.8	Office, Retail, Residence
Of-38	ACROSS SHINKAWA BUILDING	3,967	3,828.92	3,828.92	100.00	1.8	Office, Residence
Of-57	PRIME TOWER YOKOHAMA	3,963	4,446.45	4,446.45	100.00	0.9	Office
Re-45	HF NIHONBASHI KABUTOCHO BUILDING	3,667	2,737.77	2,737.77	100.00	1.4	Office
Total		49,025	51,575.42	51,285.59	99.44	21.4	

(Note 1) Rentable area is the area of the space that can be rented for office, retail or residential use (excluding common use space).

(Note 2) Rental area is based on the rental agreement.

(Note 3) Occupancy rate is the ratio of rental area to rentable area at the end of the period.

(Note 4) Ratio of total rent revenue-real estate is the ratio of rental revenue from each property to rental revenue from the entire portfolio.

(3) Summary of portfolio properties

The table below is a statement of real estate owned by the REIT at the end of the 43th fiscal period.

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-05	SUITENGU HEIWA BUILDING	1-16-8 Nihonbashi Kakigara-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,815	1,376
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	2,960	2,304
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	1,820	1,499
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,330	2,770
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,420	2,137
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,880	2,996
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,160	1,088
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,019	3,367
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,550	3,422
Of-21	ADESSO NISHIAZABU	1-7-2 Nishi Azabu, Minato-ku, Tokyo	Real estate	558	591
Of-23	HF IKEBUKURO BUILDING	2-29-12 Minami Ikebukuro, Toshima-ku, Tokyo	Real estate	1,500	1,260
Of-24	HF YUSHIMA BUILDING	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,770	1,562
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	7,520	4,873
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho, Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,580	2,462
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,410	1,437
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	6,930	4,306
Of-31	HF NIHONBASHI HAMACHO BUILDING	1-2-1 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	2,660	2,006
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,710	2,451
Of-33	HF UENO BUILDING	5-6-10 Ueno, Taito-ku, Tokyo	Trust beneficial interest	4,190	3,379
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficial interest	2,170	1,356
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami, Chiyoda-ku, Tokyo	Trust beneficial interest	3,270	2,857
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachi, Chiyoda-ku, Tokyo	Trust beneficial interest	4,210	3,186
Of-37	NISSO 5 BUILDING	2-10-39 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,170	3,149
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,370	3,967
Of-39	SENJU MILDIX II	3-98 Senju, Adachi-ku, Tokyo	Trust beneficial interest	1,940	1,586
Of-40	ARK Mori Building	1-12-32 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,300	3,196
Of-41	Nihonbashi Horidomecho First	1-2-10 Nihonbashi Horidomecho, Chuo-ku, Tokyo	Trust beneficial interest	2,340	2,155

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi, Hachioji City, Tokyo	Trust beneficial interest	1,890	1,614
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,210	3,143
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,850	2,911
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	3,910	3,667
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,700	2,687
Of-47	OSAKI CN BUILDING	5-10-10 Osaki, Shinagawa-ku, Tokyo	Trust beneficial interest	5,470	5,194
Of-48	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Real estate	2,000	1,647
Of-49	HF ESAKA BUILDING	1-13-48 Esakacho, Suita City, Osaka	Trust beneficial interest	2,670	2,585
Of-50	Shinsaibashi FRONT Building	3-5-11, Minamisenba, Chuo-ku, Osaka-city, Osaka	Trust beneficial interest	7,580	7,377
Of-51	SAKAE CENTER BUILDING	3-13-20 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	4,390	4,025
Of-52	IWAMOTOCHO TWIN BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	3,750	3,430
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	548	428
Of-54	STAGE NISHIKI	1-7-34, Nishiki, Naka-ku, Nagoya-city, Aichi	Real estate	2,410	2,270
Of-55	Kitahama 1-Chome Heiwa Building	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	3,495	3,388
Of-56	Heiwa Real Estate Kitahama Building	2-1-5 Kitahama, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	1,780	1,666
Of-57	PRIME TOWER YOKOHAMA	89-6, Yamashitacho, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,040	3,963
Office subtotal				138,245	116,752
Re-03	HF ICHIKAWA RESIDENCE	4-8-13 Ainokawa, Ichikawa City, Chiba	Trust beneficial interest	600	368
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	853	608
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	1,017	568
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	5,823	3,048
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	2,111	1,383
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,631	1,288
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,260	873
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,680	848
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,960	941
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	1,010	557

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-20	HF SHIROKANETAKANAWA RESIDENCE	1-2-6 Takanawa, Minato-ku, Tokyo	Real estate	6,620	3,556
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,160	980
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,310	1,054
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,140	817
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,410	1,050
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	6,490	5,370
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	3,050	2,844
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,600	1,447
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,470	1,561
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,350	954
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	862	837
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	1,040	690
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,920	1,311
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,370	1,675
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,360	795
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	8,440	6,278
Re-45	HF NAKANOSHIMA RESIDENCE (Note 3)	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka	Trust beneficial interest	551	402
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	762	480
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,310	1,473
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	649	468
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,640	1,636
Re-54	La Residence de Sendagi	2-23-3 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,110	747
Re-55	HF SENDAGI RESIDENCE	2-6-6 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,170	782
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	785	573
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,260	768
Re-58	HF KOKUBUNJI RESIDENCE	3-18-7 Minami-cho, Kokubunji City, Tokyo	Trust beneficial interest	1,200	790
Re-59	HF HISAYAODORI RESIDENCE	1-12-1 Izumi, Higashi-ku, Nagoya City, Aichi	Trust beneficial interest	1,310	956
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	411-1 Kami Goryomae-cho, Kami Goryomae Dori, Karasuma Higashi Iru, Kamigyo-ku, Kyoto City, Kyoto	Trust beneficial interest	773	501

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,950	1,900
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	8-7-11 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	1,720	1,114
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,770	1,223
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	752	508
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,200	686
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	960	604
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,150	727
Re-69	HF ICHIBANCHO RESIDENCE	2-1-7 Ichibancho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,210	719
Re-70	HF HIGASHI-NAKANO RESIDENCE	2-19-4 Higashi Nakano, Nakano-ku, Tokyo	Trust beneficial interest	1,230	856
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,830	1,929
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	809
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,800	1,141
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,040	1,456
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,520	1,244
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	974	751
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,380	1,704
Re-79	HF MEIEKI-KITA RESIDENCE	(W) 2-19-22 Kikui, E 2-19-27 Kikui, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	2,400	2,097
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,910	1,424
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	993	896
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	948	878
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,470	1,051
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,730	1,356
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,260	1,208
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,570	1,251
Re-87	HF MONZEN-NAKACHO RESIDENCE	1-16-4 Botan, Koto-ku, Tokyo	Real estate	1,280	947
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	7-4-9 Minamisuna, Koto-ku, Tokyo	Real estate	1,120	902
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,140	1,061
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,350	1,170

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,210	1,091
Re-92	HF OHORI RESIDENCE BAYSIDE	3-17-10 Nagahama Chuo-ku, Fukuoka City, Fukuoka	Real estate	1,320	1,186
Re-93	HF HAKATA-HIGASHI RESIDENCE II	1-9-27 Yutaka, Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,470	1,295
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamateshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,520	1,330
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,890	1,764
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,430	1,274
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	830	726
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,460	1,378
Re-99	HF UENO IRIYA RESIDENCE	1-12-1, Iriya, Taito-ku, Tokyo	Real estate	1,030	957
Re-100	HF TSUJIDO RESIDENCE	2-2-26 Tsujidokandai, Fujisawa City, Kanagawa	Real estate	2,070	1,999
Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	3-2-24 Sakaecho, Kawaguchi City, Saitama	Real estate	1,570	1,368
Re-102	HF HIGASHIOGU RESIDENCE	8-32-5 Higashiogu, Arakawa-ku, Tokyo	Real estate	1,440	1,260
Re-103	HF IMAIKE-MINAMI RESIDENCE	(Ea19ldg.lgd.) 9-10, Imaikeminami, Chikusa-ku, Nagoya City, Aichi (We19ldg.lgd.) 9-20, Imaikeminami, Chikusa-ku, Nagoya City, Aichi	Real estate	923	938
Re-104	HF FUSHIMI RESIDENCE	1-25-23, Sakae, Naka-ku, Nagoya City, Aichi	Real estate	675	667
Re-105	HF NAKANO-SAKAUE RESIDENCE	1-29-17, Chuo, Nakano-ku, Tokyo	Real estate	1,280	1,102
Re-106	HF UENO RESIDENCE EAST	5-4-15, Higashiueno, Taito-ku, Tokyo	Real estate	2,890	2,629
Re-107	HF OMORIMACHI RESIDENCE	1-13-8, Omorinaka, Ota-ku, Tokyo	Real estate	1,340	1,277
Residence subtotal				141,202	105,173
Total				279,447	221,926

(Note 1) Address is based on residence indication or an address stated in the registry.

(Note 2) Valuation at end of period is an appraisal value determined by a real estate appraiser based on the asset valuation method and standard set out in the bylaws and under the rules of The Investment Trusts Association, Japan.

(Note 3) Book value is the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of November 30, 2023, after deducting the accumulated depreciation.

(Note 4) Re-45 HF NAKANOSHIMA RESIDENCE was transferred on December 22, 2023.

The table below shows the status of rental of real estate etc. owned by the REIT.

Property name		43rd Fiscal Period (For the six-month period ended May 31, 2023)				44th Fiscal Period (For the six-month period ended November 30, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Of-05	SUITENGU HEIWA BUILDING	6	100.00	63,092	0.8	6	100.00	62,410	0.8
Of-06	HF MONZENNAKA CHO BUILDING	7	100.00	99,700	1.3	7	100.00	90,184	1.2
Of-07	HF HAMAMATSUC HO BUILDING	8	88.81	53,747	0.7	8	88.81	51,338	0.7
Of-08	HF TAMEIKE BUILDING	8	100.00	83,254	1.1	8	100.00	84,760	1.1
Of-09	GRACE BUILDING SENGAKUJIMA E	—	—	1,196	0.0	—	—	—	—
Of-11	HF NIHONBASHI ODENMACHO BUILDING	7	100.00	72,221	1.0	7	77.36	64,072	0.8
Of-12	HF HATCHOBORI BUILDING	7	100.00	79,860	1.1	7	100.00	79,052	1.0
Of-17	HATCHOBORI MF BUILDING	9	100.00	35,446	0.5	9	100.00	34,726	0.4
Of-18	M2 HARAJUKU	5	100.00	84,534	1.1	5	100.00	83,031	1.1
Of-20	FUNABASHI FACE BUILDING	9	100.00	122,105	1.6	9	100.00	121,771	1.6
Of-21	ADESSO NISHIAZABU	4	100.00	15,703	0.2	3	72.37	10,134	0.1
Of-23	HF IKEBUKURO BUILDING	9	100.00	45,037	0.6	9	100.00	44,563	0.6
Of-24	HF YUSHIMA BUILDING	9	100.00	51,720	0.7	9	100.00	51,334	0.7
Of-25	KAYABACHO HEIWA BUILDING	1	100.00	214,990	2.9	1	100.00	211,839	2.7
Of-27	KOBE KYUKYORYUC HI HEIWA BUILDING	38	99.00	147,635	2.0	38	96.43	151,902	2.0
Of-29	SAKAE MINAMI HEIWA BUILDING	8	100.00	92,976	1.2	6	100.00	100,904	1.3
Of-30	HF SAKURADORI BUILDING	22	100.00	336,908	4.5	22	100.00	337,987	4.3

Property name		43rd Fiscal Period (For the six-month period ended May 31, 2023)				44th Fiscal Period (For the six-month period ended November 30, 2023)			
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Of-31	HF NIHONBASHI HAMACHO BUILDING	8	100.00	96,384	1.3	8	100.00	95,809	1.2
Of-32	HF SENDAI HONCHO BUILDING	41	100.00	160,532	2.1	40	100.00	153,687	2.0
Of-33	HF UENO BUILDING	7	100.00	145,698	1.9	7	100.00	144,624	1.9
Of-34	KOJIMACHI HF BUILDING	8	100.00	71,101	0.9	8	100.00	70,636	0.9
Of-35	HF KUDAN MINAMI BUILDING	3	100.00	91,907	1.2	3	100.00	91,801	1.2
Of-36	HF KANDA OGAWAMACHI BUILDING	7	100.00	115,028	1.5	6	88.11	102,946	1.3
Of-37	NISSO 5 BUILDING	1	100.00	87,218	1.2	1	100.00	88,611	1.1
Of-38	ACROSS SHINKAWA BUILDING	13	100.00	135,558	1.8	13	100.00	136,566	1.8
Of-39	SENJU MILDIX II	5	100.00	69,388	0.9	5	100.00	69,945	0.9
Of-40	ARK Mori Building	1	100.00	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.00	65,667	0.9	3	100.00	64,180	0.8
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.00	72,611	1.0	3	100.00	73,715	0.9
Of-43	HAMACHO HEIWA BUILDING	10	100.00	90,838	1.2	10	100.00	87,643	1.1
Of-44	KINSHICHO SQUARE BUILDING	11	100.00	78,677	1.0	11	100.00	78,645	1.0
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	8	100.00	111,913	1.5	8	100.00	112,039	1.4
Of-46	HF SENDAI ICHIBANCHO BUILDING	14	98.13	85,783	1.1	15	100.00	84,220	1.1
Of-47	OSAKI CN BUILDING	7	100.00	115,806	1.5	7	100.00	114,918	1.5
Of-48	Faret East Building	7	100.00	65,919	0.9	7	100.00	65,210	0.8

Property name		43rd Fiscal Period (For the six-month period ended May 31, 2023)				44th Fiscal Period (For the six-month period ended November 30, 2023)			
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Of-49	HF ESAKA BUILDING	7	100.00	64,053	0.9	7	100.00	68,698	0.9
Of-50	Shinsaibashi FRONT Building	13	100.00	190,981	2.5	13	100.00	192,075	2.5
Of-51	SAKAE CENTER BUILDING	21	97.48	140,719	1.9	21	100.00	138,357	1.8
Of-52	IWAMOTOCHO TWIN BUILDING	7	96.21	84,630	1.1	8	100.00	71,150	0.9
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	8	88.67	12,756	0.2	9	100.00	12,713	0.2
Of-54	STAGE NISHIKI(Note 5)	21	86.27	9,477	0.1	21	86.27	59,173	0.8
Of-55	Kitahama 1- Chome Heiwa Building(Note 6)	—	—	—	—	18	100.00	85,560	1.1
Of-56	Heiwa Real Estate Kitahama Building(Note 6)	—	—	—	—	15	100.00	47,648	0.6
Of-57	PRIME TOWER YOKOHAMA (Note 6)	—	—	—	—	14	100.00	71,273	0.9
Office subtotal		391	99.10	3,845,070	51.3	436	98.56	4,044,144	52.0
Re-03	HF ICHIKAWA RESIDENCE	36	100.00	17,296	0.2	36	100.00	17,280	0.2
Re-05	HF MEGURO RESIDENCE	21	100.00	19,946	0.3	18	85.95	19,175	0.2
Re-09	HF KASAI RESIDENCE	47	97.94	26,956	0.4	47	97.94	26,949	0.3
Re-11	HF WAKABAYASHI -KOEN RESIDENCE	95	97.88	125,850	1.7	96	98.89	127,736	1.6
Re-12	HF HIMONYA RESIDENCE	52	98.36	45,642	0.6	52	97.48	46,429	0.6
Re-14	HF MINAMIAZABU RESIDENCE	57	94.98	35,351	0.5	58	96.68	35,916	0.5
Re-16	HF GAKUGEIDAIG AKU RESIDENCE	27	100.00	28,794	0.4	27	100.00	28,901	0.4
Re-17	HF HIGASHIKAND A RESIDENCE	62	96.94	37,404	0.5	64	100.00	38,487	0.5
Re-18	HF HIGASHINIHON BASHI RESIDENCE	63	95.05	42,853	0.6	64	96.25	43,350	0.6

Property name		43rd Fiscal Period (For the six-month period ended May 31, 2023)				44th Fiscal Period (For the six-month period ended November 30, 2023)			
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Re-19	HF NERIMA RESIDENCE	50	98.08	25,688	0.3	50	98.08	25,635	0.3
Re-20	HF SHIROKANETA KANAWA RESIDENCE	61	93.59	126,474	1.7	65	98.07	128,301	1.7
Re-21	HF MEIDAIMAE RESIDENCE	48	90.40	28,930	0.4	53	100.00	28,893	0.4
Re-22	HF NIHONBASHI RESIDENCE	46	96.32	34,880	0.5	47	98.28	35,130	0.5
Re-23	HF KAMISHAKUJII RESIDENCE	62	97.17	32,162	0.4	62	97.17	33,196	0.4
Re-24	HF KINSHICHO RESIDENCE	55	97.98	33,993	0.5	56	100.00	33,100	0.4
Re-25	HF GINZA RESIDENCE EAST	101	96.08	136,309	1.8	103	98.50	138,425	1.8
Re-26	HF SHIN- YOKOHAMA RESIDENCE	112	99.18	87,897	1.2	113	100.00	88,358	1.1
Re-30	HF MAGOME RESIDENCE	28	94.39	44,745	0.6	26	86.49	41,632	0.5
Re-31	HF GAKUGEIDAIG AKU RESIDENCE II	21	95.44	35,880	0.5	22	100.00	36,976	0.5
Re-33	HF KAMEIDO RESIDENCE	61	100.00	34,148	0.5	60	98.37	32,925	0.4
Re-34	HF TANASHI RESIDENCE	34	97.39	31,794	0.4	35	100.00	32,523	0.4
Re-38	La Residence de Shirokanedai	28	100.00	26,664	0.4	28	100.00	27,033	0.3
Re-39	HF GINZA RESIDENCE EAST II	73	96.92	48,612	0.6	71	94.42	52,001	0.7
Re-40	HF HATCHOBORI RESIDENCE II	82	97.33	61,197	0.8	83	99.08	59,151	0.8
Re-41	HF HATCHOBORI RESIDENCE III (Note 6)	36	97.37	31,322	0.4	—	—	15,465	0.2
Re-42	HF GINZA RESIDENCE	43	95.69	32,908	0.4	43	93.31	32,576	0.4

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Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	281	98.15	209,724	2.8	280	97.45	211,662	2.7
Re-45	HF NAKANOSHIMA RESIDENCE (Note 8)	37	97.96	19,868	0.3	37	97.96	20,664	0.3
Re-46	HF AWAZA RESIDENCE (Note 6)	60	95.11	22,439	0.3	—	—	22,934	0.3
Re-47	HF MARUNOUCHI RESIDENCE	68	94.44	26,384	0.4	68	94.43	25,539	0.3
Re-48	HF HIRAO RESIDENCE	191	95.30	81,907	1.1	195	97.37	81,404	1.0
Re-49	HF KAWARAMACHI NIJO RESIDENCE	47	93.98	19,402	0.3	49	98.06	20,172	0.3
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	131	100.00	77,174	1.0	127	96.91	75,222	1.0
Re-54	La Residence de Sendagi	50	100.00	28,733	0.4	48	96.25	28,318	0.4
Re-55	HF SENDAGI RESIDENCE	48	96.98	32,426	0.4	48	97.16	32,147	0.4
Re-56	HF KOMAZAWA-KOEN RESIDENCE	35	97.22	20,753	0.3	35	97.22	20,836	0.3
Re-57	HF MUSASHIKOYAMA RESIDENCE	51	96.93	31,493	0.4	52	100.00	34,937	0.4
Re-58	HF KOKUBUNJI RESIDENCE	46	98.11	32,169	0.4	43	92.87	32,486	0.4
Re-59	HF HISAYAODORI RESIDENCE	96	98.02	41,066	0.5	95	97.05	42,074	0.5
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	38	93.93	22,580	0.3	41	100.00	22,413	0.3
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	76	98.75	70,938	0.9	72	93.41	71,924	0.9
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	47	97.59	42,099	0.6	48	100.00	41,932	0.5

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Re-63	HF HIGASHI-SHINJUKU RESIDENCE	67	98.57	46,504	0.6	67	97.40	47,278	0.6
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	37	97.26	21,425	0.3	37	97.26	20,988	0.3
Re-65	HF KITA-YOBANCHO RESIDENCE	83	92.21	38,095	0.5	89	98.91	39,114	0.5
Re-66	HF ATAGOBASHI RESIDENCE	69	86.80	32,061	0.4	73	91.75	31,819	0.4
Re-68	HF ASAKUSABASHI RESIDENCE	39	100.00	28,040	0.4	39	100.00	28,575	0.4
Re-69	HF ICHIBANCHO RESIDENCE	77	98.82	41,117	0.5	77	98.82	40,138	0.5
Re-70	HF HIGASHI-NAKANO RESIDENCE	48	98.33	31,437	0.4	47	96.65	32,432	0.4
Re-72	HF WASEDA RESIDENCE	116	94.83	76,747	1.0	117	97.02	76,776	1.0
Re-73	HF WASEDA RESIDENCE II	49	93.09	30,881	0.4	51	100.00	30,962	0.4
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	32	96.71	39,200	0.5	33	100.00	43,337	0.6
Re-75	HF SENDAI RESIDENCE EAST	144	94.86	69,278	0.9	142	95.15	67,390	0.9
Re-76	HF NISHI-KOEN RESIDENCE	98	96.12	44,435	0.6	99	96.97	43,888	0.6
Re-77	HF BANSUI-DORI RESIDENCE	66	100.00	28,902	0.4	65	98.48	29,161	0.4
Re-78	HF KANNAI RESIDENCE	110	93.97	63,070	0.8	112	95.56	62,174	0.8
Re-79	HF MEIEKI-KITA RESIDENCE	109	96.36	63,731	0.9	111	98.39	64,476	0.8
Re-80	HF HIGASHI-SAPPORO RESIDENCE	148	98.36	59,661	0.8	143	95.24	58,022	0.7
Re-81	HF HAKATA-HIGASHI RESIDENCE	76	97.44	30,588	0.4	76	97.44	30,588	0.4

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Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	53	96.37	26,994	0.4	54	98.18	27,148	0.3
Re-83	HF TABATA RESIDENCE	56	100.00	41,678	0.6	55	98.61	41,925	0.5
Re-84	HF RYOGOKU RESIDENCE	65	98.74	53,201	0.7	64	97.60	52,621	0.7
Re-85	HF HACHIOJI RESIDENCE	51	100.00	35,394	0.5	51	100.00	35,453	0.5
Re-86	HF MITA RESIDENCE II	38	94.80	31,509	0.4	40	100.00	32,429	0.4
Re-87	HF MONZEN- NAKACHO RESIDENCE	43	97.73	28,970	0.4	43	97.73	29,003	0.4
Re-88	HF MINAMI- SUNAMACHI RESIDENCE	48	100.00	27,425	0.4	42	87.52	29,171	0.4
Re-89	HF SENDAI NAGAMACHI RESIDENCE	66	96.23	33,715	0.4	68	98.92	34,342	0.4
Re-90	HF SHOKOJI AKABANE RESIDENCE	46	93.76	39,884	0.5	49	100.00	37,919	0.5
Re-91	HF SENDAI HONCHO RESIDENCE	66	95.66	35,425	0.5	67	97.11	33,341	0.4
Re-92	HF OHORI RESIDENCE BAYSIDE	65	97.23	34,814	0.5	65	97.23	35,275	0.5
Re-93	HF HAKATA- HIGASHI RESIDENCE II	106	96.99	41,973	0.6	107	97.16	42,606	0.5
Re-94	HF FUKUOKA RESIDENCE EAST	113	94.95	45,247	0.6	113	95.09	45,016	0.6
Re-95	HF SHOKOJI AKABANE RESIDENCE II	66	94.53	54,140	0.7	65	92.23	52,990	0.7
Re-96	HF YAHIRO RESIDENCE	63	98.69	44,133	0.6	64	100.00	40,827	0.5
Re-97	HF SETAGAYAKAM IMACHI RESIDENCE	27	90.06	20,428	0.3	30	100.00	20,363	0.3
Re-98	HF SOKA RESIDENCE	98	99.00	41,455	0.6	97	98.00	43,875	0.6
Re-99	HF UENO IRIYA RESIDENCE	32	95.96	24,436	0.3	33	100.00	24,156	0.3

Property name		43rd Fiscal Period (For the six-month period ended May 31, 2023)				44th Fiscal Period (For the six-month period ended November 30, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Re-100	HF TSUJIDO RESIDENCE	37	95.06	55,498	0.7	37	95.05	50,228	0.6
Re-101	HF KAWAGUCHIEK IMAE RESIDENCE (Note 5)	89	98.01	56,606	0.8	88	97.02	56,528	0.7
Re-102	HF HIGASHIOGU RESIDENCE (Note 5)	47	97.57	40,114	0.5	49	100.00	39,884	0.5
Re-103	HF IMAIKE- MINAMI RESIDENCE (Note 5)	67	94.19	16,018	0.2	69	97.26	27,753	0.4
Re-104	HF FUSHIMI RESIDENCE (Note 5)	31	85.92	13,005	0.2	33	91.10	18,702	0.2
Re-105	HF NAKANO- SAKAUE RESIDENCE (Note 5)	33	100.00	15,238	0.2	30	92.29	29,418	0.4
Re-106	HF UENO RESIDENCE EAST (Note 5)	56	100.00	31,393	0.4	52	93.22	64,112	0.8
Re-107	HF OMORIMACHI RESIDENCE (Note 5)	24	92.98	4,882	0.1	25	95.83	26,255	0.3
Residence subtotal		5,557	96.68	3,651,637	48.7	5,485	97.11	3,728,707	48.0
Total		5,948	97.63	7,496,707	100.0	5,921	97.71	7,772,851	100.0

(Note 1) Number of tenants is the number of end tenants whose lessors are the REIT, trustee and master lease companies (number of rental units for residential properties).

The number of tenants for the fixed-rent office property is 1.

(Note 2) Occupancy rate is the ratio of rental area to rentable area.

(Note 3) Rent revenue-real estate is leasing business revenue from each property in the fiscal period.

(Note 4) Ratio of total rent revenue-real estate is the ratio of rental revenue from each property to rental revenue from the entire portfolio.

(Note 5) The dates of acquisition were January 30, 2023 for Re-103 HF Imaike Minami Residence, January 31, 2023 for Re-104 HF Fushimi Residence, February 28, 2023 for Re-106 HF Ueno Residence East, March 1, 2023 for Re-105 HF Nakano-Sakaue Residence, April 27, 2023 for Re-107 HF Omorimachi Residence, and April 28, 2023 for Of-54 Stage Nishiki. As of December 5, 2022, the REIT transferred 50% of the remaining quasi co-ownership of the trust beneficial interest in Of-09 GRACE BUILDING SENGAKUJIMAE.

(Note 6) The dates of acquisition were June 6, 2023 for Of-55 Kitahama-Itchome Heiwa Building and Of-56 Heiwa Fudosan Kitahama Building and August 3, 2023 for Of-57 Prime Tower Yokohama. The dates of transfer were August 31, 2023 for Re-41 HF Hatchobori Residence III and November 30, 2023 for Re-46 HF Awaza Residence.

(Note 7) These figures are not disclosed because no consent of the master lease company and the property management company has been obtained.

(Note 8) Re-45 HF NAKANOSHIMA RESIDENCE was transferred on December 22, 2023.

(4) Schedule of securities incorporated into assets

Not applicable

(5) Schedule of renewable energy power generation facilities

Not applicable

(6) Schedule of public facilities management rights

Not applicable

(7) Status of other assets

Real estate owned by the REIT and trust beneficial interests in real estate owned by the REIT are stated in 3. Status of Investment properties (3) Summary of portfolio properties.

The major other specified assets that the REIT makes major invests in are stated below.

Table of contract amounts and market prices of specified transactions

(Unit: thousand yen)

Classification	Type	Contract amount (Note 1)		Market price (Note 2)
			Contract period of over a year	
Transactions other than market transactions	Interest rate swaps Pay fixed, receive floating	61,913,200	50,758,200	326,082
Total		61,913,200	50,758,200	326,082

(Note 1) The contract amounts of interest rate swaps are based on notional amounts.

(Note 2) The market prices are based on quotes from financial institutions

(Note 3) Of transactions reflected in the Market price, transactions to which special treatment for interest rate swaps are applied under the Accounting Standard for Financial instruments (ASBJ Statement No. 10, March 10, 2008) are not evaluated on a mark-to-market basis in the balance sheet.

(8) Asset holdings by country and region

No asset holdings in countries or regions outside Japan

4. Capital expenditures for properties held

(1) Planned capital expenditure

Major capital expenditures for repair work at properties owned by the REIT planned as of the date of the creation of this report are shown below.

The estimate in the table may include expenses in accounting.

The REIT will continue to work to prepare an efficient repair plan for each property to maintain and improve the competitiveness of assets under management from a medium- to long-term perspective and will repair properties and make capital expenditures.

Property name		Address	Purpose	Scheduled period	Estimated construction costs (thousand yen)		
					Total amount	Payment in the period	Amount already paid
Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From December 2023 To May 2024	105,000	—	—
Of-40	ARK Mori Building	Minato-ku, Tokyo	Renovation of tenant-area	From December 2023 To May 2024	42,006	—	—
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	Nagoya-city, Aichi	Renovation of common-area	From December 2023 To May 2024	66,470	—	—
Of-54	STAGE NISHIKI	Chuo-ku, Tokyo	Renovation of common-area	From December 2023 To May 2024	53,015	—	—
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From December 2023 To May 2024	26,000	—	—
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From June 2023 To November 2023	13,500	—	—

(2) Capital expenditures in the 44th fiscal period

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 44th fiscal period.

Capital expenditures in the fiscal period stood at 855,442 thousand yen. Expenses for repairs, etc. were 1,142,582 thousand yen, including repair expenses of 287,140 thousand yen.

These projects were undertaken to increase the satisfaction of existing tenants and ensure a competitive edge attracting new tenants.

	Property name	Address	Purpose	Period	Construction costs (thousand yen)
Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From April 2023 To November 2023	136,000
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	Chiyoda-ku, Tokyo	Renovation of tenant-area	From August 2023 To September 2023	10,780
Of-54	STAGE NISHIKI	Nagoya-city, Aichi	Renovation of common-area	From August 2023 To November 2023	32,407
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Comprehensive repair of outer walls	From January 2023 To July 2023	27,155
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Comprehensive repair of outer walls	From February 2023 To July 2023	54,628
	Others			From June 2023 To November 2023	594,470
Total					855,442

(3) Reserve funds for long-term repair plans

The REIT has the repair reserves shown below. It appropriates a part of cash flows for major medium- to long-term repairs according to the long-term repair plan for each property.

(Unit: thousand yen)

Fiscal period	40th FP ended November 30, 2021	41st FP ended May 31, 2022	42nd FP ended November 30, 2022	43rd FP ended May 31, 2023	44th FP ended November 30, 2023
Reserves at beginning of fiscal period	—	—	—	—	—
Provision for reserves in the fiscal period	—	—	—	—	—
Reversal of reserves in the fiscal period	—	—	—	—	—
Reserves brought forward	—	—	—	—	—

(Note 1) In addition to the reserves above, the REIT has repair reserves of 512,792 thousand yen at the end of the 44th period under the management bylaws primarily for the buildings of which the REIT is a unit owner.

(Note 2) From the 20th fiscal period, the REIT does not provide funds to the repair reserves if the REIT is able to cover expenditures for repairs in each fiscal period using the cash flows for that fiscal period.

5. Expenses and liabilities

(1) Expense items related to asset management

(Unit: thousand yen)

Item	43rd Fiscal Period (For the six-month period ended May 31, 2023)	44th Fiscal Period (For the six-month period ended November 30, 2023)
(a) Asset management fees (Note)	695,743	718,412
(b) Asset custody fees	13,651	13,122
(c) Administrative service fees	30,086	30,970
(d) Directors' compensation	6,102	6,102
(e) Independent auditors' fees	12,000	12,000
(f) Other operating expenses	170,795	182,418
Total	928,377	963,026

(Note) In addition to the asset management fee above, management fees related to property acquisitions of 83,200 thousand yen (43rd period) and 63,100 thousand yen (44th period) were recorded. Management fees related to property transfers of 5,547 thousand yen (43rd period) and 20,800 thousand yen (44th period) were also recorded.

(2) Status of borrowings

Below is the status of borrowings from each financial institution at the end of the 44th fiscal period.

(Unit: thousand yen)

(Unit: thousand yen)									
Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
Short-term loan	Sumitomo Mitsui Banking Corporation	April 27, 2023	1,280,000	-	0.24455	October 31, 2023 (Note 3)	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	May 31, 2023	100,000	-	0.24931	May 31, 2024 (Note 4)	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	August 3, 2023	-	1,000,000	0.25353	May 31, 2024	Lump-sum repayment		
	Subtotal		1,380,000	1,000,000					
Long-term loans payable Due within One Year	Sumitomo Mitsui Banking Corporation	October 29, 2015	1,100,000	-	1.08198	October 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Aozora Bank, Ltd.		200,000	-					
	Resona Bank, Limited.		500,000	-					
	MUFG Bank, Ltd.		1,000,000	-					
	Mizuho Trust & Banking Co., Ltd.		500,000	-					
	Sumitomo Mitsui Trust Bank, Limited.		900,000	-					
	Mizuho Bank, Ltd.		200,000	-					
	Sumitomo Mitsui Banking Corporation	October 30, 2015	2,440,000	-	1.208	May 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		940,000	-					
	MUFG Bank, Ltd.		1,500,000	-					
	Sumitomo Mitsui Banking Corporation	May 31, 2016	-	1,050,000	0.9177	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		-	1,600,000					
	MUFG Bank, Ltd.		-	500,000					
	Sumitomo Mitsui Trust Bank, Limited.		-	700,000					
	Mizuho Bank, Ltd.	December 15, 2017	-	800,000	0.6874	October 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	March 31, 2020	-	500,000	0.471	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		-	500,000					

(Unit: thousand yen)

(Unit: thousand yen)									
Long-term loans payable Due within One Year	Sumitomo Mitsui Banking Corporation	October 30, 2020	200,000	-	0.382	October 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		200,000	-					
	MUFG Bank, Ltd.		1,150,000	-					
	Mizuho Trust & Banking Co., Ltd.		230,000	-					
	MUFG Bank, Ltd.	May 31, 2021	225,000	225,000	0.378	May 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	June 4, 2021	-	250,000	0.405	October 31, 2024	Lump-sum repayment		
	The Chiba Bank, Ltd.		-	150,000					
	MUFG Bank, Ltd.	October 29, 2021	-	580,000	0.38149	October 31, 2024	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		-	200,000					
		Subtotal		11,285,000	11,935,000				
Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
Lender									
Long-term loans payable	Sumitomo Mitsui Banking Corporation	May 31, 2016	1,050,000	-	0.9177	October 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		1,600,000	-					
	MUFG Bank, Ltd.		500,000	-					
	Sumitomo Mitsui Trust Bank, Limited.		700,000	-					
	Sumitomo Mitsui Banking Corporation	October 31, 2016	1,585,000	1,585,000	0.9367	May 31, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		1,250,000	1,250,000					
	Resona Bank, Limited.		452,000	452,000					
	MUFG Bank, Ltd.		320,000	320,000					
	ORIX Bank Corporation		250,000	250,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2017	895,000	895,000	0.9085	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		915,000	915,000					
	SBI Shinsei Bank, Limited		485,000	485,000					
	MUFG Bank, Ltd.		470,000	470,000					
	Aozora Bank, Ltd.	October 31, 2017	1,820,000	1,820,000	0.9775	May 31, 2026	Lump-sum repayment		
	Resona Bank, Limited.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		550,000	550,000					
Mizuho Bank, Ltd.	330,000		330,000						

(Unit: thousand yen)

(Unit: thousand yen)									
Long-term loans payable	Mizuho Bank, Ltd.	December 15, 2017	800,000	-	0.6874	October 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	March 28, 2018	900,000	900,000	0.7863	May 31, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2018	1,100,000	1,100,000	0.747	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					
	Resona Bank, Limited.		700,000	700,000					
	Aozora Bank, Ltd.		700,000	700,000					
	MUFG Bank, Ltd.		200,000	200,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2018	600,000	600,000	0.7685	November 30, 2025	Lump-sum repayment		
	Resona Bank, Limited.		150,000	150,000					
	Aozora Bank, Ltd.		100,000	100,000					
	MUFG Bank, Ltd.		200,000	200,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
	Sumitomo Mitsui Trust Bank, Limited.		100,000	100,000					
	Mizuho Bank, Ltd.		100,000	100,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Mizuho Bank, Ltd.	December 14, 2018	1,000,000	1,000,000	0.6385	November 30, 2025	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	December 14, 2018	700,000	700,000	0.6385	November 30, 2025	Lump-sum repayment		
Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	300,000	0.6	May 31, 2026	Lump-sum repayment			
Aozora Bank, Ltd.		200,000	200,000						
MUFG Bank, Ltd.		300,000	300,000						
The Bank of Fukuoka, Ltd.		285,000	285,000						
ORIX Bank Corporation		600,000	600,000						
The Norinchukin Bank		877,000	877,000						
Sumitomo Mitsui Banking Corporation	October 31, 2019	500,000	500,000	0.505	May 31, 2025	Lump-sum repayment			
Aozora Bank, Ltd.		700,000	700,000						

(Unit: thousand yen)

(Unit: thousand yen)									
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 31, 2019	300,000	300,000	0.577	November 30, 2026	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		300,000	300,000					
	Aozora Bank, Ltd.		300,000	300,000					
	MUFG Bank, Ltd.		300,000	300,000					
	Mizuho Trust & Banking Co., Ltd.		300,000	300,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	SBI Shinsei Bank, Limited		300,000	300,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	-	0.471	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		500,000	-					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	2,070,000	2,070,000	0.66475	May 31, 2027	Lump-sum repayment		
	Resona Bank, Limited.		500,000	500,000					
	Mizuho Trust & Banking Co., Ltd.		950,000	950,000					
	The 77 Bank, Ltd.	April 24, 2020	1,100,000	1,100,000	0.56475	May 31, 2027	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 30, 2020	1,000,000	1,000,000	0.669	October 29, 2027	Lump-sum repayment		
	Resona Bank, Limited.		1,000,000	1,000,000					
	Aozora Bank, Ltd.		950,000	950,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	The 77 Bank, Ltd.	December 17, 2020	1,000,000	1,000,000	0.685	November 30, 2028	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	March 24, 2021	1,000,000	1,000,000	0.665	November 30, 2028	Lump-sum repayment		
	SBI Shinsei Bank, Limited	March 24, 2021	1,000,000	1,000,000	0.685	May 31, 2029	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2021	631,700	631,700	0.658	May 31, 2028	Lump-sum repayment		
	Aozora Bank, Ltd.		450,000	450,000					
	Mizuho Trust & Banking Co., Ltd.		1,786,700	1,786,700					
	Sumitomo Mitsui Trust Bank, Limited.		690,800	690,800					
	Development Bank of Japan Inc.	May 31, 2021	1,000,000	1,000,000	0.64125	May 31, 2028	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	June 4, 2021	250,000	-	0.405	October 31, 2024	Lump-sum repayment		
	The Chiba Bank, Ltd.		150,000	-					
	Mizuho Trust & Banking Co., Ltd.	September 29, 2021	1,390,000	1,390,000	0.57149	November 30, 2028	Lump-sum repayment		

(Unit: thousand yen)

(Unit: thousand yen)									
Long-term loans payable	Resona Bank, Limited.	October 29, 2021	1,000,000	1,000,000	0.69149	November 30, 2029	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	MUFG Bank, Ltd.	October 29, 2021	580,000	-	0.38149	October 31, 2024	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		200,000	-					
	MUFG Bank, Ltd.	October 29, 2021	900,000	900,000	0.833	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 29, 2021	1,690,000	1,690,000	0.78291	October 31, 2028	Lump-sum repayment		
	Resona Bank, Limited.		330,000	330,000					
	Aozora Bank, Ltd.		1,040,000	1,040,000					
	Sumitomo Mitsui Trust Bank, Limited.		500,000	500,000					
	Mizuho Bank, Ltd.		200,000	200,000					
	SBI Shinsei Bank, Limited		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.	December 22, 2021	900,000	900,000	0.57149	May 31, 2029	Lump-sum repayment		
	Nippon Life Insurance Company	December 23, 2021	1,000,000	1,000,000	0.7	December 22, 2028	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.	December 23, 2021	1,000,000	1,000,000	0.72149	November 29, 2030	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 24, 2022	600,000	600,000	0.59649	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	February 28, 2022	700,000	700,000	0.74389	May 31, 2029	Lump-sum repayment		
	SBI Shinsei Bank, Limited	February 28, 2022	1,200,000	1,200,000	0.59149	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	May 31, 2022	550,000	550,000	0.38149	May 30, 2025	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		400,000	400,000					
	MUFG Bank, Ltd.	May 31, 2022	395,000	395,000	0.41649	November 28, 2025	Lump-sum repayment		
	Sompo Japan Insurance Inc.		469,000	469,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	400,000	400,000	1.075	May 31, 2027	Lump-sum repayment		
	Resona Bank, Limited.		400,000	400,000					
	Aozora Bank, Ltd.		850,000	850,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The Nomura Trust and Banking Co., Ltd.		585,000	585,000					
	Sumitomo Mitsui Banking Corporation		May 31, 2022	400,000					
	Aozora Bank, Ltd.	400,000		400,000					
	The Norinchukin Bank	600,000		600,000					

(Unit: thousand yen)

(Unit: thousand yen)									
Long-term loans payable	Sumitomo Mitsui Banking Corporation	June 3, 2022	1,800,000	1,800,000	0.67149	May 31, 2029	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Mizuho Bank, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	June 3, 2022	500,000	500,000	0.85947	May 31, 2029	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2022	500,000	500,000	0.63149	November 30, 2029	Lump-sum repayment		
	Aozora Bank, Ltd.		1,420,000	1,420,000					
	Mizuho Trust & Banking Co., Ltd.		1,500,000	1,500,000					
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	October 31, 2022	900,000	900,000	0.98483	November 30, 2029	Lump-sum repayment		
	Kansai Mirai Bank, Ltd	October 31, 2022	480,000	480,000	0.52149	November 30, 2032	Lump-sum repayment		
	The Chiba Bank, Ltd.	January 30, 2023	800,000	800,000	0.52149	January 30, 2030	Lump-sum repayment		
	Kansai Mirai Bank, Ltd	January 30, 2023	800,000	800,000	0.55149	November 28, 2031	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 28, 2023	1,090,000	1,090,000	0.51149	May 31, 2030	Lump-sum repayment		
	The Norinchukin Bank	February 28, 2023	1,500,000	1,500,000	0.6525	May 31, 2030	Lump-sum repayment		
	SBI Shinsei Bank, Limited	March 1, 2023	1,090,000	1,090,000	0.53149	May 31, 2032	Lump-sum repayment		
	The Minato Bank, Ltd.	March 31, 2023	1,000,000	1,000,000	0.54149	May 31, 2033	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	April 28, 2023	1,100,000	1,100,000	0.69149	May 31, 2031	Lump-sum repayment		
	Mizuho Bank, Ltd.		1,100,000	1,100,000					
	Resona Bank, Limited.	May 31, 2023	400,000	400,000	0.37657	May 29, 2026	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.		200,000	200,000					
	The Nomura Trust and Banking Co., Ltd.		300,000	300,000					
	Mizuho Bank, Ltd.	May 31, 2023	200,000	200,000	0.47657	October 29, 2027	Lump-sum repayment		
	SBI Shinsei Bank, Limited		100,000	100,000					
	MUFG Bank, Ltd.	May 31, 2023	500,000	500,000	0.70631	October 29, 2027	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2023	1,000,000	1,000,000	0.62657	May 31, 2030	Lump-sum repayment		
	Resona Bank, Limited.		780,000	780,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	Mizuho Bank, Ltd.		600,000	600,000					
	SBI Shinsei Bank, Limited		300,000	300,000					

(Unit: thousand yen)

(Unit: thousand yen)												
Long-term loans payable	MUFG Bank, Ltd.	May 31, 2023	1,000,000	1,000,000	1.045	May 31, 2030	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed			
	Development Bank of Japan Inc.	August 3, 2023	-	1,000,000	1.27844	November 28, 2031	Lump-sum repayment					
	Sumitomo Mitsui Trust Bank, Limited.	August 3, 2023	-	1,000,000	0.63827	May 31, 2032	Lump-sum repayment					
	Resona Bank, Limited.	May 31, 2023	-	1,000,000	0.63827	November 30, 2032	Lump-sum repayment					
	Sumitomo Mitsui Banking Corporation	October 31, 2023	-	400,000	0.45	October 29, 2027	Lump-sum repayment					
	Resona Bank, Limited.		-	300,000								
	Mizuho Trust & Banking Co., Ltd.		-	330,000								
	Sumitomo Mitsui Trust Bank, Limited.		-	300,000								
	MUFG Bank, Ltd.	October 31, 2023	-	700,000	1.05302	May 31, 2028	Lump-sum repayment					
	Sumitomo Mitsui Banking Corporation	October 31, 2023	-	900,000	0.63	November 29, 2030	Lump-sum repayment					
	Resona Bank, Limited.		-	400,000								
	Aozora Bank, Ltd.		-	200,000								
	Mizuho Trust & Banking Co., Ltd.		-	400,000								
	Sumitomo Mitsui Trust Bank, Limited.		-	600,000								
	Mizuho Bank, Ltd.		-	200,000								
	MUFG Bank, Ltd.	October 31, 2023	-	1,550,000	1.46985	November 29, 2030	Lump-sum repayment					
		Subtotal		88,252,200	90,702,200							
	Total			100,917,200	103,637,200							

(Note 1) Average interest rate is a weighted average during the fiscal period. For the borrowings for which interest rate swaps are used to avoid interest rate risk, the estimated effect of the interest rate swaps is reflected on the average interest rate.

(Note 2) The funds are used for the acquisition of real estate, etc. or the refinancing of interest-bearing debt.

(Note 3) The full amount was repaid before its maturity on June 8, 2023, which is after the end of the fiscal period.

(Note 4) The full amount was repaid before its maturity on October 31, 2023, which is after the end of the fiscal period.

(3) Investment corporation bonds

Below is the status of investment corporation bonds issued at the end of the 44th fiscal period.

(Unit: thousand yen)

Name of bond	Issued date	Balance at beginning of period	Balance at end of period	Interest rate (%)	Repayment date	Repayment method	Use	Remarks
Unsecured Investment Corporation Bond #2	June 30, 2017	1,800,000	1,800,000	0.650%	June 30, 2027	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Unsecured Investment Corporation Bond #3	May 7, 2018	1,000,000	1,000,000	0.700%	May 2, 2028	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Unsecured Investment Corporation Bond #4	June 4, 2019	1,000,000	1,000,000	0.410%	May 31, 2024	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Unsecured Investment Corporation Bond #5	June 4, 2019	1,600,000	1,600,000	0.820%	May 31, 2029	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Unsecured Investment Corporation Bond #6	November 25, 2020	1,500,000	1,500,000	0.750%	November 25, 2030	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Unsecured Investment Corporation Bond #7 (Green Bonds)	December 12, 2022	2,000,000	2,000,000	0.880%	December 10, 2032	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Total		8,900,000	8,900,000					

(4) Short-term investment corporation bonds

Not applicable

(5) Investment unit subscription rights

Not applicable

6. Status of purchases and sales in the fiscal period

(1) Real estate and asset-backed securities, etc. and infrastructure-related assets, etc.

Property name		Acquisition		Disposition			
		Date of acquisition	Acquisition price (Note 1) (million yen)	Date of transfer	Transfer price (Note 1) (million yen)	Book value (million yen)	Profit/loss on sale (Note 2) (million yen)
Of-55	Kitahama 1-Chome Heiwa Building	June 6, 2023	3,370	—	—	—	—
Of-56	Heiwa Real Estate Kitahama Building	June 6, 2023	1,650	—	—	—	—
Of-57	PRIME TOWER YOKOHAMA	August 3, 2023	3,800	—	—	—	—
Re-41	HF HATCHOBORI RESIDENCE III	—	—	August 31, 2023	1,300	673	602
Re-46	HF AWAZA RESIDENCE EAST	—	—	November 30, 2023	780	466	281
Total		—	8,820	—	2,080	1,139	884

(Note 1) Acquisition price and Transfer price do not include expenses necessary for the acquisition or disposition of the real estate, etc. (intermediary fees, taxes and public dues, etc.) (transfer amount stated in the sales agreement, etc.).

(Note 2) Profit/loss on sale is the transfer price less the book value less sale costs.

(2) Status of purchases and sales of other assets

Major assets other than the real estate and asset-backed securities, etc. above are bank deposits and bank deposits in trust property.

(3) Appraisal or price, etc. of specified assets

(i) Real estate, etc.

Acquisition or disposition	Asset type	Name of real estate		Date of acquisition or disposition	Acquisition price or transfer price (million yen) (Note)	Real estate appraisal value (million yen)	Real estate appraisal organization	Valuation date
Acquisition	Trust beneficial interest	Of-55	Kitahama 1-Chome Heiwa Building	June 6, 2023	3,370	3,495	Tanizawa Sogo Appraisal Co., Ltd	April 1, 2023
Acquisition	Trust beneficial interest	Of-56	Heiwa Real Estate Kitahama Building	June 6, 2023	1,650	1,770	Tanizawa Sogo Appraisal Co., Ltd	April 1, 2023
Acquisition	Trust beneficial interest	Of-57	PRIME TOWER YOKOHAMA	August 3, 2023	3,800	4,040	JLL Morii Valuation & Advisory K.K.	July 1, 2023
Acquisition	Trust beneficial interest	Re-41	HF HATCHOBORI RESIDENCE III	August 31, 2023	1,300	1,150	Daiwa Real Estate Appraisal Co., Ltd	November 30, 2023
Disposition	Trust beneficial interest	Re-46	HF AWAZA RESIDENCE EAST	December 30, 2023	780	760	Chuo Real Estate Appraisal Co., Ltd.	May 31, 2023

(Note) Acquisition price and Transfer price do not include expenses necessary for the acquisition or disposition of the real estate, etc. (intermediary fees, taxes and public dues, etc.) (transfer amount stated in the sales agreement, etc.).

(ii) Other

For transactions other than those stated in "① Real estate, etc." above among the transactions conducted by the Investment Corporation that require an investigation into the value of specified assets pursuant to Article 201 of the Act on Investment Trusts and Investment Corporations, the investigation has been entrusted to KPMG AZSA LLC. Relevant transactions during the period covered (June 1, 2023 to November 30, 2023) were three interest rate swap transactions, and the investigation report on these transactions was received from KPMG AZSA LLC. For the investigation into interest rate swap transactions, the Investment Corporation entrusted the investigation into the names of counterparties, contract values, transaction periods, and other matters related to the content of OTC derivatives.

(4) Transactions with interested parties

(i) Status of transactions

(Unit: thousand yen)

Classification	Trading value, etc. (Note 2)	
	Purchase amount, etc.	Sales amount, etc.
Total	8,820,000	2,080,000
Breakdown of transactions with interested parties, etc. (Note 1)		
Heiwa Real Estate Co., Ltd.	5,020,000 (56.9%)	— (—)
Total	5,020,000 (56.9%)	— (—)

(ii) Payment fees

(Unit: thousand yen)

Classification	Total payment fees (A)	Breakdown of transactions with interested parties, etc. (Note 1)		(B) / (A)
		Payee	Payment amount (B)	
Management commissions:	775,252	Heiwa Real Estate Co., Ltd.	(Note 4) 10,484	1.4%
		Heiwa Real Estate Property Management Co., Ltd.	(Note 5) 282,196	36.4%
Non-life insurance premiums	10,784	Heiwa Real Estate Property Management Co., Ltd.	8,300	77.0%

(Note 1) Interested parties, etc. are the interested parties, etc. of the asset management company that have concluded an asset management agreement with the REIT that are set out in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Order No. 480 of 2000, including subsequent revisions) and Article 26, Item 27 of the Investment Trusts Association, Japan's Rules on Management Reports, etc. of Investment Trusts and Investment Corporations.

(Note 2) Trading value, etc. is selling prices stated in agreements on sales of real estate and real estate trust beneficial interests.

(Note 3) Figures in parentheses are a percentage of the total amount.

(Note 4) Of the amount above, amounts paid as building management fees by Heiwa Real Estate are as stated below.

Heiwa Real Estate Property Management Co., Ltd. 5,309 thousand yen

(Note 5) Of the amount above, amounts paid as building management fees by Heiwa Real Estate Property Management Co., Ltd. are as stated below.

Third parties other than Heiwa Real Estate Property Management Co., Ltd. 70,958 thousand yen

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 43rd fiscal period are as stated below. Heiwa Real Estate Property Management Co., Ltd. 25,304 thousand yen

(5) Transactions between the asset management company and its subsidiary businesses

HEIWA REAL ESTATE Asset Management CO., LTD., the asset management company of the REIT, does not have any side businesses (Type I Financial Instruments Business, Type II Financial Instrument Business, building lots and buildings transaction business, or real estate specified joint enterprise) and this item is not applicable.

7. Financial situation

(1) Situation of assets, liabilities, principal and profit and loss

Please refer to the balance sheet, profit and loss statement, statements of changes in net assets, Notes and statements of cash dividend distributions.

(2) Change in method of calculating depreciation

Not applicable

(3) Change in valuation method for infrastructure assets including real estate

Not applicable

(4) Disclosure of investment trust beneficial securities issued by the REIT

(i) Status of acquisition

Not applicable

(ii) Status of holding

Below is data on investment units of the REIT held by the asset management company.

	Number of investment units at end of period	Value of investment units held at end of period (Note) (million yen)	Ratio to investment units issued and outstanding (%)
35th FP May 31, 2019	3,334	337	0.3
36th FP November 30, 2019	3,334	337	0.3
37th FP May 31, 2020	3,334	337	0.3
38th FP November 30, 2020	3,334	337	0.3
39th FP May 31, 2021	3,334	337	0.3
40th FP November 30, 2021	3,334	337	0.3
41st FP May 31, 2022	3,334	337	0.3
42nd FP November 30, 2022	3,334	337	0.3
43rd FP May 31, 2023	3,334	337	0.3
44th FP November 30, 2023	3,334	337	0.3

(Note) Value of investment units held at end of period is an acquisition price.

8. Other

(1) Notice

The 19th General Meeting of Investors was held during the current fiscal period. An outline of the proposals approved by the said General Meeting of Investors is as follows.

Date of approval	Item	Summary
May 30, 2023	Partial amendment to the Articles of Incorporation	The Articles of Incorporation were amended with respect to the following matters. - Provisions regarding measures for electronic provision were added in accordance with the partial amendment of the Companies Act - Provisions regarding the contribution for cases of receiving financing from a credit association and a Shinkin bank were added in accordance with the Small and Medium-Sized Enterprise Cooperatives Act and the Shinkin Bank Act - Amendment in accordance with changes in the market value evaluation of rights regarding securities and derivative transactions in ASBJ Statement No. 30 Accounting Standard for Fair Value Measurement and ASBJ Statement No. 10 Accounting Standard for Financial Instruments
	Election of One Executive Director	Aya Motomura was appointed as Executive Director.
	Election of One Substitute Executive Director	Masanori Hirano was appointed as Substitute Executive Director
	Election of Two Supervisory Directors	Noriyuki Katayama and Hiroyuki Owada were appointed as Supervisory Directors.

(2) Disclosure related to overseas real estate held by the REIT

Not applicable.

(3) Disclosure related to real estate owned by the REIT holding overseas real estate

Not applicable.

(4) Rounding of amounts and percentages

In this report, unless otherwise stated, fractions are rounded down and percentages are rounded off.

9. Sustainability Initiatives

(1) International initiatives / External evaluations

GRESB Real Estate Assessment



TCFD



Environmental certificates (as of November 30, 2023)

	Number of Properties	Coverage Rate (based on number of properties)	Total Floor Space (m ²)	Coverage Rate (based on total Floor Space)
DBJ Green Building	5	3.9%	43,939	11.0%
CASBEE	14	11.0%	71,956	18.1%
BELS (Building Energy-efficiency Labeling System)	2	1.6%	10,201	2.6%
SMBC Sustainable Building Assessment Loan System	1	0.8%	13,160	3.3%
Total Certified Properties	19	15.0%	139,258	26.1%

(2) Environment

Shift to renewable energy

The general shift to power plans conforming to the RE (Renewable Energy) 100 standards was completed at 119 properties of all 126 properties



Electronic prospectus / Environmentally-friendly tile carpets



Source : Nippon Interior Association

Eco-friendly initiatives: FSC paper and glassine



Source : FSC Japan

Source : Japan Printing Ink Makers Association

► Replacement with LED lighting

The switchover was completed at 124 properties of all 126 properties owned, as of November 30, 2023. (common area)



HF SAKURADORI BUILDING

HF KOMAZAWA-KOEN RESIDENCE TOWER

Introduction of an electric power measurement system for sections occupied by tenants

The system has been introduced at 43 properties (67% of the portfolio) of all 83 properties as of November 30, 2023.



Installation of vending machines for disaster relief and donation



(3) Social

Supplying drinking water at the time of disaster / Sponsoring a jazz event



PET bottle cap collection campaign / Cleaning around Kabuto-cho district



Held a contest for added-value renovations of properties owned



Health support and work-life balance



(4) Governance

Corporate Governance

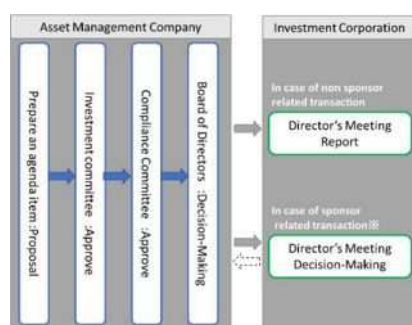
The organization of this REIT consists of one executive officer with no conflicted interest in REIT and Asset Management company, two auditors, a board of officers comprising all the executive officers and auditors and the accounting auditor in addition to the general meeting of investors comprising the investors.

Process for making decisions regarding acquisition or sale of assets

For certain transactions with interested parties as set forth in the regulations of the REIT, it is necessary for the board of directors to make a resolution followed by a discussion and a final decision by the director's meeting of the REIT. However, in the case of transactions with interested parties that are larger than a certain scale, it is necessary to obtain the prior agreement of the director's meeting of the REIT before a resolution is passed by the board of directors.

Use of outside experts in internal audits (Asset Management Company)

The Asset Management Company conducts its internal audits jointly with outside experts. It ensures objectivity in audits and responds to new or complex risks.



Principles For Customer-Oriented Business Conduct

HEIWA REAL ESTATE Asset Management CO., LTD. adopted “the Principles for Customer-Oriented Business Conduct” announced on March 30, 2017 by the Financial Services Agency.

Positioning the REIT and its unitholders as customers, the Company prepared and announced the policy for implementing customer-oriented operations in its asset management. It has been disclosing the implementation of the policy as necessary.

For details, please refer to the following URL.

<https://www.heiwa-am.co.jp/en/policy/>



Introduction of Managing Officer System

The asset management company introduced an executive officer system. To respond quickly to an operating environment that changes rapidly from one day to the next and to increase business scale and expand business more robustly, the Asset Management Company will assign the right people as executive-level employees to expedite business execution.

Overview of Managing Officer System

1. A resolution of the Board of Directors shall be required to appoint or remove Managing Officers.

2. Directors may concurrently serve as Managing Officers
3. The term of office of Managing Officers shall expire at the meeting of the Board of Directors convened directly after the Ordinary General Meeting of Shareholders to be held for the last fiscal year ending within two years after assumption of office. However, this shall not preclude the possibility of reappointment.
4. The relationship between Managing Officers and the Asset Management Company shall be set out in an Engagement Agreement.



Independent auditor's report

To the Board of Directors of HEIWA REAL ESTATE REIT, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of HEIWA REAL ESTATE REIT, Inc. ("HEIWA REAL ESTATE REIT"), which comprise the balance sheets as at November 30, 2023 and May 31, 2023, the statements of income and retained earnings, changes in net assets and cash flows for each of the six-month periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HEIWA REAL ESTATE REIT as at November 30, 2023 and May 31, 2023, and its financial performance and its cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of HEIWA REAL ESTATE REIT in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 21 to the financial statements, which states acquisition of assets, disposition of assets and borrowing of funds as well as conclusion of an asset purchase agreement. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Semiannual Financial Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory directors are responsible for overseeing the executive director's performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing HEIWA REAL ESTATE REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of HEIWA REAL ESTATE REIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of HEIWA REAL ESTATE REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HEIWA REAL ESTATE REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause HEIWA REAL ESTATE REIT to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the HEIWA REAL ESTATE REIT are disclosed in (3) Matters relating to officers included in "Overview of the REIT" of the Semiannual Financial Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in HEIWA REAL ESTATE REIT which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

田澤治郎

Jiro Tazawa

Designated Engagement Partner

Certified Public Accountant

羽生博文

Hirofumi Hanyu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

February 29, 2024

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS

As of November 30, 2023 and May 31, 2023

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Assets		
Current Assets:		
Cash and deposits (Note 3)	¥ 12,873,216	¥ 12,502,167
Cash and deposits in trust (Note 3)	4,341,127	3,829,697
Tenant receivables	124,285	143,222
Prepaid expenses	147,966	134,783
Consumption taxes receivable	47,490	—
Other current assets	7,822	6,076
Allowance for doubtful accounts	(22)	(22)
Total Current Assets	17,541,885	16,615,924
Investment Properties (Notes 5 and 6):		
Land	42,318,429	42,299,997
Buildings	22,790,521	22,596,022
Structures	109,390	104,048
Machinery and equipment	307,109	303,216
Tools, furniture and fixtures	354,283	333,684
Land in trust	114,179,658	107,448,883
Buildings in trust	50,738,120	49,349,356
Structures in trust	251,263	252,891
Machinery and equipment in trust	751,836	700,559
Tools, furniture and fixtures in trust	1,396,116	1,374,570
Less: accumulated depreciation	(22,598,025)	(21,932,568)
Leasehold rights	8,855,074	8,855,074
Leasehold rights in trust	2,472,255	2,472,255
Total Investment Properties, Net	221,926,033	214,157,992
Other Assets:		
Software	1,419	1,990
Lease and guarantee deposits	24,589	19,617
Long-term prepaid expenses	340,905	277,800
Derivative assets (Note 4)	419,131	341,977
Deferred investment units issuance costs	65,016	47,765
Deferred investment corporation bond issuance costs	42,124	46,282
Others	513,019	485,359
Total Other Assets	1,406,207	1,220,792
Total Assets	¥ 240,874,126	¥ 231,994,709

The accompanying notes are an integral part of these financial statements.

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS, CONTINUED

As of November 30, 2023 and May 31, 2023

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Liabilities		
Current Liabilities:		
Operating accounts payable	¥ 863,221	¥ 805,257
Investment corporation bonds due within one year (Notes 4 and 8)	1,000,000	1,000,000
Short-term debt (Notes 4 and 7)	1,000,000	1,380,000
Long-term debt due within one year (Notes 4 and 7)	11,935,000	11,285,000
Accrued expenses	911,723	864,889
Income taxes payable	593	594
Accrued consumption taxes	—	122,813
Advances received	1,291,566	1,265,390
Other current liabilities	37,233	21,758
Total Current Liabilities	17,039,338	16,745,704
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	7,900,000	7,900,000
Long-term debt (Notes 4 and 7)	90,702,200	88,252,200
Tenant security deposits	1,063,448	1,048,937
Tenant security deposits in trust	5,548,891	5,183,977
Derivative liabilities (Note 4)	87,775	52,346
Total Long-Term Liabilities	105,302,315	102,437,461
Total Liabilities	122,341,654	119,183,166
Net Assets (Notes 9)		
Unitholders' Equity:		
Unitholders' capital	102,992,648	97,799,794
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,149,933 units and 1,113,733 units as of November 30, 2023 and May 31, 2023, respectively		
Capital surplus	7,406,652	7,406,652
Deduction from capital surplus	(1,699,990)	(1,699,990)
Reserve for reduction entry	491,130	470,630
Reserve for temporary difference adjustment (Note 10)	1,752,155	1,796,704
Retained earnings	7,254,729	6,755,071
Total Unitholders' Equity	118,197,324	112,528,862
Valuation and translation adjustments:		
Deferred gains or losses on hedges	335,147	282,680
Total valuation and translation adjustments	335,147	282,680
Total Net Assets	118,532,472	112,811,543
Total Liabilities and Net Assets	¥ 240,874,126	¥ 231,994,709

The accompanying notes are an integral part of these financial statements.

HEIWA REAL ESTATE REIT, Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six months ended November 30, 2023 and May 31, 2023

	For the six months ended	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Operating Revenues (Note 11):		
Rental revenues (Note 12)	¥ 7,053,118	¥ 6,767,593
Other revenues related to property leasing (Note 12)	719,733	729,114
Gain on sales of investment properties (Notes 13 and 19)	884,007	553,243
Total Operating Revenues	8,656,859	8,049,951
Operating Expenses:		
Property-related expenses (Notes 12 and 19)	3,198,154	3,106,478
Asset management fees	718,412	695,743
Asset custody fees	13,122	13,651
Administrative service fees	30,970	30,086
Directors' compensation	6,102	6,102
Independent auditors' fees	12,000	12,000
Other operating expenses	182,418	170,795
Total Operating Expenses	4,161,180	4,034,856
Operating Income	4,495,679	4,015,094
Non-Operating Revenues:		
Interest income	75	67
Reversal of distributions payable	638	496
Insurance income	4,824	5,594
Other non-operating revenues	23	3,042
Total Non-Operating Revenues	5,561	9,200
Non-Operating Expenses:		
Interest expenses	383,648	350,968
Borrowing related expenses	56,011	53,980
Interest expenses on investment corporation bonds	32,385	31,864
Amortization of deferred investment corporation bond issuance costs	4,157	4,157
Amortization of deferred investment units issuance costs	22,798	16,123
Other non-operating expenses	6,631	8,057
Total Non-Operating Expenses	505,632	465,150
Ordinary Income	3,995,609	3,559,144
Income Before Income Taxes	3,995,609	3,559,144
Income taxes – current	605	605
Income Taxes (Note 15)	605	605
Net Income	3,995,004	3,558,539
Retained Earnings Brought Forward	3,259,725	3,196,531
Retained Earnings at End of Period	¥ 7,254,729	¥ 6,755,071

The accompanying notes are an integral part of these financial statements.

HEIWA REAL ESTATE REIT, Inc.

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended November 30, 2023 and May 31, 2023

	Unitholders' Equity						
	Number of Units	Unitholders' Capital	Capital Surplus	Deduction from Capital Surplus	Reserve for Reduction Entry	Reserve for Temporary Difference Adjustment	Retained Earnings
	(Units)	(Thousands of Yen)					
Balance as of November 30, 2022	1,113,733	¥ 97,799,794	¥7,406,652	¥ (1,699,990)	¥ 415,683	¥1,841,253	¥ 6,692,914
Cash distributions declared	—	—	—	—	—	—	(3,485,984)
Net income	—	—	—	—	—	—	3,558,539
Provision of reserve for reduction entry	—	—	—	—	54,947	—	(54,947)
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(44,549)	44,549
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of May 31, 2023	1,113,733	¥ 97,799,794	¥7,406,652	¥ (1,699,990)	¥ 470,630	¥1,796,704	¥ 6,755,071
Cash distributions declared	—	—	—	—	—	—	(3,519,396)
Net income	—	—	—	—	—	—	3,995,004
Issuance of new investment units	36,200	5,192,853	—	—	—	—	—
Provision of reserve for reduction entry	—	—	—	—	20,499	—	(20,499)
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(44,549)	44,549
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of November 30, 2023	1,149,933	¥102,992,648	¥7,406,652	¥ (1,699,990)	¥ 491,130	¥1,752,155	¥ 7,254,729

	Valuation and Translation Adjustments		
	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets
	(Thousands of Yen)		
Balance as of November 30, 2022	¥ 551,080	¥ 551,080	¥ 113,007,387
Cash distributions declared	—	—	(3,485,984)
Net income	—	—	3,558,539
Provision of reserve for reduction entry	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—
Net changes of items other than unitholders' equity	(268,399)	(268,399)	(268,399)
Balance as of May 31, 2023	¥ 282,680	¥ 282,680	¥ 112,811,543
Cash distributions declared	—	—	(3,519,396)
Net income	—	—	3,995,004
Issuance of new investment units	—	—	5,192,853
Provision of reserve for reduction entry	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—
Net changes of items other than unitholders' equity	52,466	52,466	52,466
Balance as of November 30, 2023	¥ 335,147	¥ 335,147	¥ 118,532,472

The accompanying notes are an integral part of these financial statements.

HEIWA REAL ESTATE REIT, Inc.

STATEMENTS OF CASH FLOWS

For the six months ended November 30, 2023 and May 31, 2023

	For the six months ended	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 3,995,609	¥ 3,559,144
Depreciation and amortization	1,037,955	992,321
Decrease in allowance for doubtful accounts	—	(95)
Amortization of deferred investment corporation bond issuance costs	4,157	4,157
Amortization of deferred investment units issuance costs	22,798	16,123
Interest income	(75)	(67)
Interest expenses	416,033	382,832
Decrease (increase) in tenant receivables	10,692	(49,158)
(Increase) decrease in consumption taxes receivable	(47,490)	9,775
(Decrease) increase in accrued consumption taxes	(122,813)	122,813
Increase in long-term prepaid expenses	(63,105)	(38,853)
Increase in operating accounts payable	19,252	31,536
Increase in accrued expenses	33,652	35,390
Increase in advances received	26,176	6,893
Increase (decrease) in deposits received	5,711	(5,983)
Decrease in investment properties in trust other than intangible assets due to sale	1,139,984	123,143
Decrease in intangible assets in trust due to sale	—	421,705
Other, net	(16,374)	(5,659)
Interest income received	75	67
Interest expenses paid	(402,852)	(364,082)
Income taxes paid	(605)	(529)
Net Cash Provided by Operating Activities	6,058,781	5,241,474
Cash Flows from Investing Activities:		
Payment for purchases of investment properties other than intangible assets	(171,068)	(6,906,927)
Payment for purchases of investment properties in trust	(9,707,502)	(410,510)
Payment for purchases of intangible assets	—	(2,088,691)
Proceeds from tenant security deposits	52,746	121,112
Refunds of tenant security deposits	(48,650)	(24,729)
Proceeds from tenant security deposits in trust	554,170	156,524
Refunds of tenant security deposits in trust	(205,364)	(178,611)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	53,745	142
Deposit of trust deposits corresponding to tenant security deposits in trust	(371,606)	(8,932)
Payment of guarantee deposits	(4,972)	—
Net Cash Used in Investing Activities	(9,848,502)	(9,340,624)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	1,000,000	1,380,000
Repayments of short-term debt	(1,380,000)	(200,000)
Proceeds from long-term debt	9,280,000	14,160,000
Repayments of long-term debt	(6,180,000)	(7,080,000)
Proceeds from issuance of new investment corporation bonds	—	1,984,311
Proceeds from issuance of new investment units	5,152,803	—
Distributions paid	(3,518,466)	(3,485,959)
Net Cash Provided by Financing Activities	4,354,337	6,758,352
Net Change in Cash and Cash Equivalents	564,616	2,659,202
Cash and Cash Equivalents at Beginning of Period	15,835,669	13,176,466
Cash and Cash Equivalents at End of Period (Note 3)	¥ 16,400,286	¥ 15,835,669

The accompanying notes are an integral part of these financial statements.

HEIWA REAL ESTATE REIT, Inc.

Notes to Financial Statements

For the six months ended November 30, 2023 and May 31, 2023

Note 1 – Organization and Basis of Presentation

(a) Organization

HEIWA REAL ESTATE REIT, Inc. (“HEIWA REAL ESTATE REIT”) was established on January 31, 2002 as an investment corporation under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including subsequent revisions, hereinafter referred to as the “Investment Trust Act”) by the founder (the former Canal Investment Trust Co., Ltd.; now, HEIWA REAL ESTATE REIT Asset Management, Inc., the Asset Management Company).

HEIWA REAL ESTATE REIT is an externally managed real estate fund, established as an investment corporation. HEIWA REAL ESTATE REIT Asset Management, Inc., as HEIWA REAL ESTATE REIT’s asset management company, is engaged in acquiring, managing, leasing, and renovating office properties, residential properties and commercial properties. HEIWA REAL ESTATE CO., LTD. (“HEIWA REAL ESTATE”) currently own 100% of HEIWA REAL ESTATE REIT Asset Management, Inc.

Investment units in HEIWA REAL ESTATE REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange since March 8, 2005. Subsequently, HEIWA REAL ESTATE REIT issued new investment units through public offerings and third-party allotments on several occasions, and executed an investment unit split and investment unit issuance due to a merger with Japan Single-residence REIT Inc. on October 1, 2010.

As of November 30, 2023, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 126 properties with approximately 309,260.44 square meters of rentable space and has leased space to 5,921 tenants. The occupancy rate for the properties is approximately 97.71%.

(b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Act, the Financial Instruments and Exchange Act and their related accounting regulations and in conformity with Generally Accepted Accounting Principles of Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from both International Financial Reporting Standards (“IFRS”) and U.S. Generally Accepted Accounting Principles.

The accompanying financial statements have been reformatted and translated into English from the financial statements of HEIWA REAL ESTATE REIT prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing the accompanying financial statements, relevant notes have been expanded and certain reclassifications have been made from the Japanese GAAP financial statements. Certain supplementary information included in the statutory Japanese GAAP financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. Certain reclassifications have been made to the prior period’s financial statements to conform to the presentation for the current period.

As permitted by Japanese GAAP, amounts of less than one thousand yen have been omitted. Consequently, the totals shown in the accompanying financial statements do not necessarily agree with sums of the individual amounts.

(c) *Significant Accounting Estimates*

Impairment loss on investment properties

(1) Carrying amount on the accompanying financial statements

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Investment properties	¥ 221,926,033	¥ 214,157,992

(2) Information on the nature of significant accounting estimates for identified items

HEIWA REAL ESTATE REIT has adopted the accounting treatment to reduce the book value of investment properties to its recoverable amount when the invested amount is deemed to be unrecoverable due to decrease in profitability in conformity with the Accounting Standard for Impairment of Fixed Assets.

Investment properties are grouped on an individual real property basis. HEIWA REAL ESTATE REIT reviews each of the investment properties for impairment when factors such as consecutive operating losses, significant decline in the market price and others related to investment properties indicate the carrying amount of a property may not be recoverable. Whether an impairment loss is recognized is determined based on the future cash flows expected from the property. In the case that the impairment loss is recognized, the book value of the property is reduced to the respective recoverable amount determined primarily based on appraisal values by external real estate appraisers, and the difference between the book value and recoverable amount is recorded as an impairment loss.

Future cash flows are measured by comprehensive judgement on estimates of rents, occupancy rates, rental expenses and other factors based on market trends, transaction information of similar properties, historical data and others. Operating results and market price of each investment property may be affected by trends in property leasing market and property trading market. It is possible to recognize impairment losses in the next fiscal period if assumptions used in estimates change.

Note 2 – Summary of Significant Accounting Policies

(a) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and cash in trust, demand deposits and deposits in trust and short-term investments which are highly liquid and readily convertible to cash and which have insignificant risk of market value fluctuation and maturities of three months or less from the date of acquisition.

(b) *Allowance for Doubtful Accounts*

Allowance for doubtful accounts is provided at the amount considered sufficient to cover probable losses on collection. The amount is determined by estimating an uncollectible amount based on the analysis of certain individual accounts that may not be collectable.

(c) *Investment Properties*

Investment properties that include investment properties in trust are recorded at cost, which includes the allocated purchase price, related costs and expenses for acquisition of the trust beneficiary interests in real estate. Investment property balances are depreciated using the straight-line method over the estimated useful lives as follows:

	(Years)
Buildings	2-65
Structures	4-62
Machinery and equipment	3-15
Tools, furniture and fixtures	2-18

(d) Software

Software for internal use is amortized using the straight-line method over its useful lives (5 years).

(e) Long-Term Prepaid Expenses

Long-term prepaid expenses are amortized using the straight-line method.

(f) Deferred Investment Units Issuance Costs

Deferred investment units issuance costs are amortized on a straight-line basis over three years.

(g) Deferred Investment Corporation Bond Issuance Costs

Deferred investment corporation bond issuance costs are amortized on a straight-line basis over the respective terms of the bonds.

(h) Income Taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the statutory rate.

(i) Real Estate Taxes

Investment properties are subject to various taxes such as property taxes and city planning taxes. Owners of the properties are registered by records maintained in each jurisdiction by the local government. The taxes are imposed on the registered record owner as of January 1 of each year based on an assessment made by the local government.

When a property is purchased within the calendar year, the taxes for the corresponding calendar year are imposed on the seller. HEIWA REAL ESTATE REIT pays the seller the corresponding amount of the taxes for the period from the property acquisition date to December 31 of the calendar year and capitalizes these amounts as acquisition costs of the property rather than expensing them. In subsequent calendar years, such taxes on investment properties are charged as operating expenses in each fiscal period.

The following is a summary of capitalized real estate taxes.

	For the six-month periods ended			
	November 30, 2023		May 31, 2023	
	(Thousands of Yen)			
Capitalized real estate taxes	¥	22.825	¥	25.893

(j) Consumption Taxes

Non-deductible consumption taxes related to the acquisition of properties are treated as the cost of the applicable properties.

(k) Hedge Accounting

HEIWA REAL ESTATE REIT enters into derivative transactions for the purpose of hedging risks defined in the Articles of Incorporation of HEIWA REAL ESTATE REIT in accordance with its financial policy. HEIWA REAL ESTATE REIT uses interest rate swaps as hedging instruments in order to hedge the risk of interest rate fluctuations related to borrowings. In principle, the deferral method is applied for hedge transactions. For interest rate swaps which qualify for hedge accounting and meet specific criteria, the special treatment is applied. Under the special treatment, the related differentials paid or received under such swap contracts can be recognized and included in interest expense or income of the hedged assets or liabilities, and the interest rate swaps are not required to be measured at fair value separately. HEIWA REAL ESTATE REIT evaluates hedge effectiveness by comparing the cumulative changes in cash flows of hedging instruments and the hedged items and assessing the ratio between the changes. However, the assessment of hedge effectiveness for interest rate swaps which meet the special criteria is omitted.

(l) Revenue Recognition

Major contents of performance obligations relating to revenue arising from contracts with customers of HEIWA REAL ESTATE REIT and general timing of satisfying such performance obligations (general timing of revenue recognition for the revenue recognition) are as follows:

(1) Sales of Investment Properties

Revenue from sales of investment properties is recognized when the purchaser of investment properties who is a customer obtains control over the investment properties as a result of satisfaction of seller's delivery obligations stipulated in contracts regarding the sales of the investment properties.

Net amount is presented as "Gain on sales of investment properties" or "Loss on sales of investment properties" on the statements of income and retained earnings calculated by deducting "Cost of sales of investment properties" which represents the book value of the investment properties sold and "Other expenses related to sales" which represents other direct expenses for the sales from "Proceeds from sales of investment properties" which represents consideration for the sales of investment properties.

(2) Utility charge revenues

HEIWA REAL ESTATE REIT supplies electricity, water, etc., to the tenants of investment properties. Utility charge revenues are recognized based on terms of agreements such as property lease contract.

(m) Accounting Treatment of Trust Beneficiary Interests in Real Estate

For trust beneficiary interests in real estate owned by HEIWA REAL ESTATE REIT, all accounts of assets and liabilities within the assets in trust and all accounts of revenue generated and expenses incurred from the assets in trust are recognized in the relevant accounts of the balance sheets and statements of income and retained earnings.

The following assets in trust are recognized and presented separately on the balance sheets.

- (i) Cash and deposits in trust
- (ii) Land in trust, buildings in trust, structures in trust, machinery and equipment in trust, tools, furniture and fixtures in trust and leasehold rights in trust
- (iii) Tenant security deposits in trust

Note 3 – Cash and Cash Equivalents

Reconciliation between cash and deposits and cash and deposits in trust in the balance sheets and cash and cash equivalents in the statements of cash flows is as follows:

	As of			
	November 30, 2023		May 31, 2023	
	(Thousands of Yen)			
Cash and deposits	¥	12,873,216	¥	12,502,167
Cash and deposits in trust		4,341,127		3,829,697
Trust deposits retained for repayment of tenant security deposits		(814,057)		(496,196)
Cash and cash equivalents	¥	16,400,286	¥	15,835,669

Note 4 – Financial Instruments

(a) Qualitative Information for Financial Instruments

Policy for Financial Instrument Transactions

HEIWA REAL ESTATE REIT raises funds through borrowings, issuance of investment corporation bonds and issuance of investment units for acquisition of investment properties. HEIWA REAL ESTATE REIT enters into derivative transactions only for the purpose of hedging interest rate risks arising from borrowings and does not engage in speculative transactions. Surplus funds can be invested into securities and other monetary assets. However, HEIWA REAL ESTATE REIT currently does not actively make such investments.

Nature and Extent of Risks Arising from Financial Instruments and Risk Management

Proceeds from borrowings and investment corporation bonds are mainly used to acquire investment properties and repay outstanding borrowings. These are exposed to liquidity risk on their repayments and redemptions. Such risk is managed in ways such as preparing cash flow analyses by the Asset Management Company, securing funds on hand, diversifying maturities and lenders, executing commitment type term loan contracts, and other measures. Floating-rate borrowings are exposed to the risk of rising interest rates. HEIWA REAL ESTATE REIT uses derivatives (interest rate swaps) to manage such risk. Derivatives are executed and administered in accordance with the risk management rules and based on advices from the Asset Management Company. HEIWA REAL ESTATE REIT enters into derivatives only with financial institutions with high ratings in order to mitigate credit risk.

Tenant security deposits are exposed to liquidity risk arising from the vacating of properties by tenants. Such risk is managed by reserving sufficient funds to make repayments in principle.

Supplemental Explanation Regarding Fair Value of Financial Instruments

Since certain assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different value. Also, the contractual amounts of derivatives do not represent the market risk involved in these derivatives.

(b) Estimated Fair Value of Financial Instruments

Book values, fair values and differences between them are as follows: Cash and deposits, cash and deposits in trust and short-term debt are not disclosed because they are cash or the book value of these assets is deemed a reasonable approximation of the fair value with short maturities. Tenant security deposits and tenant security deposits in trust are not disclosed because they are immaterial.

	As of November 30, 2023			As of May 31, 2023		
	(Thousands of Yen)			(Thousands of Yen)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment corporation bonds due within one year	¥ 1,000,000	¥ 998,900	¥ (1,100)	¥ 1,000,000	¥ 997,800	¥ (2,200)
Long-term debt due within one year	11,935,000	11,935,000	—	11,285,000	11,285,000	—
Investment corporation bonds	7,900,000	7,665,130	(234,870)	7,900,000	7,722,740	(177,260)
Long-term debt	90,702,200	90,610,178	(92,021)	88,252,200	88,219,442	(32,757)
Liabilities total	¥111,537,200	¥ 111,209,208	¥ (327,991)	108,437,200	¥ 108,224,982	¥ (212,217)
Derivatives (*)	¥ 335,147	¥ 326,082	¥ (9,065)	¥ 282,680	¥ 266,120	¥ (16,560)

(*) The value of assets and liabilities arising from derivatives is shown at net value and with the amount in parenthesis indicating the net liability position.

Note:

Methods used to estimate the fair value of financial instruments and derivatives

Investment corporation bonds due within one year, long-term debt due within one year, investment corporation bonds and long-term debt:

The fair value of investment corporation bonds is based on their indicative market price obtained from Japan Securities Dealers Association. For long-term debt with floating interest rates that reflects market interest rates within a short period of time, the book value is deemed a reasonable approximation of the fair value; therefore, the book value is used as the fair value equivalent. For long-term debts with fixed interest rates, the fair value is calculated based on the total amount of principal and interest discounted at the current interest rate applicable to similar borrowings.

Derivatives:

There are no derivatives to which hedge accounting is not applied as of November 30, 2023 and May 31, 2023.

Derivatives to which hedge accounting is applied are as follows:

Hedge accounting method	Type	Hedged item	As of November 30, 2023			
			Contractual amount		Fair value (*)	
			Total	Due after one year	(Thousands of Yen)	
Deferral hedge accounting method	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	¥ 57,033,200	¥ 50,758,200	¥	335,147
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	—		(9,065)
			¥ 61,913,200	¥ 50,758,200	¥	326,082
Hedge accounting method	Type	Hedged item	As of May 31, 2023			
			Contractual amount		Fair value (*)	
			Total	Due after one year	(Thousands of Yen)	
Deferral hedge accounting method	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	¥ 57,453,200	¥ 50,748,200	¥	282,680
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	—		(16,560)
			¥ 62,333,200	¥ 50,748,200	¥	266,120

(*) The fair value is determined at the quoted price provided by financial institutions.

(c) Redemption schedule for investment corporation bonds and long-term debt

As of November 30, 2023	Due within one year	Due after one year to two years	Due after two years to three years	Due after three years to four years	Due after four years to five years	Due after five years
(Thousands of Yen)						
Investment corporation bonds due within one year	¥ 1,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term debt	1,000,000	—	—	—	—	—
Long-term debt due within one year	11,935,000	—	—	—	—	—
Investment corporation bonds	—	—	—	1,800,000	1,000,000	5,100,000
Long-term debt	—	13,986,000	14,162,000	13,435,000	13,909,200	35,210,000
Total	¥ 13,935,000	¥ 13,986,000	¥ 14,162,000	¥ 15,235,000	¥ 14,909,200	¥ 40,310,000

As of May 31, 2023	Due within one year	Due after one year to two years	Due after two years to three years	Due after three years to four years	Due after four years to five years	Due after five years
(Thousands of Yen)						
Investment corporation bonds due within one year	¥ 1,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term debt	1,380,000	—	—	—	—	—
Long-term debt due within one year	11,285,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	2,800,000	5,100,000
Long-term debt	—	13,737,000	14,241,000	14,055,000	11,009,200	35,210,000
Total	¥ 13,665,000	¥ 13,737,000	¥ 14,241,000	¥ 14,055,000	¥ 13,809,200	¥ 40,310,000

Note 5 – Investment Properties

Investment properties consist of the following:

	As of November 30, 2023			As of May 31, 2023		
	(Thousands of Yen)			(Thousands of Yen)		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 42,318,429	¥ —	¥ 42,318,429	¥ 42,299,997	¥ —	¥ 42,299,997
Buildings	22,790,521	(5,878,003)	16,912,518	22,596,022	(5,594,985)	17,001,036
Structures	109,390	(53,796)	55,593	104,048	(50,761)	53,286
Machinery and equipment	307,109	(242,127)	64,981	303,216	(236,759)	66,456
Tools, furniture and fixtures	354,283	(200,186)	154,097	333,684	(184,234)	149,450
Land in trust	114,179,658	—	114,179,658	107,448,883	—	107,448,883
Buildings in trust	50,738,120	(14,796,348)	35,941,772	49,349,356	(14,475,437)	34,873,919
Structures in trust	251,263	(119,128)	132,135	252,891	(115,208)	137,683
Machinery and equipment in trust	751,836	(374,774)	377,061	700,559	(358,050)	342,509
Tools, furniture and fixtures in trust	1,396,116	(933,660)	462,455	1,374,570	(917,131)	457,439
Leasehold rights	8,855,074	—	8,855,074	8,855,074	—	8,855,074
Leasehold rights in trust	2,472,255	—	2,472,255	2,472,255	—	2,472,255
Total	¥ 244,524,058	¥(22,598,025)	¥ 221,926,033	¥ 236,090,560	¥ (21,932,568)	¥ 214,157,992

Note 6 – Fair Value of Investment and Rental Properties

HEIWA REAL ESTATE REIT owns rental properties for office and residential use in Tokyo and other regions throughout Japan. The book value, net changes in the book value and the fair value of the investment and rental properties are as follows:

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Book value:		
Balance at beginning of period	¥ 214,157,992	¥ 206,173,270
Change during the period	7,768,041	7,984,721
Balance at end of period	¥ 221,926,033	¥ 214,157,992
Fair value	¥ 279,447,000	¥ 270,811,000

Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. For the six months ended November 30, 2023, the increases are primarily due to acquisition of Prime Tower Yokohama and two other properties (¥9,043,180 thousand), and the decreases are primarily due to disposal of HF HATCHOBORI RESIDENCE III and one other property (¥1,139,984 thousand) and depreciation (¥1,037,955 thousand). For the six months ended May 31, 2023, the increases are primarily due to acquisition of STAGE NISHIKI and five other properties (¥8,825,234 thousand, at total), and the decreases are primarily due to disposal of GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership) (¥544,848 thousand) and depreciation (¥992,321 thousand).
3. Fair value is determined based on appraisal values provide by external real estate appraisers with the exception that fair value of HF HATCHOBORI RESIDENCE III as of May 31, 2023 is determined as the transfer price described in the transfer agreement dated April 25, 2023.

The information on Operating Revenues and Expenses is disclosed in Note 12.

Note 7 – Short-Term Debt and Long-Term Debt

Short-term debt and long-term debt consist of the following:

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Short-term debt		
0.24% unsecured loans due 2023 (Notes 1, 2 and 3)	¥ —	¥ 1,280,000
0.25% unsecured loans due 2024 (Notes 1, 2 and 4)	—	100,000
0.25% unsecured loans due 2024 (Notes 1 and 2)	1,000,000	—
Total short-term debt	¥ 1,000,000	¥ 1,380,000
Long-term debt		
0.38% - 1.08% unsecured loans due 2023 (Notes 1 and 2)	¥ —	¥ 6,180,000
0.38% - 1.21% unsecured loans due 2024 (Notes 1 and 2)	11,935,000	11,935,000
0.38% - 0.94% unsecured loans due 2025 (Notes 1 and 2)	13,986,000	13,986,000
0.38% - 0.98% unsecured loans due 2026 (Notes 1 and 2)	14,162,000	14,162,000
0.45% - 1.08% unsecured loans due 2027 (Notes 1 and 2)	13,435,000	12,105,000
0.57% - 1.05% unsecured loans due 2028 (Notes 1 and 2)	14,909,200	14,209,200
0.57% - 0.98% unsecured loans due 2029 (Notes 1 and 2)	13,020,000	13,020,000
0.51% - 1.47% unsecured loans due 2030 (Notes 1 and 2)	12,620,000	8,370,000
0.55% - 1.28% unsecured loans due 2031 (Notes 1 and 2)	4,000,000	3,000,000
0.52% - 0.64% unsecured loan due 2032 (Notes 1 and 2)	3,570,000	1,570,000
0.54% unsecured loan due 2033 (Notes 1 and 2)	1,000,000	1,000,000
Less: amount due within one year	(11,935,000)	(11,285,000)
Total long-term debt due after one year	¥ 90,702,200	¥ 88,252,200

Notes:

1. Interest rates presented are average interest rates applicable to individual loans during the period ended November 30, 2023. The average interest rates are stated after reflecting the effect of the interest rate swaps as to the loans with interest rate swaps for the purpose of hedging the risk of interest rate fluctuations.
2. Funds are used for the acquisition of real estate and refinancing of borrowings.
3. ¥1,280,000 thousand has been repaid on June 8, 2023, before the repayment date.
4. ¥100,000 thousand has been repaid on October 31, 2023, before the repayment date.

HEIWA REAL ESTATE REIT maintains commitment line contracts with four financial institutions. The amounts of unused commitments on loans as of November 30, 2023 and May 31, 2023 are as follows:

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Total amounts of borrowing commitment lines	¥ 7,000,000	¥ 7,000,000
Borrowing execution balances	—	—
Net unused balance	¥ 7,000,000	¥ 7,000,000

Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

	Issued date	Maturity date	Interest rate	As of			
				November 30, 2023		May 31, 2023	
				(Thousands of Yen)			
2nd unsecured bonds	June 30, 2017	June 30, 2027	0.65%	¥	1,800,000	¥	1,800,000
3rd unsecured bonds	May 7, 2018	May 2, 2028	0.70%		1,000,000		1,000,000
4th unsecured bonds	June 4, 2019	May 31, 2024	0.41%		1,000,000		1,000,000
5th unsecured bonds	June 4, 2019	May 31, 2029	0.82%		1,600,000		1,600,000
6th unsecured bonds	November 25, 2020	November 25, 2030	0.75%		1,500,000		1,500,000
7th unsecured bonds	December 12, 2022	December 10, 2032	0.88%		2,000,000		2,000,000
Total				¥	8,900,000	¥	8,900,000

Note 9 – Net Assets

HEIWA REAL ESTATE REIT issues non-par value units in accordance with the Investment Trust Act. HEIWA REAL ESTATE REIT maintains a minimum of ¥50,000 thousand of net assets as required by the Investment Trust Act.

The following table shows the cumulative number and amount of treasury investment units cancelled as of a November 30, 2023 and May 31, 2023, respectively.

	As of			
	November 30, 2023		May 31, 2023	
Cumulative number of treasury investment units cancelled	14,914		14,914	
	(Thousands of Yen)			
Cumulative amount of treasury investment units cancelled	¥	1,699,990	¥	1,699,990

Note 10 – Reserve for Temporary Difference Adjustment

The following table shows the amount of provision and reversal of reserve for temporary difference adjustment and the reason for provision or reversal.

For the six months ended November 30, 2023	Original amount	Balance as of June 1, 2023	Provision during the period	Reversal during the period	Balance as of November 30, 2023	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,471,558	¥ —	¥ (41,162)	¥ 1,430,396	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 325,145	¥ —	¥ (3,386)	¥ 321,758	Allocation for distributions

Notes:

1. The amount represents gain on bargain purchase provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.
2. The amount represents a part of differences between tax and accounting due to gain on sales of investment properties provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.

For the six months ended May 31, 2023	Original amount	Balance as of December 1, 2022	Provision during the period	Reversal during the period	Balance as of May 31, 2023	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,512,720	¥ —	¥ (41,162)	¥ 1,471,558	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 328,532	¥ —	¥ (3,386)	¥ 325,145	Allocation for distributions

Notes:

1. The amount represents gain on bargain purchase provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.
2. The amount represents a part of differences between tax and accounting due to gain on sales of investment properties provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.

Note 11 – Revenue Recognition

Disaggregation of revenue from contracts with customers

Disaggregation of revenue from contracts with customers is presented in Note 12 – Operating Revenues and Expenses and Note 13 – Gain on Sales of Investment Properties. Note that Note 12 – Operating Revenues and Expenses includes revenues based on “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13). Revenues generated from contracts with major customers primarily consist of sales of investment properties and utility charge revenues.

Note 12 – Operating Revenues and Expenses

Details of rental revenues and expenses are as follows:

	For the six months ended	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Revenues from property leasing:		
Rental revenues:		
Base rents	¥ 6,320,701	¥ 6,043,405
Common area charges	732,416	724,187
Total rental revenues	7,053,118	6,767,593
Other revenues related to property leasing:		
Parking space rental revenues	195,974	180,450
Utility charge revenues	340,386	345,599
Incidental income	162,213	163,131
Cancellation penalty income	4,299	24,239
Others	16,859	15,693
Total other revenues related to property leasing	719,733	729,114
Total revenues from property leasing	7,772,851	7,496,707
Property-related expenses:		
Rental expenses:		
Property management expenses	775,252	747,915
Taxes and dues	517,918	477,121
Utilities expenses	375,123	396,635
Repair expenses	287,140	294,309
Insurance expenses	10,784	10,327
Trust fees	32,982	32,297
Depreciation	1,037,955	992,321
Others	160,997	155,548
Total property-related expenses	3,198,154	3,106,478
Operating income from property leasing	¥ 4,574,697	¥ 4,390,229

Note 13 – Gain on Sales of Investment Properties

Details of gain on sales of investment properties are as follows:

For the six months ended November 30, 2023

	(Thousands of Yen)	
HF HATCHOBORI RESIDENCE III:		
Proceeds from sales of investment properties	¥	1,300,000
Cost of sales of investment properties		673,927
Other expenses related to sales		24,003
Gain on sales of investment properties	¥	602,069
HF AWAZA RESIDENCE:		
Proceeds from sales of investment properties	¥	780,010
Cost of sales of investment properties		466,056
Other expenses related to sales		32,015
Gain on sales of investment properties	¥	281,938

For the six months ended May 31, 2023

	(Thousands of Yen)	
GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership):		
Proceeds from sales of investment properties	¥	1,109,500
Cost of sales of investment properties		544,848
Other expenses related to sales		11,408
Gain on sales of investment properties	¥	553,243

Note 14 – Leases

Future minimum rental revenues under existing non-cancelable operating leases are as follows:

	As of			
	November 30, 2023		May 31, 2023	
	(Thousands of Yen)			
Due within one year	¥	—	¥	29,072
Due after one year		—		—
Total	¥	—	¥	29,072

Note 15 – Income Taxes

The following table summarizes the significant differences between the statutory tax rate and HEIWA REAL ESTATE REIT's effective tax rate.

	For the six months ended	
	November 30, 2023	May 31, 2023
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(29.88)	(31.11)
Changes in valuation allowance	(1.57)	(0.17)
Provision of reserve for reduction entry	(0.01)	(0.18)
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

The significant components of deferred tax assets and liabilities are as follows:

	As of	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Deferred tax assets:		
Allowance for doubtful accounts	¥ —	¥ 7
Valuation differences due to merger	1,883,485	1,946,232
Total deferred tax assets	1,883,485	1,946,239
Valuation allowance	(1,883,485)	(1,946,239)
Net deferred tax assets	¥ —	¥ —

Note 16 – Distribution Information

Cash distributions are declared by the Board of Directors of HEIWA REAL ESTATE REIT after the end of each period. Such distributions are payable to unitholders of record at the end of each period. Information on retained earnings brought forward after the cash distributions and cash distributions per unit is as follows:

	For the six months ended	
	November 30, 2023	May 31, 2023
	(Yen)	
Unappropriated retained earnings	¥ 7,254,729,118	¥ 6,755,071,579
Reversal of reserve for temporary difference adjustment (Note)	45,997,320	44,549,320
Cash distributions declared	3,794,778,900	3,519,396,280
(Cash distributions per unit)	(3,300)	(3,160)
Provision of reserve for reduction entry	1,602,357	20,499,584
Retained earnings carried forward	¥ 3,504,345,181	¥ 3,259,725,035

Note: In accordance with transitional measures of the Supplementary Provisions paragraph No. 3 of the Ordinance on Accounting of Investment Corporations (Cabinet Office Order No. 27 of 2015), HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥2,497,604,770, which was the outstanding amount allocated to gain on bargain purchase recognized in past periods from unappropriated retained earnings in the statement of distributions for the six months ended November 30, 2015. The provided amount has been reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2016. HEIWA REAL ESTATE REIT reversed ¥42,610,385 and ¥41,162,385 for the six months ended November 30, 2023 and May 31, 2023, respectively.

In addition, HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥338,693,498, which was a part of differences between tax and accounting due to gain on sales of investment properties for the six months ended November 30, 2020. The provided amount is reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2021. HEIWA REAL ESTATE REIT reversed ¥3,386,935 for the six months ended November 30, 2023 and May 31, 2023, respectively.

Pursuant to the terms of the distribution policy set forth in Article 32(1) of HEIWA REAL ESTATE REIT's Articles of Incorporation, the amount of distributions is defined to be in excess of an amount equivalent to 90% of HEIWA REAL ESTATE REIT's distributable profit as defined in Article 67-15 of the Special Taxation Measure Act of Japan, but not in excess of the amount of retained earnings at the end of period.

Based on the policy, HEIWA REAL ESTATE REIT declared total distributions of ¥3,794,778,900 and ¥3,519,396,280 for the six months ended November 30, 2023 and May 31, 2023, respectively, which are the amounts calculated by adding reversal of reserve for temporary difference adjustment of ¥45,997,320 (¥40 per unit) and ¥44,549,320 (¥40 per unit) to the amount calculated by deducting ¥246,222,503 and ¥83,692,918 including provision of reserve for reduction entry of ¥1,602,357 and ¥20,499,584 in application of "Special provisions for taxation in case of replacement of specified assets" of Article 65-7 of the Special Taxation Measure Act of Japan from net income of ¥3,995,004,083 and ¥3,558,539,878 for the six months ended November 30, 2023 and May 31, 2023, respectively. Furthermore, HEIWA REAL ESTATE REIT does not make cash distributions in excess of profit as set forth in Article 32(2) of HEIWA REAL ESTATE REIT's Articles of Incorporation.

Note 17 – Per Unit Information

Information about earnings per unit and net assets per unit is as follows:

	For the six months ended			
	November 30, 2023		May 31, 2023	
	(Yen)			
Earnings per unit:				
Net income per unit	¥	3,474	¥	3,195
Weighted average number of units outstanding (units)		1,149,691		1,113,733
	As of			
	November 30, 2023		May 31, 2023	
	(Yen)			
Net assets per unit	¥	103,077	¥	101,291

The net income per unit is calculated by dividing the net income by the weighted average number of units outstanding during the period. The net assets per unit is computed based on the number of units outstanding at each period end. Diluted earnings per unit and related information are not disclosed as no dilutive units are outstanding.

Note 18 – Related-Party Transactions

Related-party transactions are as follows:

For the six months ended November 30, 2023

Classification	Name	Location	Capital stock (Thousands of Yen)	Principal business	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of Yen)	Account	Balance at the end of period (Thousands of Yen)
Major corporate unitholder	HEIWA REAL ESTATE CO., LTD.	Chuo-ku, Tokyo	¥21,492,822	Real estate	12.9% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Note 2)	¥ 10,484	Operating accounts payable	¥ 2,378
							Sale of trust beneficiary interests in real estate (Note 3)	5,034,018	–	–
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 4)	Chuo-ku, Tokyo	134,000	Property management	–	Provision of property management services	Payment of property management fees (Note 5)	282,196	Operating accounts payable	42,718
							Payment of insurance premium	8,300	–	–
							Payment of repair work	25,304	Operating accounts payable	15,295
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 4)		295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees	802,312 (Note 6)	Accrued expenses	798,833

Notes:

- Terms and conditions of transactions are determined based on market price.
- The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractor.
HEIWA REAL ESTATE Property Management Co., Ltd. ¥5,309 thousand
- The purchase of trust beneficiary interests in real estate is related to Kitahama 1-Chome Heiwa Building and Heiwa Real Estate Kitahama Building. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The property management fees include building management fees which HEIWA REAL ESTATE Property Management Co., Ltd. paid to the following subcontractor.
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥70,958 thousand
- The asset management fees include acquisition fees and transfer fees of ¥83,900 thousand.

For the six months ended May 31, 2023

Classification	Name	Location	Capital stock (Thousands of Yen)	Principal business	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of Yen)	Account	Balance at the end of period (Thousands of Yen)
Major corporate unitholder	HEIWA REAL ESTATE CO., LTD.	Chuo-ku, Tokyo	¥21,492,822	Real estate	12.9% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Note 2)	¥ 9,124	Operating accounts payable	¥ 662
							Sale of trust beneficiary interests in real estate (Note 3)	1,110,947	—	—
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 4)	Chuo-ku, Tokyo	134,000	Property management	—	Provision of property management services	Payment of property management fees (Note 5)	265,828	Operating accounts payable	47,808
							Payment of insurance premium	10,055	—	—
							Payment of repair work	16,692	Operating accounts payable	3,207
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 4)		295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees	784,490 (Note 6)	Accrued expenses	765,317

Notes:

- Terms and conditions of transactions are determined based on market price.
- The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractors.
HEIWA REAL ESTATE Property Management Co., Ltd. ¥5,210 thousand
- The sale of trust beneficiary interests in real estate is related to GRACE BUILDING SENGAKUJIMAE. The amount of transaction is the transfer price for the 50% interest of quasi co-ownership of the transferred trust beneficiary interests in real estate stated in the transfer agreement. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The property management fees include building management fees which HEIWA REAL ESTATE Property Management Co., Ltd. paid to the following subcontractor.
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥39,947 thousand
- The asset management fees include acquisition fees and transfer fees of ¥88,747 thousand.

Note 19 – Transactions with Major Unitholders

Amounts of transactions with major unitholders are as follows:

	For the six months ended	
	November 30, 2023	May 31, 2023
	(Thousands of Yen)	
Gain on sales of investment properties (Other expenses related to sales)	¥ —	¥ 553,243
Property-related expenses	10,484	9,124

Note 20 – Segment Information

Segment Information

Segment information is omitted as HEIWA REAL ESTATE REIT has only one segment, which is the property leasing business.

Related Information

Information about Products and Services

Disclosure of this information is omitted as operating revenues to external customers for a single product/service category accounts for more than 90% of the operating revenues on the statements of income and retained earnings.

Information by Geographic Areas

(1) Operating revenues

Disclosure of this information is omitted as domestic operating revenues account for more than 90% of total operating revenues.

(2) Investment properties

Disclosure of this information is omitted as domestic investment properties account for more than 90% of the book value of the total investment properties.

Information on Major Tenants

Disclosure of this information is omitted as there is no tenant that accounts for 10% or more of the operating revenues recorded in the statements of income and retained earnings.

Note 21 – Subsequent Events

A. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT acquired one real estate on February 29, 2024 (total acquisition price: ¥2,510,000 thousand). In addition, entered into a purchase agreement of one real estate trust beneficiary right (total scheduled acquisition price: ¥5,001,000 thousand) on January 30, 2024.

Re-108 HF Kitasenju Residence

Type of specified asset (Note 1)	Real estate
Agreement date	January 30, 2024
Acquisition date	February 29, 2024
Acquisition price (Note 2)	¥2,510,000 thousand
Location (lot number)	1-1-7, Kitasenju, Adachi-ku, Tokyo
Purpose of use	Co-housing
Construction date	June 2, 2023
Structure	Reinforced concrete with flat roof, 14 floors above ground
Total floor space	3,636.49m ²
Total rentable space	3,234.72m ²

Notes:

1. The asset acquired consists of a building and leasehold rights. The leasehold is not the fixed term land lease right provided in section 4, chapter 2 of the Act on Land and Building Leases.
2. “Acquisition price” is the price described in the real estate purchase agreement (consumption tax excluded), and does not include the amounts of settlement for acquisition cost, fixed property tax, city planning tax, etc.

Of-58 Shinwa Esaka Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	January 30, 2024
Scheduled acquisition date (Note 1)	June 14, 2024
Scheduled acquisition price (Note 2)	¥5,001,000 thousand
Location (lot number)	1-13-33, Esaka-cho, Suita City, Osaka
Purpose of use	Office and parking
Construction date	January 12, 1990
Structure	Steel-framed reinforced concrete with flat roof, 9 floors above ground
Total floor space	9,979.52m ²
Total rentable space	7,510.31m ²

Notes:

1. The purchase agreement of real estate beneficiary right regarding the acquisition of the property (the “Agreement”) falls under a forward commitment by an investment corporation stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” issued by the Financial Services Agency. Under the Agreement, if the Agreement is canceled due to a cause attributable to HEIWA REAL ESTATE REIT or the counterparty, the defaulting party shall pay a cancelation penalty charge equal to 10% of the consideration to be paid for the real estate beneficiary right subject to the sale and purchase transaction. Moreover, funds borrowed or funds in hand will be allotted to acquire financing for the property. As of today, in consideration of cash and deposits held by HEIWA REAL ESTATE REIT and cash flow conditions of HEIWA REAL ESTATE REIT, HEIWA REAL ESTATE REIT does not consider that there will be any concern over acquisition of the property to be acquired or any material impact on its finance and others even if the penalty charge should be paid. Therefore, HEIWA REAL ESTATE REIT believes that the possibility of the property to be acquired having a material impact on HEIWA REAL ESTATE REIT’s financial conditions and payment of distributions is remote.
2. “Scheduled acquisition price” is the price described in the real estate trust beneficiary right purchase agreement (consumption tax excluded), and does not include the amounts of settlement for acquisition cost, fixed property tax, city planning tax, etc.

B. Disposition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT entered into a transfer agreement of real estate trust beneficiary right as described below on December 22, 2023.

Re-45 HF NAKANOSHIMA RESIDENCE

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka
Transfer price (Note 1)	¥ 575,000 thousand
Book value (Note 2)	¥400,000 thousand
Agreement date	December 19, 2023
Disposition date	December 22, 2023
Transferee (Note 3)	Not disclosed

Notes:

1. “Transfer price” is the price described in the real estate trust beneficiary right transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
2. “Book value” represents the estimated carrying amount of real estate trust beneficiary right as of the date of the transfer.
3. Not disclosed as consent has not been obtained from the transferee.

C. Borrowing of Funds

HEIWA REAL ESTATE REIT borrowed funds as described below to partly fund for acquisition of one real estate acquired on February 29, 2024 (as described in A. Acquisition of Assets above) (total borrowing amount of ¥2,500,000 thousand).

Term loan-74①

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
The Bank of Fukuoka, Ltd.	¥500,000	February 29, 2024	May 31, 2032 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/non-guaranteed

Term loan-74②

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
The Chiba Bank, Ltd.	¥1,000,000	February 29, 2024	May 31, 2032 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/non-guaranteed

Term loan-74③

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
SBI Shinsei Bank, Limited.	¥1,000,000	February29, 2024	November 30, 2032 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

Note: In the event that the maturity date is not a business day, the repayment shall be made on the following business day. In the event that following business day is in the next month, the repayment shall be made on the business day immediately preceding the maturity date.