

Semiannual Financial Report
The 46th Fiscal Period
(From June 1, 2024 to November 30, 2024)

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 Investment Corporation has been working on maximizing the interests of investors and steadily grown its business with Heiwa Real Estate Group as its sponsor. Since 2020, the spread of the COVID-19 pandemic has been adding to the uncertainty in the real estate market. Amid these conditions, the REIT announced in July 2021, 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. It has registered solid growth even in the COVID-19 pandemic and achieved its targets early excluding the asset size. In January 2024, the Investment Corporation 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) as new medium-term targets and has promoted to 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. With the addition of Three Strengthening Points for the reinforcement of measures to enhance capital efficiency and maximize unitholder value, the Investment Corporation announced NEXT VISIONII⁺ in January 2025 and raised its targets for distribution and internal growth. It will aim at distribution of 4,200 yen and annual rental income of +2% for internal growth through the enhancement of unitholder return, internal growth and asset turnover strategy. Responses to issues surrounding the environment, society, and corporate governance are important and significantly affect all of the management and business of the Investment Corporation. It recognizes that efforts to build a sustainable society contribute to the sustainable growth of the Investment Corporation. The Investment Corporation 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 46th 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 investors’ value. Following is a summary of our asset management during the 46th 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. every June for four consecutive years, beginning in 2021. As a result, total investment units issued and outstanding were 1,194,933 and unitholders’ capital was ¥108,578 million as of the end of the 46th fiscal period (November 30, 2024).

(ii) Operating environment

While the Japanese economy remained robust, against the backdrop of the expansion of inbound demand and strong corporate performance during the current fiscal period, consumer spending stagnated, mainly due to the impact of price hikes caused by the weak yen and other factors. Future uncertainties will inherently exist in the overseas economy amid the situations in Ukraine and the Middle East and other factors, and it will be necessary to continue to pay attention to trends inside and outside Japan.

In this environment, the TSE REIT index stood at 1,662.14 points at the end of the current fiscal period (November 30, 2024), down from 1,741.01 points at the end of the previous fiscal period (May 31, 2024), due to ongoing market softening largely against the backdrop of concerns about additional interest rate increases by the Bank of Japan and rising interest rates in the U.S.

(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 to 4.16% at the end of the current fiscal period (November 30, 2024) from 5.48% at the end of the previous fiscal period (May 31, 2024), due to contracts steadily signed for new and existing buildings, as well as relocations for office expansion. In addition, the average rent rose for ten consecutive months from February 2024, increasing from ¥19,944/tsubo at the end of the previous fiscal period, to ¥20,243/tsubo at the end of the current fiscal period.

Vacancy rates also remained consistent due to ongoing steady demand, even after the large supply of office space in 2023, with an upward trend in rents becoming evident. Additionally, 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, as tenants’ intention to review their office strategies is showing signs of further increase.

(b) Residential leasing market

According to At Home Co., Ltd., in November 2024, the average condominium contract rent in areas of major cities across Japan increased year-on-year for area zones in the metropolis of Tokyo (excluding Tokyo 23 wards), Kanagawa Prefecture, Saitama Prefecture, Chiba Prefecture, Sapporo City, Osaka City, and Fukuoka City. In addition, the average contract rent for family-oriented condominiums rose year-on-year in 11 areas excluding Sendai City and Kobe City, and reached their highest levels since January 2015 particularly in seven areas (Tokyo 23 wards, the metropolis of Tokyo (excluding Tokyo 23 wards), Saitama Prefecture, Chiba Prefecture, Sapporo City, Kyoto City and Fukuoka City). Furthermore, according to the Survey Report on the Statistics of Construction Starts published in November 2024, the number of new housing starts (rental housing) decreased year-on-year for two consecutive months in November 2024, following a decline in the prior month after it had fluctuated year-on-year since June 2024. The REIT believes that, mainly due to the increasing flow of people into Tokyo and rising prices of new condominiums, there is strong rental demand particularly for family-oriented condominiums and that the favorable balance of supply and demand for rental condominiums will continue in the future. Furthermore, it is believed that occupancy rates will remain at a high level due to continuing stable demand in other major cities. In addition, the REIT will aim to improve profitability, since the tendency toward increasing rents continues to be expected due to the favorable balance of supply and demand.

(c) Real estate

With respect to land prices in the Land Price Research by Prefectural Governments as of July 1, 2024, which was published in September 2024, the average prices for all types of land in Japan’s three major metropolitan areas rose for the fourth consecutive year, land in residential areas rose for the third consecutive year, and land in commercial areas rose for the 12th consecutive year, with each rate of increase expanding. Furthermore, the average prices for all types of land, land in residential areas, and land in commercial areas each rose in the Tokyo, Osaka and Nagoya areas, with each rate of increase expanding. In addition, in regional areas, the average prices for all types of land, land in residential areas, and land in commercial areas each rose for the second consecutive year, while the rate of increase expanded in the average prices for all types of land and land in commercial areas, and remained the same as the prior year in land in residential areas.

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 took a range of measures, including the increase of capital through public offering in June 2024, for the purpose of strengthening the financial foundations while simultaneously seeking to expand assets and achieve improvements in profitability and quality with respect to its portfolio. Mainly by using the funds, the REIT acquired one office property on June 6, 2024 (Of-59 Kita Nijo Building (real estate trust beneficiary right, acquisition price: ¥1,535 million)), and one office property on June 14, 2024 (Of-58 SHINWA ESAKA BUILDING (real estate trust beneficiary right, acquisition price: ¥5,001 million)). Moreover, the REIT made an additional acquisition of one office property on June 6, 2024 (Of-55 Kitahama 1-Chome Heiwa Building (real estate trust beneficiary right (25% quasi-co-ownership stake), acquisition price: ¥1,130 million)), resulting in full ownership of the building. In addition, the REIT sold the remaining 50% quasi-co-ownership interest in one office property on June 3, 2024 (Of-31 HF NIHONBASHI HAMACHO BUILDING (real estate trust beneficiary right, acquisition price: ¥1,900 million)) and one residential property on November 15, 2024 (Re-03 HF ICHIKAWA RESIDENCE (real estate trust beneficiary right, acquisition price: ¥430 million)).

As a result, portfolio assets as of the end of the current fiscal period were 127 properties (total acquisition price: ¥237,267 million), including 44 office buildings (total acquisition price of ¥122,718 million) and 83 residential buildings (total acquisition price of ¥114,549 million).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 46th 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 97.5% at the end of the current fiscal period. The REIT was able to stabilize the occupancy rate, which had reached 97.7% 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 97.5%.

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

Meanwhile, in terms of renaming managed assets, which has been a consistent focus for some time, the REIT renamed the two properties shown below during the period from the beginning of the current fiscal period to the date of this document. By renaming the properties, the REIT aims to provide reassurance to existing tenants, increase the appeal of the properties to prospective tenants and conduct leasing activities more efficiently. The new names are used in this document.

Properties renamed

Date of change	Property no.	Old name	New name
September 1, 2024	Re-109	N-stage HIKIFUNE	HF HIKIFUNE RESIDENCE
October 1, 2024	Of-57	PRIME TOWER YOKOHAMA	HF YOKOHAMA YAMASHITA BUILDING

(iv) Procurement of funds

The REIT procured capital through public offering (number of investment units issued: 42,800, total issue price: ¥5,312,592 thousand) on June 3, 2024 and through third-party allotment (number of investment units issued: 2,200, total issue price: ¥273,077 thousand) on June 25, 2024 for the purpose of using such funds for property acquisition, etc. The REIT took out Term Loan 76 Tranche A (loan amount: ¥1,150 million), Tranche B (loan amount: ¥600 million), Tranche C (loan amount: ¥4,600 million) and Tranche D (loan amount: ¥490 million), on October 31, 2024, to fund the redemption of Term Loan 30 Tranche B (loan balance: ¥3,850 million), Term Loan 35 Tranche B (loan balance: ¥800 million), Term Loan 46 Tranche B (loan balance: ¥1,000 million), Term Loan 52 (loan balance: ¥400 million) and Term Loan 55 Tranche B (loan balance: ¥780 million), the principal repayments of which were due on the same day, and to fund the early partial repayment (repayment amount: ¥10 million) of Term Loan 31 Tranche B (loan balance: ¥3,857 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 4.0 years, and the average borrowing interest rate was 0.94%.

In addition, to secure financial creditworthiness by increasing the means of flexible and stable fundraising and liquidity on hand, the REIT has established a commitment line with a maximum total limit of ¥8,000 million—marking an increase in maximum limit—with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., and Resona Bank, Limited (contract period is from June 1, 2024 to May 31, 2025).

[Term Loan 76 Tranche A]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. The Chiba Bank, Ltd. The Nomura Trust and Banking Co., Ltd.	¥1,150 million	October 31, 2024	November 30, 2026 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 76 Tranche B]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	¥600 million	October 31, 2024	May 31, 2030 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 76 Tranche C]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd.	¥4,600 million	October 31, 2024	November 28, 2031 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 76 Tranche D]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	¥490 million	October 31, 2024	November 28, 2031 (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 ¥114,037 million (period end LTV (Note): 45.76%).

(Note) Interest-bearing liabilities = Short-term debt + Investment corporation bonds due within one year + Long term debt due within one year + Investment corporation bonds + Long-term debt 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 46th fiscal period results of ¥9,045 million in operating revenues, ¥4,694 million in operating income, after deducting interest expenses on borrowings, ¥4,099 million in ordinary income, and ¥4,098 million in net income. 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 ¥4,349,556,120 for the current fiscal period, which are the amounts calculated by adding a portion of retained earnings brought forward of ¥11,603,523 and reversal of reserve for temporary difference adjustments of ¥238,986,600 (¥200 per unit) to net income of ¥4,098,965,997. As a result, distributions per unit have come to ¥3,640.

(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)
June 3, 2024	Public offering	42,800	1,192,733	5,312	108,305	(Note 8)
June 25, 2024	Third-party allotment	2,200	1,194,933	273	108,578	(Note 9)

(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 per unit (the paid-in amount: ¥155,783 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 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 per unit (the paid-in amount: ¥133,386 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 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 per unit (the paid-in amount: ¥143,449 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 per unit (Note 6), the REIT issued additional investment units (third-party allotment) to SMBC Nikko Securities Inc.

(Note 8) The REIT issued additional investment units (public offering) at the offer price of ¥128,271 per unit (the paid-in amount: ¥124,126 per unit) for the purpose of procuring funds for the acquisition of specific assets, etc.

(Note 9) With the additional issuance of investment units through public offering at the paid-in amount of ¥124,126 per unit (Note 8), 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	42nd FP	43rd FP	44th FP	45th FP	46th FP
Closing date	November 30, 2022	May 31, 2023	November 30, 2023	May 31, 2024	November 30, 2024
High	162,100	163,700	155,700	143,500	135,000
Low	138,400	147,000	135,400	129,700	117,200

(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 ¥4,349,556,120 as distributions, calculated by adding a portion of retained earnings brought forward of ¥11,603,523 and reversal of reserve for temporary difference adjustment of ¥238,986,600 (¥200 per unit) to net income of ¥4,098,965,997. As a result, distributions per unit have come to ¥3,640.

Fiscal period		42nd FP November 30, 2022	43rd FP May 31, 2023	44th FP November 30, 2023	45th FP May 31, 2024	46th FP November 30, 2024
Unappropriated retained earnings	thousand yen	6,692,914	6,755,071	7,254,729	7,442,828	7,701,017
Reversal of reserve for temporary difference adjustment	thousand yen	44,549	44,549	45,997	45,997	238,986
Retained earnings	thousand yen	3,251,479	3,280,224	3,505,947	3,602,051	3,590,448
Total distributions	thousand yen	3,485,984	3,519,396	3,794,778	3,886,773	4,349,556
Distributions per unit	yen	(3,130)	(3,160)	(3,300)	(3,380)	(3,640)
Distributions of profit	thousand yen	3,485,984	3,519,396	3,794,778	3,886,773	4,349,556
(Distributions of profit per unit)	yen	(3,130)	(3,160)	(3,330)	(3,380)	(3,640)
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 investors' value through 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." In addition, we will focus on "increasing investor returns," "facilitating internal growth," and "strengthening asset turnover strategy". In subsequent fiscal periods, we will continue to adhere to the above philosophy, aiming to further maximize investors' 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 profitability by selling three properties and acquiring five new properties of good quality (including one additional acquisition) 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 investors' 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, competitors' 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, since demand turned positive in 2022, momentum has continued to follow an increasing trend. Tenants' needs for high-quality office space are continuing to grow, and the REIT recognizes that there are increasingly more tenants holding the view that the office strategies serve as an investment for securing human resources. Under the circumstances, to respond to the tenants' needs, we will continue to exercise management based on value enhancement while seeking varied leasing ways. Meanwhile, in the residential leasing market, the REIT believes that, mainly due to the increasing flow of people into Tokyo and rising prices of new condominiums, there is strong rental demand particularly for family-oriented condominiums and that the favorable balance of supply and demand for rental condominiums will continue in the future. Furthermore, it is believed that occupancy rates will remain at a high level due to continuing stable demand in other major cities. In addition, the REIT will aim to improve profitability, since the tendency toward increasing rents continues to be expected due to the favorable balance of supply and demand. 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 investors' 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 maintain 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 unitholders' 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 the Article of Incorporation, HEIWA REAL ESTATE REIT concluded a purchase agreement of one real estate trust beneficiary right (scheduled acquisition price ¥5,300,000 thousand) on February 25, 2025.

Property no.: Re-110 HF MEGURO GYONINZAKA RESIDENCE (Note 1)

Type of specified asset	Real estate trust beneficiary right
Agreement date	February 25, 2025
Scheduled acquisition date	March 19, 2025
Scheduled acquisition price (Note 2)	¥5,300,000 thousand
Location (lot number)	1-4-4, Shimomeguro, Meguro-ku, Tokyo
Purpose of use	Co-housing
Construction date	October 24, 2002
Structure	Reinforced concrete with flat roof, 2 floors below ground and 6 floors above ground
Total floor space	5,189.55m ²
Total rentable space	3,177.19m ²

(Note 1) The name of this building is "Frontier Terrace Meguro" as of the date of this document; however, the name will be changed to "HF MEGURO GYONINZAKA RESIDENCE" on July 1, 2025. Therefore, the name after the said change is stated above.

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

B. Disposition of Assets

Based on the basic policies of asset management, etc., set out in the Article of Incorporation, HEIWA REAL ESTATE REIT concluded a transfer agreement of real estate trust beneficiary right below held by the REIT on February 25, 2025.

Property no.: Of-34 KOJIMACHI HF BUILDING

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	3-2-4 Kojimachi, Chiyoda-ku, Tokyo
Scheduled transfer price (Note 1)	¥2,600,000 thousand
Book value (Note 2)	¥1,345,562 thousand
Agreement date	February 25, 2025
Scheduled disposition date	March 19, 2025
Transferee	Not disclosed (Note 3)

(Note 1) "Scheduled transfer price" is the price described in the real estate trust beneficiary right transaction agreement (consumption tax, etc. excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) "Book value" represents the estimated carrying amount of real estate trust beneficiary right as of the date of the transfer.

(Note 3) Not disclosed as consent has not been obtained from the transferee.

2. Overview of the REIT

(1) Overview of investment units

Fiscal period		42nd FP	43rd FP	44th FP	45th FP	46th FP
		November 30, 2022	May 31, 2023	November 30, 2023	May 31, 2024	November30, 2024
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		1,113,733	1,113,733	1,149,933	1,149,933	1,194,933
Unitholders' capital	million yen	97,799	97,799	102,992	102,992	108,578
Number of unitholders		11,454	11,229	12,619	15,849	18,361

(2) Matters concerning investment units

The following represents major unitholders as of November 30, 2024

Name	Units Owned (units)	Ownership Ratio (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	338,811	28.35
The Master Trust Bank of Japan, Ltd. (trust account)	164,277	13.74
Heiwa Real Estate Co., Ltd.	154,645	12.94
The Nomura Trust and Banking Co., Ltd. (trust account)	48,119	4.02
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	21,737	1.81
STATE STREET BANK WEST CLIENT -TREATY 505234	17,851	1.49
JP MORGAN CHASE BANK 385771	10,364	0.86
STATE STREET BANK AND TRUST COMPANY 505103	10,254	0.85
Shikoku Railway Company	10,249	0.85
SMBC Nikko Securities Inc.	9,119	0.76
Total	785,426	65.72

(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 46th 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)	Hiroyuki Owada	Certified Public Accountant Certified Public Tax Accountant, Owada Certified Public Accountant Office	
Independent Auditor (Note 2)	KPMG AZSA LLC	—	14,400 (Note 3)

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

(Note 3) The total amount of consideration to KPMG AZSA LLC. includes that for services (¥2,000 thousand) other than those prescribed in Paragraph 1, Article 2 of the Certified Public Accountants Act. Moreover, there is no consideration paid to any other 「firm within」 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 46th 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	45 th Fiscal Period (As of May 31, 2024)		46 th Fiscal Period (As of November 30, 2024)	
			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	7,487	3.1	7,502	3.0
		Metropolitan Area (Note 4)	5,100	2.1	5,085	2.0
		Other (Note 5)	5,053	2.1	5,152	2.1
	Residence	Tokyo 23 Wards	34,477	14.2	34,401	13.8
		Metropolitan Area (Note 4)	9,618	4.0	9,598	3.9
		Other (Note 5)	9,315	3.8	9,293	3.7
Subtotal			71,052	29.2	71,034	28.5
Real estate in trust (Note 3)	Office	Tokyo 23 Wards	60,017	24.7	59,222	23.8
		Metropolitan Area (Note 4)	8,701	3.6	8,819	3.5
		Other (Note 5)	29,601	12.2	37,423	15.0
	Residence	Tokyo 23 Wards	37,451	15.4	37,453	15.0
		Metropolitan Area (Note 4)	2,857	1.2	2,489	1.0
		Other (Note 5)	14,962	6.2	14,897	6.0
Subtotal			153,591	63.2	160,306	64.3
Real estate, etc., subtotal			224,644	92.4	231,341	92.8
Deposits and other assets			18,518	7.6	17,849	7.2
Total assets			243,163	100.0	249,190	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 46th 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	7,387	4,251.76	4,251.76	100.00	2.4	Office
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,244	8,141.02	7,756.48	95.28	2.7	Residence
Re-25	HF GINZA RESIDENCE EAST	5,357	5,459.49	5,098.92	93.40	1.6	Residence
Of-58	SHINWA ESAKA BUILDING	5,218	7,510.30	7,510.30	100.00	1.5	Office
Of-47	OSAKI CN BUILDING	5,209	3,237.86	3,237.86	100.00	1.4	Office
Of-25	KAYABACHO HEIWA BUILDING	4,952	4,156.53	4,156.53	100.00	2.6	Office
Of-55	Kitahama 1-Chome Heiwa Building	4,497	3,619.05	3,619.05	100.00	1.5	Office
Of-30	HF SAKURADORI BUILDING	4,245	9,934.77	9,799.93	98.64	4.3	Office
Of-57	HF YOKOHAMA YAMASHITA BUILDING	4,028	4,446.51	3,646.07	82.00	1.0	Office
Of-51	SAKAE CENTER BUILDING	4,017	5,379.03	5,379.03	100.00	1.8	Office
	Total	51,158	56,136.32	54,455.93	97.01	20.9	

(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 46th 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	1,841	1,381
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	3,040	2,281
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	2,050	1,565
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,430	2,833
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,580	2,139
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,790	2,988
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,130	1,086
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,080	3,349
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,550	3,442
Of-21	ADESSO NISHIAZABU	1-7-2 Nishi Azabu, Minato-ku, Tokyo	Real estate	565	588
Of-23	HF IKEBUKURO BUILDING	2-29-12 Minami Ikebukuro, Toshima-ku, Tokyo	Real estate	1,490	1,262
Of-24	HF YUSHIMA BUILDING	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,740	1,576
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	7,730	4,952
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho ,Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,840	2,412
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae ,Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,410	1,428
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi,Naka-ku, Nagoya City, Aichi	Trust beneficial interest	7,080	4,245
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho,Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,550	2,436
Of-33	HF UENO BUILDING	5-6-10 Ueno,Taito-ku, Tokyo	Trust beneficial interest	4,190	3,366
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi,Chiyoda-ku, Tokyo	Trust beneficial interest	2,110	1,359
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami,Chiyoda-ku, Tokyo	Trust beneficial interest	3,260	2,860
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachiChiyoda-ku, Tokyo	Trust beneficial interest	4,210	3,189
Of-37	NISSO 5 BUILDING	2-10-39 Kita-SaiwaiNishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,150	3,190
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,260	3,969
Of-39	SENJU MILDIX II	3-98 Senju,Adachi-ku, Tokyo	Trust beneficial interest	1,900	1,583
Of-40	ARK Mori Building	1-12-32 Akasaka,Minato-ku, Tokyo	Trust beneficial interest	3,480	3,263
Of-41	Nihonbashi Horidomecho First	1-2-10 Nihonbashi Horidomecho, Chuo-ku, Tokyo	Trust beneficial interest	2,350	2,144
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi,Hachioji City, Tokyo	Trust beneficial interest	1,900	1,600

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,190	3,174
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,760	2,950
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	3,910	3,750
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,700	2,696
Of-47	OSAKI CN BUILDING	5-10-10 Osaki, Shinagawa-ku, Tokyo	Trust beneficial interest	5,470	5,209
Of-48	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Real estate	2,000	1,643
Of-49	HF ESAKA BUILDING	1-13-48 Esakacho, Suita City, Osaka	Trust beneficial interest	2,670	2,580
Of-50	Shinsaibashi FRONT Building	3-5-11, Minamisenba, Chuo-ku, Osaka-city, Osaka	Trust beneficial interest	7,590	7,387
Of-51	SAKAE CENTER BUILDING	3-13-20 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	4,300	4,017
Of-52	IWAMOTOCHO TWIN BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	3,940	3,470
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	550	426
Of-54	HF NAGOYA NISHIKI BUILDING	1-7-34, Nishiki, Naka-ku, Nagoya-city, Aichi	Real estate	2,470	2,455
Of-55	Kitahama 1-Chome Heiwa Building	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	4,790	4,497
Of-56	Heiwa Real Estate Kitahama Building	2-1-5 Kitahama, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	1,860	1,652
Of-57	HF YOKOHAMA YAMASHITA BUILDING	89-6, Yamashitacho, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,040	4,028
Of-58	SHINWA ESAKA BUILDING	1-13-33, Esakacho, Suita-city, Osaka	Trust beneficial interest	5,680	5,218
Of-59	Kita Nijo Building	1-2-9, 1-2-10, Kitaniyohigashi, Chuo-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,610	1,547
Office subtotal				145,236	123,207
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	857	607
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	1,047	565
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	5,835	3,083
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	2,092	1,380
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,663	1,285
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,290	873
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,700	839
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,990	927
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	995	550

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	6,700	3,539
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,180	974
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,340	1,050
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,140	812
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,420	1,045
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	6,640	5,357
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	3,120	2,829
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,680	1,464
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,480	1,555
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,370	945
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	877	820
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	1,150	714
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,990	1,306
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,370	1,660
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,370	793
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	8,490	6,244
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	759	478
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,320	1,454
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	651	464
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,660	1,632
Re-54	La Residence de Sendagi	2-23-3 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,030	745
Re-55	HF SENDAGI RESIDENCE	2-6-6 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,170	778
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	787	574
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,260	764
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	959
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	774	503
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,970	1,892

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	8-7-11 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	1,750	1,107
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,780	1,215
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	754	509
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,210	682
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	961	601
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,150	724
Re-69	HF ICHIBANCHO RESIDENCE	2-1-7 Ichibancho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,260	720
Re-70	HF HIGASHI-NAKANO RESIDENCE	2-19-4 Higashi Nakano, Nakano-ku, Tokyo	Trust beneficial interest	1,230	854
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,880	1,968
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,150	834
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,760	1,133
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,040	1,428
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,530	1,225
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	986	741
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,390	1,699
Re-79	HF MEIEKI-KITA RESIDENCE	(W) 2-19-22 Kikui, € 2-19-27 Kikui, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	2,400	2,092
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,970	1,404
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,010	895
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	951	869
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,510	1,036
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,730	1,338
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,280	1,207
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,560	1,248
Re-87	HF MONZEN-NAKACHO RESIDENCE	1-16-4 Botan, Koto-ku, Tokyo	Real estate	1,290	943
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	7-4-9 Minamisuna, Koto-ku, Tokyo	Real estate	1,110	896
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,140	1,051
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,300	1,157
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,230	1,078

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-92	HF OHORI RESIDENCE BAYSIDE	3-17-10 Nagahama Chuo-ku, Fukuoka City, Fukuoka	Real estate	1,320	1,176
Re-93	HF HAKATA-HIGASHI RESIDENCE II	1-9-27 Yutaka, Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,480	1,302
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamataseshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,530	1,315
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,960	1,743
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,480	1,259
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	835	721
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,460	1,366
Re-99	HF UENO IRIYA RESIDENCE	1-12-1, Iriya, Taito-ku, Tokyo	Real estate	1,050	951
Re-100	HF TSUJIDO RESIDENCE	2-2-26 Tsujidokandai, Fujisawa City, Kanagawa	Real estate	2,130	2,018
Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	3-2-24 Sakaecho, Kawaguchi City, Saitama	Real estate	1,580	1,355
Re-102	HF HIGASHIOGU RESIDENCE	8-32-5 Higashiogu, Arakawa-ku, Tokyo	Real estate	1,460	1,248
Re-103	HF IMAIKE-MINAMI RESIDENCE	(East bldg.) 9-10, Imaikeminami, Chikusa-ku, Nagoya City, Aichi (West bldg.) 9-20, Imaikeminami, Chikusa-ku, Nagoya City, Aichi	Real estate	923	937
Re-104	HF FUSHIMI RESIDENCE	1-25-23, Sakae, Naka-ku, Nagoya City, Aichi	Real estate	658	667
Re-105	HF NAKANO-SAKAUE RESIDENCE	1-29-17, Chuo, Nakano-ku, Tokyo	Real estate	1,280	1,097
Re-106	HF UENO RESIDENCE EAST	5-4-15, Higashiueno, Taito-ku, Tokyo	Real estate	2,900	2,624
Re-107	HF OMORIMACHI RESIDENCE	1-13-8, Omorinaka, Ota-ku, Tokyo	Real estate	1,340	1,277
Re-108	HF KITASENJU RESIDENCE	1-1-7, Senju, Adachi-ku, Tokyo	Real estate	3,070	2,715
Re-109	HF HIKIFUNE RESIDENCE	3-20-15, Kyojima, Sumida-ku, Tokyo	Trust beneficial interest	1,670	1,417
Residence subtotal				146,115	108,134
Total				291,351	231,341

(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, 2024, after deducting the accumulated depreciation.

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

Property name		45th Fiscal Period (For the six-month period ended May 31, 2024)				46th Fiscal Period (For the six-month period ended November 30, 2024)			
		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	60,188	0.8	6	100.00	62,969	0.8
Of-06	HF MONZENNAKA CHO BUILDING	7	100.00	89,589	1.1	7	100.00	90,858	1.1
Of-07	HF HAMAMATSUC HO BUILDING	7	77.62	43,376	0.6	9	100.00	49,411	0.6
Of-08	HF TAMEIKE BUILDING	8	100.00	87,305	1.1	8	100.00	89,562	1.1
Of-11	HF NIHONBASHI ODENMACHO BUILDING	8	100.00	56,094	0.7	8	100.00	69,806	0.9
Of-12	HF HATCHOBORI BUILDING	7	100.00	77,879	1.0	7	100.00	85,200	1.1
Of-17	HATCHOBORI MF BUILDING	9	100.00	34,703	0.4	9	100.00	34,788	0.4
Of-18	M2 HARAJUKU	5	100.00	85,363	1.1	5	100.00	88,787	1.1
Of-20	FUNABASHI FACE BUILDING	9	100.00	122,334	1.6	9	100.00	122,770	1.5
Of-21	ADESSO NISHIAZABU	4	100.00	13,159	0.2	4	100.00	15,162	0.2
Of-23	HF IKEBUKURO BUILDING	9	100.00	43,720	0.6	9	100.00	44,776	0.6
Of-24	HF YUSHIMA BUILDING	9	100.00	50,403	0.6	9	100.00	51,232	0.6
Of-25	KAYABACHO HEIWA BUILDING	1	100.00	210,299	2.7	1	100.00	211,006	2.6
Of-27	KOBE KYUKYORYUC HI HEIWA BUILDING	40	100.00	149,172	1.9	40	100.00	152,666	1.9
Of-29	SAKAE MINAMI HEIWA BUILDING	6	100.00	92,843	1.2	6	100.00	94,467	1.2
Of-30	HF SAKURADORI BUILDING	22	100.00	335,274	4.3	22	98.64	343,465	4.3
Of-31	HF NIHONBASHI HAMACHO BUILDING (Note 5) (Note 6)	8	100.00	81,718	1.0	—	—	2,282	0.0

Property name		45th Fiscal Period (For the six-month period ended May 31, 2024)				46th Fiscal Period (For the six-month period ended November 30, 2024)			
		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-32	HF SENDAI HONCHO BUILDING	39	100.00	155,754	2.0	38	100.00	154,668	1.9
Of-33	HF UENO BUILDING	7	100.00	141,228	1.8	7	100.00	144,615	1.8
Of-34	KOJIMACHI HF BUILDING	8	100.00	70,447	0.9	8	100.00	72,120	0.9
Of-35	HF KUDAN MINAMI BUILDING	3	100.00	90,404	1.2	3	100.00	91,116	1.1
Of-36	HF KANDA OGAWAMACHI BUILDING	6	100.00	98,200	1.3	6	100.00	106,402	1.3
Of-37	NISSO 5 BUILDING	1	100.00	89,308	1.1	1	100.00	89,308	1.1
Of-38	ACROSS SHINKAWA BUILDING	12	97.82	135,995	1.7	12	97.82	136,929	1.7
Of-39	SENJU MILDIX II	5	100.00	69,950	0.9	5	100.00	70,602	0.9
Of-40	ARK Mori Building	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.00	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.00	63,610	0.8	3	100.00	64,637	0.8
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.00	72,818	0.9	3	100.00	72,405	0.9
Of-43	HAMACHO HEIWA BUILDING	10	100.00	86,353	1.1	10	100.00	88,317	1.1
Of-44	KINSHICHO SQUARE BUILDING	11	100.00	77,928	1.0	11	100.00	78,034	1.0
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	8	100.00	112,358	1.4	8	100.00	113,250	1.4
Of-46	HF SENDAI ICHIBANCHO BUILDING	15	100.00	89,035	1.1	15	100.00	88,942	1.1
Of-47	OSAKI CN BUILDING	7	100.00	114,492	1.5	7	100.00	115,754	1.4
Of-48	Faret East Building	7	100.00	65,120	0.8	7	100.00	65,499	0.8
Of-49	HF ESAKA BUILDING	7	100.00	68,923	0.9	7	100.00	72,164	0.9
Of-50	Shinsaibashi FRONT Building	13	100.00	191,927	2.4	13	100.00	193,700	2.4

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Of-51	SAKAE CENTER BUILDING	21	100.00	143,950	1.8	21	100.00	142,060	1.8
Of-52	IWAMOTOCHO TWIN BUILDING	8	100.00	80,386	1.0	9	100.00	82,291	1.0
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	9	100.00	15,461	0.2	9	100.00	15,391	0.2
Of-54	HF NAGOYA NISHIKI BUILDING	21	90.99	56,737	0.7	19	89.03	66,826	0.8
Of-55	Kitahama 1- Chome Heiwa Building (Note 6)	18	100.00	86,647	1.1	18	100.00	119,387	1.5
Of-56	Heiwa Real Estate Kitahama Building	15	100.00	49,702	0.6	15	100.00	51,815	0.6
Of-57	HF YOKOHAMA YAMASHITA BUILDING	13	93.60	107,742	1.4	13	82.00	84,092	1.0
Of-58	SHINWA ESAKA BUILDING (Note 6)	—	—	—	—	11	100.00	124,578	1.5
Of-59	Kita Nijo Building (Note 6)	—	—	—	—	40	97.78	45,587	0.6
Office subtotal		436	99.15	4,050,190	51.7	479	98.94	4,243,425	52.8
Re-03	HF ICHIKAWA RESIDENCE (Note 6)	36	100.00	17,299	0.2	—	—	11,532	0.1
Re-05	HF MEGURO RESIDENCE	21	100.00	20,303	0.3	20	95.07	20,545	0.3
Re-09	HF KASAI RESIDENCE	48	100.00	27,778	0.4	44	91.46	27,479	0.3
Re-11	HF WAKABAYASHI -KOEN RESIDENCE	93	96.31	128,713	1.6	88	91.56	124,051	1.5
Re-12	HF HIMONYA RESIDENCE	50	94.07	46,594	0.6	50	94.93	45,378	0.6
Re-14	HF MINAMIAZABU RESIDENCE	58	96.68	36,332	0.5	59	98.32	37,584	0.5
Re-16	HF GAKUGEIDAIG AKU RESIDENCE	24	88.44	29,107	0.4	27	100.00	29,653	0.4
Re-17	HF HIGASHIKAND A RESIDENCE	62	96.35	38,262	0.5	64	100.00	38,681	0.5

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Re-18	HF HIGASHINIHON BASHI RESIDENCE	65	98.80	44,433	0.6	65	98.80	44,935	0.6
Re-19	HF NERIMA RESIDENCE	50	98.08	26,481	0.3	48	94.24	25,802	0.3
Re-20	HF SHIROKANETA KANAWA RESIDENCE	66	100.00	134,624	1.7	62	95.11	133,092	1.7
Re-21	HF MEIDAIMAE RESIDENCE	53	100.00	29,632	0.4	52	97.90	30,031	0.4
Re-22	HF NIHONBASHI RESIDENCE	48	100.00	36,556	0.5	48	100.00	36,759	0.5
Re-23	HF KAMISHAKUJII RESIDENCE	60	94.17	33,625	0.4	62	96.52	33,504	0.4
Re-24	HF KINSHICHO RESIDENCE	56	100.00	33,254	0.4	56	100.00	33,478	0.4
Re-25	HF GINZA RESIDENCE EAST	101	96.06	139,852	1.8	97	93.40	132,440	1.6
Re-26	HF SHIN- YOKOHAMA RESIDENCE	111	98.36	88,202	1.1	112	99.25	87,655	1.1
Re-30	HF MAGOME RESIDENCE	24	77.81	43,095	0.6	28	91.74	45,058	0.6
Re-31	HF GAKUGEIDAIG AKU RESIDENCE II	22	100.00	38,787	0.5	20	91.06	38,285	0.5
Re-33	HF KAMEIDO RESIDENCE	60	98.37	33,612	0.4	61	100.00	33,425	0.4
Re-34	HF TANASHI RESIDENCE	34	97.15	32,979	0.4	34	97.14	33,181	0.4
Re-38	La Residence de Shirokanedai	26	92.78	25,928	0.3	26	93.01	25,118	0.3
Re-39	HF GINZA RESIDENCE EAST II	73	98.75	51,389	0.7	72	93.85	53,166	0.7
Re-40	HF HATCHOBORI RESIDENCE II	84	100.00	62,424	0.8	81	95.95	62,585	0.8
Re-42	HF GINZA RESIDENCE	44	98.13	32,086	0.4	45	100.00	33,195	0.4

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Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	280	97.54	214,809	2.7	275	95.28	213,476	2.7
Re-45	HF NAKANOSHIMA RESIDENCE (Note 5)	—	—	2,296	0.0	—	—	—	—
Re-47	HF MARUNOUCHI RESIDENCE	72	100.00	26,122	0.3	68	94.43	25,139	0.3
Re-48	HF HIRAO RESIDENCE	197	98.34	83,686	1.1	197	98.53	84,525	1.1
Re-49	HF KAWARAMACHI NIJO RESIDENCE	50	100.00	20,519	0.3	49	97.77	20,067	0.2
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	127	96.93	75,427	1.0	129	98.75	75,941	0.9
Re-54	La Residence de Sendagi	50	100.00	32,072	0.4	50	100.00	29,005	0.4
Re-55	HF SENDAGI RESIDENCE	49	100.00	36,287	0.5	47	93.97	32,133	0.4
Re-56	HF KOMAZAWA-KOEN RESIDENCE	35	97.23	20,828	0.3	36	100.00	21,235	0.3
Re-57	HF MUSASHIKOYAMA RESIDENCE	52	100.00	32,408	0.4	50	96.51	32,358	0.4
Re-58	HF KOKUBUNJI RESIDENCE	47	100.00	31,611	0.4	44	94.51	31,340	0.4
Re-59	HF HISAYAODORI RESIDENCE	96	97.95	42,232	0.5	97	99.01	41,851	0.5
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	40	97.86	22,336	0.3	39	95.95	22,145	0.3
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	77	100.00	71,183	0.9	70	90.58	70,899	0.9
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	43	89.25	44,976	0.6	47	98.00	43,930	0.5
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	68	100.00	47,130	0.6	67	98.60	48,363	0.6

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Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	36	94.98	20,980	0.3	37	97.72	21,287	0.3
Re-65	HF KITA-YOBANCHO RESIDENCE	82	91.13	38,730	0.5	89	98.91	37,636	0.5
Re-66	HF ATAGOBASHI RESIDENCE	77	97.51	32,143	0.4	77	97.50	31,769	0.4
Re-68	HF ASAKUSABASHI RESIDENCE	35	89.74	28,050	0.4	38	97.44	27,713	0.3
Re-69	HF ICHIBANCHO RESIDENCE	78	100.00	41,489	0.5	66	85.17	39,158	0.5
Re-70	HF HIGASHI-NAKANO RESIDENCE	49	100.00	32,425	0.4	48	98.33	34,121	0.4
Re-72	HF WASEDA RESIDENCE	113	93.14	78,178	1.0	119	97.03	77,124	1.0
Re-73	HF WASEDA RESIDENCE II	49	95.91	32,410	0.4	50	97.97	31,624	0.4
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	33	100.00	44,002	0.6	32	96.71	44,339	0.6
Re-75	HF SENDAI RESIDENCE EAST	138	91.22	67,104	0.9	147	98.18	68,335	0.8
Re-76	HF NISHI-KOEN RESIDENCE	99	97.09	44,165	0.6	100	98.06	43,488	0.5
Re-77	HF BANSUI-DORI RESIDENCE	65	98.48	28,809	0.4	63	95.45	28,747	0.4
Re-78	HF KANNAI RESIDENCE	110	93.99	63,167	0.8	114	97.46	63,870	0.8
Re-79	HF MEIEKI-KITA RESIDENCE	109	96.82	64,956	0.8	108	95.93	64,296	0.8
Re-80	HF HIGASHI-SAPPORO RESIDENCE	141	93.71	57,866	0.7	151	100.00	58,203	0.7
Re-81	HF HAKATA-HIGASHI RESIDENCE	76	97.43	30,665	0.4	77	98.72	31,235	0.4
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	54	98.18	26,209	0.3	54	98.18	26,579	0.3
Re-83	HF TABATA RESIDENCE	55	97.08	47,196	0.6	55	98.61	42,802	0.5

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Re-84	HF RYOGOKU RESIDENCE	63	95.45	51,411	0.7	66	100.00	52,344	0.7
Re-85	HF HACHIOJI RESIDENCE	51	100.00	36,872	0.5	49	96.97	34,981	0.4
Re-86	HF MITA RESIDENCE II	40	100.00	32,658	0.4	40	100.00	33,208	0.4
Re-87	HF MONZEN- NAKACHO RESIDENCE	43	97.73	29,396	0.4	43	97.73	29,599	0.4
Re-88	HF MINAMI- SUNAMACHI RESIDENCE	48	100.00	26,726	0.3	39	81.06	27,028	0.3
Re-89	HF SENDAI NAGAMACHI RESIDENCE	68	98.47	34,962	0.4	63	91.02	33,867	0.4
Re-90	HF SHOKOJI AKABANE RESIDENCE	46	91.98	38,474	0.5	49	100.00	37,982	0.5
Re-91	HF SENDAI HONCHO RESIDENCE	67	97.11	33,988	0.4	61	88.41	33,515	0.4
Re-92	HF OHORI RESIDENCE BAYSIDE	67	100.00	36,425	0.5	67	100.00	36,490	0.5
Re-93	HF HAKATA- HIGASHI RESIDENCE II	109	99.11	42,655	0.5	108	98.40	42,165	0.5
Re-94	HF FUKUOKA RESIDENCE EAST	116	97.24	45,530	0.6	113	94.82	45,888	0.6
Re-95	HF SHOKOJI AKABANE RESIDENCE II	69	97.71	57,998	0.7	68	96.65	56,483	0.7
Re-96	HF YAHIRO RESIDENCE	64	100.00	42,817	0.5	60	93.16	41,943	0.5
Re-97	HF SETAGAYAKAM IMACHI RESIDENCE	29	96.70	20,359	0.3	29	96.67	20,569	0.3
Re-98	HF SOKA RESIDENCE	98	99.00	42,393	0.5	96	97.00	42,591	0.5
Re-99	HF UENO IRIYA RESIDENCE	31	94.95	24,971	0.3	33	100.00	25,656	0.3
Re-100	HF TSUJIDO RESIDENCE	36	90.35	52,331	0.7	40	100.00	52,353	0.7
Re-101	HF KAWAGUCHIEK IMAE RESIDENCE	89	98.01	62,401	0.8	85	94.04	55,745	0.7

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Re-102	HF HIGASHIOGU RESIDENCE	48	97.05	45,267	0.6	49	100.00	42,079	0.5
Re-103	HF IMAIKE- MINAMI RESIDENCE	69	97.26	26,560	0.3	68	95.89	26,223	0.3
Re-104	HF FUSHIMI RESIDENCE	35	97.03	17,993	0.2	34	95.58	19,331	0.2
Re-105	HF NAKANO- SAKAUE RESIDENCE	31	92.66	29,155	0.4	31	94.31	30,283	0.4
Re-106	HF UENO RESIDENCE EAST	50	88.91	63,916	0.8	52	92.74	60,335	0.8
Re-107	HF OMORIMACHI RESIDENCE	25	95.83	27,813	0.4	26	100.00	27,567	0.3
Re-108	HF KITASENJU RESIDENCE(Note 5)	90	100.00	37,817	0.5	87	96.56	74,718	0.9
Re-109	HF HIKIFUNE RESIDENCE(Note 5)	30	93.47	10,291	0.1	31	96.40	32,263	0.4
Residence subtotal		5,563	96.71	3,785,034	48.3	5,498	96.41	3,796,593	47.2
Total		5,999	97.70	7,835,225	100.0	5,977	97.48	8,040,018	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 February 29, 2024 for Re-108 HF KITASENJU RESIDENCE and March 29, 2024 for Re-109 HF HIKIFUNE RESIDENCE. The dates of transfer were December 22, 2023 for Re-45 HF NAKANOSHIMA RESIDENCE and April 12, 2024 for 50% quasi co-ownership of the trust beneficial interest in Of-31 HF NIHONBASHI HAMACHO BUILDING.

(Note 6) Of-55 Kitahama 1-chome Heiwa Building was additionally acquired on June 6, 2024 (25% of the additional acquisition), resulting in full ownership of the entire building. The dates of acquisition were June 14, 2024 for Of-58 SHINWA ESAKA BUILDING and June 6, 2024 for Of-59 Kita Nijo Building. The dates of transfer were June 3, 2024 for 50% of the remaining quasi co-ownership of the trust beneficial interest in Of-31 HF NIHONBASHI HAMACHO BUILDING and November 15, 2024 for Re-03 HF ICHIKAWA RESIDENCE.

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

(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	60,668,200	48,496,200	755,634

(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

(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-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Renovation of tenant-area	From December 2024 To May 2025	17,125	—	—
Of-52	IWAMOTOCHO TWIN BUILDING	Chiyoda-ku, Tokyo	Renovation of tenant-area	From December 2024 To May 2025	112,000	—	—
Of-54	HF NAGOYA NISHIKI BUILDING	Nagoya City, Aichi	Air conditioning equipment replacement	From December 2024 To May 2025	70,700	—	—
Of-59	Kita Nijo Building	Sapporo City, Hokkaido	Installation of mechanical security	From December 2024 To May 2025	18,930	—	—
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Intercom equipment replacement	From December 2024 To May 2025	6,200	—	—
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai City, Miyagi	Comprehensive repair of outer walls	From December 2024 To May 2025	36,490	—	—

(2) Capital expenditures in the 46th fiscal period

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 46th fiscal period.

Capital expenditures in the fiscal period stood at ¥1,193,255 thousand. Expenses for repairs, etc. were ¥1,524,992 thousand, including repair expenses of ¥331,736 thousand.

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-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	Repair of elevators	From April 2024 To July 2024	54,800
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Air conditioning equipment replacement	From November 2024 To November 2024	23,800
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Comprehensive repair of outer walls	From April 2024 To August 2024	51,991
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Comprehensive repair of outer walls	From July 2024 To November 2024	40,377
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Air conditioning equipment replacement	From November 2024 To November 2024	32,594
Of-52	IWAMOTOCHO TWIN BUILDING	Chiyoda-ku, Tokyo	Renovation of tenant-area	From June 2024 To July 2024	37,027
Of-54	HF NAGOYA NISHIKI BUILDING	Nagoya City, Aichi	Air conditioning equipment replacement	From September 2024 To November 2024	108,800
Of-57	HF YOKOHAMA YAMASHITA BUILDING	Yokohama City, Kanagawa	Renovation of common-area	From September 2024 To November 2024	65,822
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya City, Aichi	Renovation of common-area corridors	From October 2024 To October 2024	4,896
Re-59	HF HISAYAODORI RESIDENCE	Nagoya City, Aichi	Intercom equipment replacement	From August 2024 To November 2024	10,529
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From June 2024 To August 2024	25,421
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From June 2024 To August 2024	17,484
Re-93	HF HAKATA-HIGASHI RESIDENCE II	Fukuoka City, Fukuoka	Intercom equipment replacement	From October 2024 To November 2024	13,477
	Others			From June 2024 To November 2024	706,233
Total					1,193,255

(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	42nd FP ended November 30, 2022	43rd FP ended May 31, 2023	44th FP ended November 30, 2023	45th FP ended May 31, 2024	46th FP ended November 30, 2024
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 ¥566,755 thousand at the end of the 46th 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	45th Fiscal Period (For the six-month period ended May 31, 2024)	46th Fiscal Period (For the six-month period ended November 30, 2024)
(a) Asset management fees (Note)	738,315	748,666
(b) Asset custody fees	13,488	13,600
(c) Administrative service fees	30,492	30,843
(d) Directors' compensation	6,102	6,102
(e) Independent auditors' fees	12,000	12,400
(f) Other operating expenses	175,744	182,049
Total	976,143	993,662

(Note) In addition to the asset management fee above, management fees related to property acquisitions of ¥38,900 thousand (45th period) and ¥63,335 thousand (46th period) were recorded. Management fees related to property transfers of ¥23,350 thousand (45th period) and ¥24,300 thousand (46th period) were also recorded.

(2) Status of borrowings

Below is the status of borrowings from each financial institution at the end of the 46th fiscal period.

(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								
Long-term loans payable due within one year	Sumitomo Mitsui Banking Corporation	May 31, 2016	1,050,000	—	0.91770	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	0.93418	May 30, 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	0.90850	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		—	915,000					
	SBI Shinsei Bank, Limited		—	485,000					
	MUFG Bank, Ltd.		—	470,000					
	Mizuho Bank, Ltd.	December 15, 2017	800,000	—	0.68740	October 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	March 28, 2018	900,000	900,000	0.78630	May 30, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2018	—	600,000	0.76850	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		—	150,000					
Aozora Bank, Ltd.	—		100,000						
MUFG Bank, Ltd.	—		200,000						
Mizuho Trust & Banking Co., Ltd.	—		100,000						
Sumitomo Mitsui Trust Bank, Limited.	—		100,000						

(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								
Long-term loans payable due within one year	Mizuho Bank, Ltd.	October 31, 2018	—	100,000	0.76850	November 28, 2025	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.		—	200,000					
	The 77 Bank, Ltd.		—	200,000					
	Mizuho Bank, Ltd.	December 14, 2018	—	1,000,000	0.63850	November 28, 2025	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	December 14, 2018	—	700,000	0.63850	November 28, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2019	500,000	500,000	0.50500	May 30, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		700,000	700,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	—	0.47100	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		500,000	—					
	Sumitomo Mitsui Banking Corporation	June 4, 2021	250,000	—	0.40500	October 31, 2024	Lump-sum repayment		
	The Chiba Bank, Ltd.		150,000	—					
	MUFG Bank, Ltd.	October 29, 2021	580,000	—	0.62780	October 31, 2024	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		200,000	—					
	Resona Bank, Limited.	May 31, 2022	550,000	550,000	0.64988	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	0.68488	November 28, 2025	Lump-sum repayment		
	Sompo Japan Insurance Inc.		—	469,000					
Subtotal			13,737,000	13,976,000					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	May 31, 2017	895,000	—	0.90850	November 28, 2025	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	Resona Bank, Limited.		915,000	—					
	SBI Shinsei Bank, Limited		485,000	—					

(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								
Long-term loans payable	MUFG Bank, Ltd.	May 31, 2017	470,000	—	0.90850	November 28, 2025	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	Aozora Bank, Ltd.	October 31, 2017	1,820,000	1,820,000	0.97750	May 29, 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					
	Sumitomo Mitsui Banking Corporation	May 31, 2018	1,100,000	1,100,000	0.74700	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	0.76850	November 28, 2025	Lump-sum repayment			
	Sumitomo Mitsui Banking Corporation	600,000	—						
	Resona Bank, Limited.	150,000	—						
	Aozora Bank, Ltd.	100,000	—						
	MUFG Bank, Ltd.	200,000	—						
	Mizuho Trust & Banking Co., Ltd.	100,000	—						
	Sumitomo Mitsui Trust Bank, Limited.	100,000	—						
	Mizuho Bank, Ltd.	100,000	—						
	The Bank of Fukuoka, Ltd.	200,000	—						
The 77 Bank, Ltd.	200,000	—							

(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								
Long-term loans payable	Mizuho Bank, Ltd.	December 14, 2018	1,000,000	—	0.63850	November 28, 2025	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	The Bank of Fukuoka, Ltd.	December 14, 2018	700,000	—	0.63850	November 28, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	300,000	0.60000	May 29, 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	300,000	300,000	0.57700	November 30, 2026	Lump-sum repayment		
	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	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	0.66900	October 29, 2027	Lump-sum repayment			

(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								
Long-term loans payable	Resona Bank, Limited.	October 30, 2020	1,000,000	1,000,000	0.66900	October 29, 2027	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	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	0.68500	November 30, 2028	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	March 24, 2021	1,000,000	1,000,000	0.66500	November 30, 2028	Lump-sum repayment		
	SBI Shinsei Bank, Limited	March 24, 2021	1,000,000	1,000,000	0.68500	May 31, 2029	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2021	631,700	631,700	0.65800	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		
	Mizuho Trust & Banking Co., Ltd.	September 29, 2021	1,390,000	1,390,000	1.09782	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.	October 29, 2021	1,000,000	1,000,000	0.95988	November 30, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	October 29, 2021	900,000	900,000	0.83300	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 29, 2021	1,690,000	1,690,000	1.32770	October 31, 2028	Lump-sum repayment		
	Resona Bank, Limited.		330,000	330,000					
	Aozora Bank, Ltd.		1,040,000	1,040,000					

(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								
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited.	October 29, 2021	500,000	500,000	1.32770	October 31, 2028	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	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	1.00619	May 31, 2029	Lump-sum repayment		
	Nippon Life Insurance Company	December 23, 2021	1,000,000	1,000,000	0.70000	December 22, 2028	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.	December 23, 2021	1,000,000	1,000,000	0.98988	November 29, 2030	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 24, 2022	600,000	600,000	1.11751	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	February 28, 2022	700,000	700,000	1.34255	May 31, 2029	Lump-sum repayment		
	SBI Shinsei Bank, Limited	February 28, 2022	1,200,000	1,200,000	0.85988	November 30, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	May 31, 2022	395,000	—	0.68488	November 28, 2025	Lump-sum repayment		
	Sompo Japan Insurance Inc.		469,000	—					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	400,000	400,000	1.07500	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	400,000	1.00360	May 31, 2028	Lump-sum repayment			
Aozora Bank, Ltd.		400,000	400,000						
The Norinchukin Bank		600,000	600,000						

(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								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	June 6, 2022	1,800,000	1,800,000	1.33260	May 31, 2029	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	June 6, 2022	500,000	500,000	0.85947	May 31, 2029	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2022	500,000	500,000	0.97536	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, Limited	October 31, 2022	480,000	480,000	0.78988	November 30, 2032	Lump-sum repayment		
	The Chiba Bank, Ltd.	January 30, 2023	800,000	800,000	0.86786	January 30, 2030	Lump-sum repayment		
	Kansai Mirai Bank, Limited	January 30, 2023	800,000	800,000	0.81988	November 28, 2031	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 28, 2023	1,090,000	1,090,000	0.77988	May 31, 2030	Lump-sum repayment		
	The Norinchukin Bank	February 28, 2023	1,500,000	1,500,000	1.34240	May 31, 2030	Lump-sum repayment		
	SBI Shinsei Bank, Limited	March 1, 2023	1,090,000	1,090,000	0.79988	May 31, 2032	Lump-sum repayment		
	The Minato Bank, Ltd.	March 31, 2023	1,000,000	1,000,000	0.80988	May 31, 2033	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	April 28, 2023	1,100,000	1,100,000	0.95988	May 30, 2031	Lump-sum repayment		
	Mizuho Bank, Ltd.		1,100,000	1,100,000					
	Resona Bank, Limited.	May 31, 2023	400,000	400,000	0.64988	May 29, 2026	Lump-sum repayment		
Sumitomo Mitsui Trust Bank, Limited.	200,000		200,000						

(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								
Long-term loans payable	The Nomura Trust and Banking Co., Ltd.	May 31, 2023	300,000	300,000	0.64988	May 29, 2026	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	Mizuho Bank, Ltd.	May 31, 2023	200,000	200,000	0.51811	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	0.89988	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					
	MUFG Bank, Ltd.		May 31, 2023	1,000,000			1,000,000		
	Development Bank of Japan Inc.	August 3, 2023	1,000,000	1,000,000	1.27844	November 28, 2031	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.	August 3, 2023	1,000,000	1,000,000	0.90988	May 31, 2032	Lump-sum repayment		
	Resona Bank, Limited.	August 3, 2023	1,000,000	1,000,000	0.90988	November 30, 2032	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2023	400,000	400,000	0.71988	October 29, 2027	Lump-sum repayment		
	Resona Bank, Limited.		300,000	300,000					
	Mizuho Trust & Banking Co., Ltd.		330,000	330,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	MUFG Bank, Ltd.	October 31, 2023	700,000	700,000	1.05302	May 31, 2028	Lump-sum repayment		

(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								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 31, 2023	900,000	900,000	0.89988	November 29, 2030	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	Resona Bank, Limited.		400,000	400,000					
	Aozora Bank, Ltd.		200,000	200,000					
	Mizuho Trust & Banking Co., Ltd.		400,000	400,000					
	Sumitomo Mitsui Trust Bank, Limited.		600,000	600,000					
	Mizuho Bank, Ltd.		200,000	200,000					
	MUFG Bank, Ltd.	October 31, 2023	1,550,000	1,550,000	1.46985	November 29, 2030	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	February 29, 2024	500,000	500,000	0.76988	May 31, 2032	Lump-sum repayment		
	The Chiba Bank, Ltd.	February 29, 2024	1,000,000	1,000,000	0.76988	May 31, 2032	Lump-sum repayment		
	SBI Shinsei Bank, Limited	February 29, 2024	1,000,000	1,000,000	0.77988	November 30, 2032	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2024	360,000	360,000	0.74578	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.		200,000	200,000					
	MUFG Bank, Ltd.	May 31, 2024	225,000	225,000	1.13886	November 30, 2028	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2024	2,580,000	2,580,000	0.89578	May 30, 2031	Lump-sum repayment		
	Resona Bank, Limited.		740,000	740,000					
	MUFG Bank, Ltd.	May 31, 2024	2,000,000	2,000,000	1.49000	May 30, 2031	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2024	—	300,000	0.60158	November 30, 2026	Lump-sum repayment		
	Resona Bank, Limited.		—	300,000					
	Sumitomo Mitsui Trust Bank, Limited.		—	100,000					
	Mizuho Bank, Ltd.		—	100,000					

(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								
Long-term loans payable	The Chiba Bank, Ltd.	October 31, 2024	—	150,000	0.60158	November 30, 2026	Lump-sum repayment	(Note 2)	Unsecured and unguaranteed
	The Nomura Trust and Banking Co., Ltd.		—	200,000					
	MUFG Bank, Ltd.	October 31, 2024	—	600,000	1.21820	May 31, 2030	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2024	—	1,500,000	0.90158	November 28, 2031	Lump-sum repayment		
	Resona Bank, Limited.		—	1,800,000					
	Sumitomo Mitsui Trust Bank, Limited.		—	600,000					
	Mizuho Bank, Ltd.		—	700,000					
	MUFG Bank, Ltd.	October 31, 2024	—	490,000	1.39460	November 28, 2031	Lump-sum repayment		
Subtotal			92,400,200	92,161,200					
Total			106,137,200	106,137,200					

(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.

(3) Investment corporation bonds

Below is the status of investment corporation bonds issued at the end of the 46th 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 and unguaranteed
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 and unguaranteed
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 and unguaranteed
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 and unguaranteed
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	Unsecured and unguaranteed
Total		7,900,000	7,900,000					

(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 (25% interest of quasi co-ownership)	June 6, 2024	1,130	—	—	—	—
Of-58	SHINWA ESAKA BUILDING	June 14, 2024	5,001	—	—	—	—
Of-59	Kita Nijo Building	June 6, 2024	1,535	—	—	—	—
Of-31	HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi co-ownership)	—	—	June 3, 2024	1,760	995	732
Re-03	HF ICHIKAWA RESIDENCE	—	—	November 15, 2024	670	365	272
Total		—	7,666	—	2,430	1,360	1,005

(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 1)	Real estate appraisal value (million yen)	Real estate appraisal organization	Valuation date
Acquisition	Trust beneficial interest	Of-55	Kitahama 1-Chome Heiwa Building (25% interest of quasi co-ownership)	June 6, 2024	1,130	1,210	Tanizawa Sogo Appraisal Co., Ltd.	April 1, 2024
Acquisition	Trust beneficial interest	Of-58	SHINWA ESAKA BUILDING	June 14, 2024	5,001	5,630	Daiwa Real Estate Appraisal Co., Ltd.	January 1, 2024
Acquisition	Trust beneficial interest	Of-59	Kita Nijo Building	June 6, 2024	1,535	1,610	Daiwa Real Estate Appraisal Co., Ltd.	April 1, 2024
Disposition	Trust beneficial interest	Of-31	HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi co-ownership)	June 3, 2024	1,760	1,330 (Note 2)	Daiwa Real Estate Appraisal Co., Ltd.	November 30, 2023
Disposition	Trust beneficial interest	Re-03	HF ICHIKAWA RESIDENCE	November 15, 2024	670	610	Tanizawa Sogo Appraisal Co., Ltd.	May 31, 2024

(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) The amount obtained by multiplying the real estate appraisal value for the entire property by 50%, the Investment Corporation's quasi-ownership

interest in the trust beneficiary interest subject to transfer, is indicated.

(ii) Other

For transactions other than those stated in "(i) 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, 2024 to November 30, 2024) were two 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	7,666,000	2,430,000
Breakdown of transactions with interested parties, etc. (Note 1)		
Heiwa Real Estate Co., Ltd.	2,665,000 (34.8%)	— (—)
Total	2,665,000 (34.8%)	— (—)

(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:	813,498	Heiwa Real Estate Co., Ltd.	(Note 4) 9,645	1.2%
		Heiwa Real Estate Property Management Co., Ltd.	(Note 5) 305,919	37.6%
Brokerage fee	180,190	Heiwa Real Estate Co., Ltd.	20,100	11.2%

(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. ¥1,020 thousand

(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. ¥89,100 thousand

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 46th fiscal period are as stated below. Heiwa Real Estate Property Management Co., Ltd. ¥57,177 thousand

(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.

The information about the Balance Sheet, Statement of Income, Statements of Changes in Owners' Equity, Notes, and the Statement of Cash Distribution for the previous period are provided as a reference and not subject to audits

by an accounting auditor pursuant to the provisions of Article 130 of the Act on Investment Trusts and Investment Corporations.

The Statement of Cash Flows is not subject to audits by an accounting auditor pursuant to the provisions of Article 130 of the Act on Investment Trusts and Investment Corporations.

(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 (%)
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
45th FP May 31, 2024	3,334	337	0.3
46th FP November 30, 2024	3,334	337	0.3

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

8. Other

(1) Notice

Not applicable

(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, 2024)

	Number of Properties	Total Floor Space (m ²)	Coverage Rate (based on total floor space)
DBJ Green Building	9	71,193	17.4%
CASBEE	23	121,530	29.7%
BELS (Building Energy-efficiency Labeling System)	2	10,201	2.5%
SMBC Sustainable Building Assessment Loan System	1	13,160	3.2%
Total Certified Properties (Excluding duplicate properties)	31	173,031	42.3%

(2) Environment

Set Greenhouse Gas (GHG) emission reduction targets and obtained SBT certification

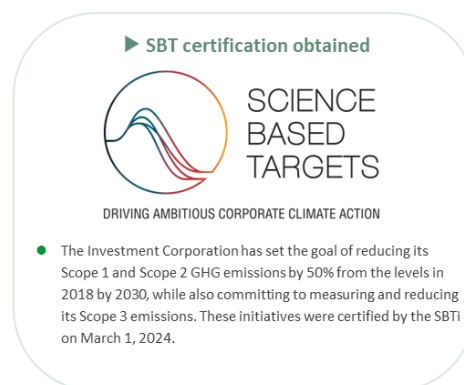
The general shift to power

► Newly set targets:

Reduce total GHG (Scope 1 and Scope 2) emissions of the portfolio by 90% from 2018 by 2030.

In addition to the continued switch to renewable energy currently underway, we will implement new initiatives such as purchasing non-fossil certificates and replacing facilities with those with a low environmental load, aiming to achieve a target that exceeds the SBT standard.

- Carbon offset (renewable energy、purchase of non-fossil certificates)
- Upgrading to equipment with lower environmental impact (lighting、air conditioning、power transformer)
- Understanding and measurement of Scope 3 for net zero by 2050 (introduction of an electric power measurement system for private areas of residences)



Shift to renewable energy

The general shift to power plans conforming to the RE (Renewable Energy) 100 standards was completed at all properties* as of November 30, 2024.

* Excluding properties where a management association manages power, such as properties whose ownership is shared and properties owned by unit owners, and properties where contracts with tenants are unusual. Furthermore, private areas of residential properties and properties acquired within a year of acquisition are excluded.



Electronic prospectus / Environmentally-friendly tile carpets



Eco-friendly initiatives: FSC paper and glassine



► Replacement with LED lighting

The switchover in common areas was completed at all properties excluding those acquired within the past twelve months. (as of November 30, 2024)



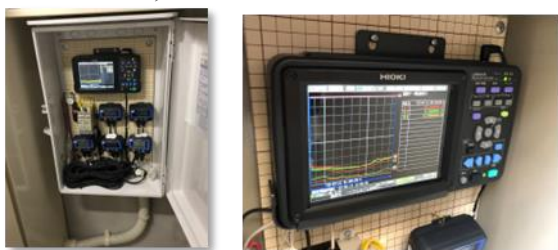
HF SAKURADORI BUILDING



HF KOMAZAWA-KOEN RESIDENCE TOWER

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

The system has been introduced at all residential properties (except properties for sectional ownership) owned as of November 30, 2024.



Installation of vending machines for disaster relief and donation



(3) Social

Supplying drinking water at the time of disaster / PET bottle cap collection campaign



Participation in the Sanno Festival / Cleaning around Kabuto-cho district



(4) Initiatives for Asset Management Company Employees

Promotion of female participation and career advancement in the workplace



► Presentation of President Awards



Health support and work-life balance

Health and productivity management certification



In-house sports event (Molky)



(5) Governance

Corporate Governance

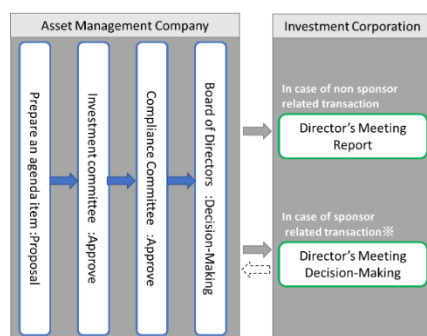
The organization of this REIT consists of one executive officer with no conflicted interest in REIT and Asset Management company, two auditors, a board of officers comprising all the executive officers and auditors and the accounting auditor in addition to the general meeting of investors comprising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

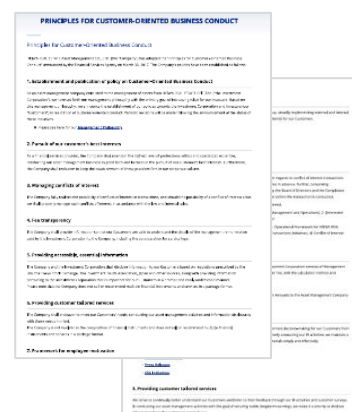


Principles For Customer-Oriented Business Conduct

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, 2024 and May 31, 2024, 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, 2024 and May 31, 2024, 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 20 to the financial statements, which states the conclusion of purchase and transfer agreements for the acquisition and the disposition of assets. 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.

/S/ Jiro Tazawa

Designated Engagement Partner

Certified Public Accountant

/S/ Hirofumi Hanyu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

February 25, 2025

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent auditor's report and the original copies are kept separately by HEIWA REAL ESTATE REIT and KPMG AZSA LLC.

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS

As of November 30, 2024 and May 31, 2024

	As of	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Assets		
Current Assets:		
Cash and deposits (Note 3)	¥ 11,777,811	¥ 11,870,573
Cash and deposits in trust (Note 3)	3,947,123	4,192,984
Tenant receivables	158,831	147,576
Prepaid expenses	156,594	150,554
Consumption taxes receivable	17,868	—
Other current assets	47,204	34,255
Allowance for doubtful accounts	(115)	(115)
Total Current Assets	16,105,318	16,395,828
Investment Properties (Notes 5 and 6):		
Land	42,321,308	42,321,308
Buildings	24,295,405	24,056,023
Structures	117,004	116,336
Machinery and equipment	336,971	328,481
Tools, furniture and fixtures	406,982	372,175
Land in trust	120,301,628	114,383,689
Buildings in trust	52,124,550	50,919,977
Structures in trust	255,548	250,994
Machinery and equipment in trust	785,331	779,683
Tools, furniture and fixtures in trust	1,511,793	1,441,744
Construction in progress in trust	—	504,500
Less: accumulated depreciation	(24,141,145)	(23,351,766)
Leasehold rights	10,553,621	10,553,621
Leasehold rights in trust	2,472,255	2,472,255
Total Investment Properties, Net	231,341,255	225,149,025
Other Assets:		
Software	730	1,074
Lease and guarantee deposits	24,589	24,589
Long-term prepaid expenses	348,983	363,858
Derivative assets (Note 4)	709,539	621,193
Deferred investment units issuance costs	58,941	42,218
Deferred investment corporation bond issuance costs	34,495	37,967
Others	566,982	527,534
Total Other Assets	1,744,261	1,618,437
Total Assets	¥ 249,190,835	¥ 243,163,290

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

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS, CONTINUED

As of November 30, 2024 and May 31, 2024

	As of	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Liabilities		
Current Liabilities:		
Operating accounts payable	¥ 968,584	¥ 961,210
Long-term debt due within one year (Notes 4 and 7)	13,976,000	13,737,000
Accrued expenses	951,302	924,473
Income taxes payable	369	593
Accrued consumption taxes	—	176,128
Advances received	1,329,803	1,314,347
Other current liabilities	22,587	37,074
Total Current Liabilities	17,248,648	17,150,828
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	7,900,000	7,900,000
Long-term debt (Notes 4 and 7)	92,161,200	92,400,200
Tenant security deposits	1,132,644	1,112,153
Tenant security deposits in trust	5,853,816	5,615,051
Derivative liabilities (Note 4)	—	31,914
Total Long-Term Liabilities	107,047,661	107,059,319
Total Liabilities	124,296,310	124,210,147
Net Assets (Notes 9)		
Unitholders' Equity:		
Unitholders' capital	108,578,318	102,992,648
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,194,933 units and 1,149,933 units as of		
November 30, 2024 and May 31, 2024, respectively		
Capital surplus	7,406,652	7,406,652
Deduction from capital surplus	(1,699,990)	(1,699,990)
Reserve for reduction entry	492,732	492,732
Reserve for temporary difference adjustment (Note 10)	1,660,160	1,706,157
Retained earnings	7,701,017	7,442,828
Total Unitholders' Equity	124,138,890	118,341,028
Valuation and translation adjustments:		
Deferred gains or losses on hedges	755,634	612,114
Total valuation and translation adjustments	755,634	612,114
Total Net Assets	124,894,525	118,953,142
Total Liabilities and Net Assets	¥ 249,190,835	¥ 243,163,290

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, 2024 and May 31, 2024

	For the six months ended	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Operating Revenues (Note 11):		
Rental revenues (Note 12)	¥ 7,283,703	¥ 7,111,707
Other revenues related to property leasing (Note 12)	756,314	723,518
Gain on sales of investment properties (Note 13)	1,005,454	900,261
Total Operating Revenues	9,045,473	8,735,486
Operating Expenses:		
Property-related expenses (Notes 12 and 18)	3,357,168	3,275,645
Asset management fees	748,666	738,315
Asset custody fees	13,600	13,488
Administrative service fees	30,843	30,492
Directors' compensation	6,102	6,102
Independent auditors' fees	12,400	12,000
Other operating expenses	182,049	175,744
Total Operating Expenses	4,350,831	4,251,788
Operating Income	4,694,642	4,483,697
Non-Operating Revenues:		
Interest income	1,540	79
Reversal of distributions payable	502	489
Insurance income	3,598	3,478
Other non-operating revenues	—	286
Total Non-Operating Revenues	5,642	4,334
Non-Operating Expenses:		
Interest expenses	472,781	419,382
Borrowing related expenses	59,636	57,109
Interest expenses on investment corporation bonds	30,335	32,385
Amortization of deferred investment corporation bond issuance costs	3,472	4,157
Amortization of deferred investment units issuance costs	20,665	22,798
Other non-operating expenses	13,822	13,111
Total Non-Operating Expenses	600,713	548,944
Ordinary Income	4,099,570	3,939,088
Income Before Income Taxes	4,099,570	3,939,088
Income taxes – current	605	605
Income Taxes (Note 14)	605	605
Net Income	4,098,965	3,938,483
Retained Earnings Brought Forward	3,602,051	3,504,345
Retained Earnings at End of Period	¥ 7,701,017	¥ 7,442,828

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, 2024 and May 31, 2024

	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, 2023	1,149,933	¥102,992,648	¥7,406,652	¥ (1,699,990)	¥ 491,130	¥1,752,155	¥ 7,254,729
Cash distributions declared	—	—	—	—	—	—	(3,794,778)
Net income	—	—	—	—	—	—	3,938,483
Provision of reserve for reduction entry	—	—	—	—	1,602	—	(1,602)
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(45,997)	45,997
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of May 31, 2024	1,149,933	¥102,992,648	¥7,406,652	¥ (1,699,990)	¥ 492,732	¥1,706,157	¥ 7,442,828
Cash distributions declared	—	—	—	—	—	—	(3,886,773)
Net income	—	—	—	—	—	—	4,098,965
Issuance of new investment units	45,000	5,585,670	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(45,997)	45,997
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of November 30, 2024	1,194,933	¥108,578,318	¥7,406,652	¥ (1,699,990)	¥ 492,732	¥1,660,160	¥ 7,701,017

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, 2023	¥ 335,147	¥ 335,147
Cash distributions declared	—	—
Net income	—	—
Reversal of reserve for temporary difference adjustment	—	—
Net changes of items other than unitholders' equity	276,966	276,966
Balance as of May 31, 2024	¥ 612,114	¥ 612,114
Cash distributions declared	—	—
Net income	—	—
Issuance of new investment units	—	—
Reversal of reserve for temporary difference adjustment	—	—
Net changes of items other than unitholders' equity	143,519	143,519
Balance as of November 30, 2024	¥ 755,634	¥ 755,634

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, 2024 and May 31, 2024

	For the six months ended	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 4,099,570	¥ 3,939,088
Depreciation and amortization	1,059,392	1,035,175
(Decrease) increase in allowance for doubtful accounts	(0)	93
Amortization of deferred investment corporation bond issuance costs	3,472	4,157
Amortization of deferred investment units issuance costs	20,665	22,798
Interest income	(1,540)	(79)
Interest expenses	503,116	451,767
Increase in tenant receivables	(11,255)	(15,046)
(Increase) decrease in consumption taxes receivable	(17,868)	47,490
(Decrease) increase in accrued consumption taxes	(176,128)	176,128
Decrease (increase) in long-term prepaid expenses	14,875	(22,952)
Increase (decrease) in operating accounts payable	60,555	(74,929)
Increase in accrued expenses	15,025	2,560
Increase in advances received	15,456	22,781
Increase (decrease) in deposits received	6,437	(6,061)
Decrease in investment properties in trust due to sale	1,360,803	1,399,130
Other, net	(42,430)	(7,917)
Interest income received	1,540	79
Interest expenses paid	(491,312)	(441,576)
Income taxes paid	(828)	(605)
Net Cash Provided by Operating Activities	6,419,546	6,532,079
Cash Flows from Investing Activities:		
Payment for purchases of investment properties other than intangible assets	(216,420)	(1,322,125)
Payment for purchases of investment properties in trust	(8,459,909)	(2,495,391)
Payment for purchases of intangible assets	—	(1,698,547)
Proceeds from tenant security deposits	73,623	84,136
Refunds of tenant security deposits	(53,131)	(35,213)
Proceeds from tenant security deposits in trust	534,354	219,970
Refunds of tenant security deposits in trust	(297,912)	(141,766)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	252,223	166,697
Deposit of trust deposits corresponding to tenant security deposits in trust	(13,481)	(93,813)
Net Cash Used in Investing Activities	(8,180,654)	(5,316,053)
Cash Flows from Financing Activities:		
Repayments of short-term debt	—	(1,000,000)
Proceeds from long-term debt	6,840,000	8,605,000
Repayments of long-term debt	(6,840,000)	(5,105,000)
Redemption of investment corporation bonds	—	(1,000,000)
Proceeds from issuance of new investment units	5,548,281	—
Distributions paid	(3,887,054)	(3,793,927)
Net Cash Provided by (Used in) Financing Activities	1,661,227	(2,293,927)
Net Change in Cash and Cash Equivalents	(99,880)	(1,077,901)
Cash and Cash Equivalents at Beginning of Period	15,322,384	16,400,286
Cash and Cash Equivalents at End of Period (Note 3)	¥ 15,222,503	¥ 15,322,384

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, 2024 and May 31, 2024

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, 2024, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 127 properties with approximately 319,240.38 square meters of rentable space and has leased space to 5,977 tenants. The occupancy rate for the properties is approximately 97.5%.

(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, 2024	May 31, 2024
	(Thousands of Yen)	
Investment properties	¥ 231,341,255	¥ 224,644,525

(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, 2024		May 31, 2024	
	(Thousands of Yen)			
Capitalized real estate taxes	¥	23.112	¥	7.848

(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, construction in progress 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, 2024		May 31, 2024	
	(Thousands of Yen)			
Cash and deposits	¥	11,777,811	¥	11,870,573
Cash and deposits in trust		3,947,123		4,192,984
Trust deposits retained for repayment of tenant security deposits		(502,431)		(741,173)
Cash and cash equivalents	¥	15,222,503	¥	15,322,384

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, 2024			As of May 31, 2024		
	(Thousands of Yen)			(Thousands of Yen)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Long-term debt due within one year	¥ 13,976,000	¥ 13,976,000	¥ —	¥ 13,737,000	¥ 13,737,000	¥ —
Investment corporation bonds	7,900,000	7,582,550	(317,450)	7,900,000	7,563,600	(336,400)
Long-term debt	92,161,200	92,027,424	(133,775)	92,400,200	92,259,851	(140,348)
Liabilities total	¥114,037,200	¥ 113,585,974	¥ (451,225)	¥ 114,037,200	¥ 113,560,451	¥ (476,748)
Derivatives (*)	¥ 755,634	¥ 755,634	¥ —	¥ 612,114	¥ 612,114	¥ —

(*) 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

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, 2024 and May 31, 2024.

Derivatives to which hedge accounting is applied are as follows:

Hedge accounting method	Type	Hedged item	As of November 30, 2024		
			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	¥ 60,668,200	¥ 48,496,200	¥ 755,634
Hedge accounting method	Type	Hedged item	As of May 31, 2024		
			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	¥ 61,998,200	¥ 49,991,200	¥ 612,114

(*) 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, 2024	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)						
Long-term debt due within one year	¥ 13,976,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	1,800,000	1,000,000	1,600,000	3,500,000
Long-term debt	—	15,312,000	13,435,000	14,694,200	14,020,000	34,700,000
Total	¥ 13,976,000	¥ 15,312,000	¥ 15,235,000	¥ 15,694,200	¥ 15,620,000	¥ 38,200,000

As of May 31, 2024	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)						
Long-term debt due within one year	¥ 13,737,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	—	—	2,800,000	1,600,000	3,500,000
Long-term debt	—	14,241,000	14,055,000	13,039,200	14,435,000	36,630,000
Total	¥ 13,737,000	¥ 14,241,000	¥ 14,055,000	¥ 15,839,200	¥ 16,035,000	¥ 40,130,000

Note 5 – Investment Properties

Investment properties consist of the following:

	As of November 30, 2024			As of May 31, 2024		
	(Thousands of Yen)			(Thousands of Yen)		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 42,321,308	¥ —	¥ 42,321,308	¥ 42,321,308	¥ —	¥ 42,321,308
Buildings	24,295,405	(6,449,623)	17,845,782	24,056,023	(6,173,708)	17,882,314
Structures	117,004	(59,827)	57,176	116,336	(56,839)	59,497
Machinery and equipment	336,971	(252,870)	84,100	328,481	(247,731)	80,750
Tools, furniture and fixtures	406,982	(234,494)	172,487	372,175	(217,100)	155,074
Land in trust	120,301,628	—	120,301,628	114,383,689	—	114,383,689
Buildings in trust	52,124,550	(15,610,903)	36,513,647	50,919,977	(15,189,094)	35,730,883
Structures in trust	255,548	(127,737)	127,811	250,994	(123,352)	127,641
Machinery and equipment in trust	785,331	(398,280)	387,051	779,683	(386,032)	393,650
Tools, furniture and fixtures in trust	1,511,793	(1,007,409)	504,384	1,441,744	(957,907)	483,837
Construction in progress in trust	—	—	—	504,500	—	504,500
Leasehold rights	10,553,621	—	10,553,621	10,553,621	—	10,553,621
Leasehold rights in trust	2,472,255	—	2,472,255	2,472,255	—	2,472,255
Total	¥ 255,482,401	¥ (24,141,145)	¥ 231,341,255	¥ 248,500,791	¥ (23,351,766)	¥ 225,149,025

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, 2024	May 31, 2024
	(Thousands of Yen)	
Book value:		
Balance at beginning of period	¥ 224,644,525	¥ 221,926,033
Change during the period	6,696,730	2,718,491
Balance at end of period	¥ 231,341,255	¥ 224,644,525
Fair value	¥ 291,351,000	¥ 283,207,499

Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. For the six months ended November 30, 2024, the increases are primarily due to acquisition of SHINWA ESAKA BUILDING and two other properties (¥7,920,972 thousand), and the decreases are primarily due to disposal of HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi-co-ownership) and one other property (¥1,360,803 thousand) and depreciation (¥1,059,392 thousand). For the six months ended May 31, 2024, the increases are primarily due to acquisition of HF KITASENJU RESIDENCE and one other property (¥4,143,005 thousand), and the decreases are primarily due to disposal of HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi-co-ownership) and one other property (¥1,399,130 thousand) and depreciation (¥1,035,175 thousand).
3. Fair value is determined based on appraisal values provide by external real estate appraisers.

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, 2024	May 31, 2024
	(Thousands of Yen)	
Long-term debt		
0.41% - 0.92% unsecured loans due 2024 (Notes 1 and 2)	¥ —	¥ 6,830,000
0.51% - 0.93% unsecured loans due 2025 (Notes 1 and 2)	13,976,000	13,986,000
0.58% - 0.98% unsecured loans due 2026 (Notes 1 and 2)	15,312,000	14,162,000
0.52% - 1.08% unsecured loans due 2027 (Notes 1 and 2)	13,435,000	13,435,000
0.64% - 1.33% unsecured loans due 2028 (Notes 1 and 2)	15,694,200	15,694,200
0.69% - 1.34% unsecured loans due 2029 (Notes 1 and 2)	13,020,000	13,020,000
0.78% - 1.47% unsecured loans due 2030 (Notes 1 and 2)	13,220,000	12,620,000
0.82% - 1.49% unsecured loans due 2031 (Notes 1 and 2)	14,410,000	9,320,000
0.77% - 0.91% unsecured loan due 2032 (Notes 1 and 2)	6,070,000	6,070,000
0.81% unsecured loan due 2033 (Notes 1 and 2)	1,000,000	1,000,000
Less: amount due within one year	(13,976,000)	(13,737,000)
Total long-term debt due after one year	¥ 92,161,200	¥ 92,400,200

Notes:

- Interest rates presented are average interest rates applicable to individual loans during the period ended November 30, 2024. 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.
- Funds are used for the acquisition of real estate and refinancing of borrowings.

HEIWA REAL ESTATE REIT maintains commitment line contracts with four financial institutions. The amounts of unused commitments on loans as of November 30, 2024 and May 31, 2024 are as follows:

	As of	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Total amounts of borrowing commitment lines	¥ 8,000,000	¥ 7,000,000
Borrowing execution balances	—	—
Net unused balance	¥ 8,000,000	¥ 7,000,000

Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

				As of			
				November 30, 2024		May 31, 2024	
				(Thousands of Yen)			
	Issued date	Maturity date	Interest rate				
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
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				¥	7,900,000	¥	7,900,000

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, 2024 and May 31, 2024, respectively.

	As of			
	November 30, 2024		May 31, 2024	
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, 2024	Original amount	Balance as of June 1, 2024	Provision during the period	Reversal during the period	Balance as of November 30, 2024	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,387,785	¥ —	¥ (42,610)	¥ 1,345,175	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 318,371	¥ —	¥ (3,386)	¥ 314,984	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, 2024	Original amount	Balance as of December 1, 2023	Provision during the period	Reversal during the period	Balance as of May 31, 2024	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,430,396	¥ —	¥ (42,610)	¥ 1,387,785	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 321,758	¥ —	¥ (3,386)	¥ 318,371	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, 2024	May 31, 2024
	(Thousands of Yen)	
Revenues from property leasing:		
Rental revenues:		
Base rents	¥ 6,557,509	¥ 6,387,324
Common area charges	726,194	724,382
Total rental revenues	7,283,703	7,111,707
Other revenues related to property leasing:		
Parking space rental revenues	214,100	205,663
Utility charge revenues	344,914	300,048
Incidental income	171,983	197,255
Cancellation penalty income	3,855	3,874
Others	21,460	16,676
Total other revenues related to property leasing	756,314	723,518
Total revenues from property leasing	8,040,018	7,835,225
Property-related expenses:		
Rental expenses:		
Property management expenses	813,394	782,600
Taxes and dues	557,123	539,565
Utilities expenses	385,294	329,238
Repair expenses	331,736	382,888
Insurance expenses	7,352	7,180
Trust fees	33,783	32,702
Depreciation	1,059,392	1,035,175
Others	169,089	166,293
Total property-related expenses	3,357,168	3,275,645
Operating income from property leasing	¥ 4,682,850	¥ 4,559,579

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, 2024

	(Thousands of Yen)	
HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi co-ownership):		
Proceeds from sales of investment properties	¥	1,760,000
Cost of sales of investment properties		995,337
Other expenses related to sales		31,935
Gain on sales of investment properties	¥	732,726
HF ICHIKAWA RESIDENCE:		
Proceeds from sales of investment properties	¥	670,000
Cost of sales of investment properties		365,466
Other expenses related to sales		31,805
Gain on sales of investment properties	¥	272,728

For the six months ended May 31, 2024

	(Thousands of Yen)	
HF NAKANOSHIMA RESIDENCE:		
Proceeds from sales of investment properties	¥	575,000
Cost of sales of investment properties		401,390
Other expenses related to sales		17,124
Gain on sales of investment properties	¥	156,484
HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi co-ownership):		
Proceeds from sales of investment properties	¥	1,760,000
Cost of sales of investment properties		997,739
Other expenses related to sales		18,483
Gain on sales of investment properties	¥	743,776

Note 14 – 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, 2024	May 31, 2024
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.27)	(30.12)
Changes in valuation allowance	(0.19)	(1.34)
Others	0.01	0.02
Effective tax rate	0.01%	0.02%

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

	As of	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Deferred tax assets:		
Allowance for doubtful accounts	¥ 36	¥ 29
Valuation differences due to merger	1,822,827	1,830,755
Total deferred tax assets	1,822,864	1,830,784
Valuation allowance	(1,822,864)	(1,830,784)
Net deferred tax assets	¥ —	¥ —

Note 15 – 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, 2024	May 31, 2024
	(Yen)	
Unappropriated retained earnings	¥ 7,701,017,959	¥ 7,442,828,182
Reversal of reserve for temporary difference adjustment (Note)	238,986,600	45,997,320
Cash distributions declared	4,349,556,120	3,886,773,540
(Cash distributions per unit)	(3,640)	(3,380)
Retained earnings carried forward	¥ 3,590,448,439	¥ 3,602,051,962

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 ¥235,599,665 and ¥42,610,385 for the six months ended November 30, 2024 and May 31, 2024, 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, 2024 and May 31, 2024, 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 ¥4,349,556,120 and ¥3,886,773,540 for the six months ended November 30, 2024 and May 31, 2024, respectively, which are the amounts calculated by adding a part of retained earnings brought forward of ¥11,603,523 and reversal of reserve for temporary difference adjustment of ¥238,986,600 (¥200 per unit) to net income of ¥4,098,965,997 for the six months ended November 30, 2024 and 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 ¥97,706,781 from net income of ¥3,938,483,001 for the six months ended May 31, 2024, 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 16 – Per Unit Information

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

	For the six months ended			
	November 30, 2024		May 31, 2024	
Earnings per unit:	(Yen)			
Net income per unit	¥	3,432	¥	3,424
Weighted average number of units outstanding (units)		1,194,176		1,149,933
	As of			
	November 30, 2024		May 31, 2024	
	(Yen)			
Net assets per unit	¥	104,520	¥	103,443

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 17 – Related-Party Transactions

Related-party transactions are as follows:

For the six months ended November 30, 2024

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)	¥ 9,645	Operating accounts payable	¥ 1,072
							Purchase of trust beneficiary interests in real estate (Note 3)	2,671,805	–	–
							Payment of brokerage fees	20,100	–	–
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)	305,919	Operating accounts payable	46,268
							Payment of repair work	57,177	Operating accounts payable	22,351
	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	836,301 (Note 6)	Accrued expenses	830,903

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. ¥1,020 thousand
- The purchase of trust beneficiary interests in real estate is related to Kitahama 1-Chome Heiwa Building and Kita Nijo 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. ¥89,100 thousand
- The asset management fees include acquisition fees of ¥63,335 thousand and transfer fees of ¥24,300 thousand.

For the six months ended May 31, 2024

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)	¥ 9,906	Operating accounts payable	¥ 1,103
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 3)	Chuo-ku, Tokyo	134,000	Property management	—	Provision of property management services	Payment of property management fees (Note 4)	282,667	Operating accounts payable	44,988
							Payment of repair work	57,478	Operating accounts payable	36,018
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 3)		295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees	800,565 (Note 5)	Accrued expenses	812,147

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. ¥619 thousand
- 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. ¥68,225 thousand
- The asset management fees include acquisition fees ¥38,900 thousand and transfer fees of ¥23,350 thousand.

Note 18 – Transactions with Major Unitholders

Amounts of transactions with major unitholders are as follows:

	For the six months ended	
	November 30, 2024	May 31, 2024
	(Thousands of Yen)	
Brokerage fees	¥ 20,100	¥ —
Property-related expenses	9,645	9,906

Note 19 – 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 20 – Subsequent Events

A. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in the Article of Incorporation, HEIWA REAL ESTATE REIT concluded a purchase agreement of one real estate trust beneficiary right (scheduled acquisition price: ¥5,300,000 thousand) on February 25, 2025.

Re-110 HF MEGURO GYONINZAKA RESIDENCE (Note 1)

Type of specified asset	Real estate trust beneficiary right
Agreement date	February 25, 2025
Scheduled acquisition date	March 19, 2025
Scheduled acquisition price (Note 2)	¥5,300,000 thousand
Location (lot number)	1-4-4 Shimomeguro, Meguro-ku, Tokyo
Purpose of use	Co-housing
Construction date	October 24, 2002
Structure	Reinforced concrete with flat roof, 2 floors below ground and 6 floors above ground
Total floor space	5,189.55m ²
Total rentable space	3,177.19m ²

Notes:

1. The name of this building is “Frontier Terrace Meguro” as of the date of this document; however, the name will be changed to “HF MEGURO GYONINZAKA RESIDENCE” on July 1, 2025. Therefore, the name after the said change is stated above.
2. “Scheduled acquisition price” is the price described in the real estate trust beneficiary right purchase agreement (consumption tax excluded), and does not include acquisition costs or the amounts of settlement for fixed property tax, city planning tax, etc.

B. Disposition of Assets

Based on the basic policies of asset management, etc., set out in the Article of Incorporation, HEIWA REAL ESTATE REIT concluded a transfer agreement of real estate trust beneficiary right below held by the REIT on February 25, 2025

Of-34 KOJIMACHI HF BUILDING

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	3-2-4 Kojimachi, Chiyoda-ku, Tokyo
Scheduled transfer price (Note 1)	¥ 2,600,000 thousand
Book value (Note 2)	¥ 1,345,562 thousand
Agreement date	February 25, 2025
Scheduled disposition date	March 19, 2025
Transferee	Not disclosed (Note 3)

Notes:

1. “Scheduled 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.