

Semiannual Financial Report
The 45th Fiscal Period
(From December 1, 2023 to May 31, 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 REIT has been pursuing the interests of investors and steadily grown its business with Heiwa Real Estate Group as its sponsor. Since 2020, the COVID-19 pandemic has been adding to the uncertainty in the real estate market. Amid these conditions, the REIT announced the Next Vision (asset size of 300 billion yen, distribution of 3,300 yen, AA- rating, and 100% electricity introduction rate derived from renewable energy), its new medium- to long-term targets, in July 2021. Because of the subsequent early achievement of the targets excluding the asset size of 300 billion yen, the REIT announced NEXT VISION II (asset size of 300 billion yen, distribution of 3,800 yen, annual rental income of +1%, 10% ROI, AA rating, 90% GHG reduction by 2030, 100% electricity introduction rate derived from renewable energy) in January 2024 as new medium-term targets. In NEXT VISION II, the REIT will invest significant funds in value-enhancing construction to accelerate internal growth, in addition to its property replacement strategy from previous years. Aiming for annual rental income of 1% and 10% ROI, we will build a portfolio that can withstand cost increases attributable to inflation and the impact on interest costs due to policy changes by the Bank of Japan. In addition, we will aim for distribution of 3,800 yen by returning cash flows obtained through investments in growth to our unitholders in a sustainable manner. Public interest in ESG has been growing rapidly in recent years. Responses to issues surrounding the environment, society, and corporate governance are important and significantly affect all of the management and business of the REIT. It recognizes that efforts to build a sustainable society contribute to the sustainable growth of the REIT. The REIT establishes ESG targets and strives to achieve them as one of its growth strategies.

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

We earnestly ask for your continued support of our business.

1. Overview of asset management

(1) Summary of asset management during the 45th fiscal period

The REIT is striving based on its Basic Philosophy of “Steady Growth of Assets Under Management” and “Stable Medium- to Long-Term Profits,” as well as “cooperation with and use of the Heiwa Real Estate Group” (collectively referring to Heiwa Real Estate Co., Ltd. (“Heiwa Real Estate”) and the subsidiaries of Heiwa Real Estate; the same hereinafter) to manage its assets with the purpose of maximizing investor’s value. Following is a summary of our asset management during the 45th fiscal period.

(i) Brief background of the REIT

Investment units in the REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (“TSE”) since March 8, 2005 (Securities Code: 8966). Between then and the start of the current fiscal period, the REIT executed a capital increase through public offering and issuance of new investment units through private placement on several occasions, an investment unit split and investment unit issuance through a merger with Japan Single-residence REIT Inc. on October 1, 2010 (the “Merger”), a cancellation of treasury investment units in September 2020 and public offering, etc. for three consecutive years in June 2021, June 2022 and June 2023. As a result, total investment units issued and outstanding were 1,149,933 and unitholders’ capital was ¥102,992 million as of the end of the 45th fiscal period (May 31, 2024).

(ii) Operating environment

Despite continued moves toward raising wages against the backdrop of the expansion of inbound demand and strong corporate performance, the Japanese economy was at a standstill during the current fiscal period mainly due to price hikes exceeding the wage increases, and the impact of the continuing weak yen trend 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, amid a continued downward trend largely against the backdrop of increased pressure on interest rates in Japan and the U.S., the TSE REIT index, which was 1,845.45 points at the end of the previous fiscal period (November 30, 2023), temporarily recovered to the level exceeding 1,800 points due to the declining concerns over interest rate increases in Japan following the Monetary Policy Meeting of the Bank of Japan in March, but it stood at 1,741.01 points at the end of the current fiscal period (May 31, 2024) since it moved on a weak tone again due to rising long-term interest rates in Japan, concerns about additional interest rate increases by the Bank of Japan, and other factors.

(a) Office building leasing market

According to the latest office building market data from Miki Shoji Co., Ltd., the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) improved to 5.48% at the end of the current fiscal period (May 31, 2024) from 6.03% at the end of the previous fiscal period (November 30, 2023), due to contracts steadily signed for new and existing buildings, as well as relocations for office expansion. In addition, the average rent rose for five consecutive months from January 2024, increasing slightly from ¥19,726/tsubo at the end of the previous fiscal period, to ¥19,944/tsubo at the end of the current fiscal period.

Furthermore, vacancy rates are also recovering from the downward pressure which was placed as a result of the completion of construction with many available lots left in the large supply of office space available in 2023. Although close attention still must be paid in order to judge whether weak conditions were escaped, 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 becoming stronger.

(b) Residential leasing market

According to At Home Co., Ltd., in May 2024, the average condominium contract rent in areas of major cities across Japan increased year-on-year for two consecutive months for area zones ranging from less than 30 m² to over 70 m² in Tokyo 23 wards, the metropolis of Tokyo outside the 23 wards, Kanagawa Prefecture, Saitama Prefecture, Sapporo City, Sendai City, Nagoya City, Osaka City, and Fukuoka City. In addition, the average contract rent for family-oriented condominiums rose year-on-year in all 13 areas for seven consecutive months, and reached their highest levels since January 2015 particularly in eight areas (Kanagawa Prefecture, Saitama Prefecture, Chiba Prefecture, Sapporo City, Sendai City, Nagoya City, Osaka City and Fukuoka City). Furthermore, according to the Survey Report on the Statistics of Construction Starts published in May 2024, the number of new housing starts (rental housing) took a downward turn in May 2024 from an increase in the prior month after it had fluctuated since December 2023. 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 endeavor to ensure stable profitability, since the tendency toward increasing rents continues to be expected due to the favorable balance of supply and demand.

(c) Real estate

As for government-assessed land prices as of January 1, 2024, which were published in March 2024, the average prices for all types of land, land in residential areas, and land in commercial areas each rose for the third consecutive year in Japan's three major metropolitan areas of Tokyo, Osaka and Nagoya, with the rate of increase expanding. Furthermore, the average prices for all types of land, land in residential areas, and land in commercial areas each rose for the third consecutive year in the Tokyo and Nagoya areas, whereas in the Osaka area, the average prices for all types of land and land in residential areas rose for the third consecutive year, and land in commercial areas rose for the second consecutive year, 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 third 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

With the aim of expanding its asset size, improving the profitability and quality of its portfolio, the REIT acquired one residential building on February 29, 2024 (Re-108 HF KITASENJU RESIDENCE (real estate, acquisition price: ¥2,510 million)), and one residential building on March 29, 2024 (Re-109 HF HIKIFUNE RESIDENCE (real estate trust beneficiary right, acquisition price: ¥1,380 million)). In addition, the REIT sold one residential property on December 22, 2023 (Re-45 HF NAKANOSHIMA RESIDENCE (real estate trust beneficiary right, acquisition price: ¥453 million)), and 50% quasi-co-ownership interest in one office property on April 12, 2024 (Of-31 HF NIHONBASHI HAMACHO BUILDING (real estate trust beneficiary right, acquisition price: ¥1,900 million)).

As a result, portfolio assets as of the end of the current fiscal period were 127 properties (total acquisition price: ¥230,981 million), including 43 office buildings (total acquisition price of ¥116,002 million) and 84 residential buildings (total acquisition price of ¥114,979 million).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 45th fiscal period, the REIT continued to be engaged in tenant leasing activities, working to shorten vacancy duration as well as systematic efforts to increase its investment value based on tenant needs and the characteristics of each individual property. Supported by these and other initiatives for maintaining and improving the competitiveness of its assets, the occupancy rate for total assets held by the REIT came to 97.7% at the end of the current fiscal period. The REIT was able to stabilize the occupancy rate, which had reached 97.7% 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 97.8%.

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 one property shown below during the period from the beginning of the current fiscal period to the date of this document. In addition, the REIT plans to rename the one property shown below that was acquired during the current fiscal period. 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 (planned)

Date of change (planned)	Property no.	Old name	New name
April 1, 2024	Of-54	STAGE NISHIKI	HF NAGOYA NISHIKI BUILDING
September 1, 2024	Re-109	N-stage HIKIFUNE	HF HIKIFUNE RESIDENCE

(iv) Procurement of funds

The REIT took out loans to fund property acquisition and the like: Term Loan 74-1 (loan amount: ¥500 million), Term Loan 74-2 (loan amount: ¥1,000 million) and Term Loan 74-3 (loan amount: ¥1,000 million) on February 29, 2024. In addition, the REIT took out Term Loan 75 Tranche A (loan amount: ¥560 million), Tranche B (loan amount: ¥225 million), Tranche C (loan amount: ¥3,320 million) and Tranche D (loan amount: ¥2,000 million), on May 31, 2024, to fund the redemption of Term Loan 28 Tranche B (loan balance: ¥4,880 million), Term Loan 51 Tranche A (loan balance: ¥225 million) and Term Loan 72-1 (loan balance: ¥1,000 million), the principal repayment of which were due on the same day.

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 4.1 years, and the average borrowing interest rate was 0.85%.

In addition, to secure financial creditworthiness by increasing the means of flexible and stable fundraising and liquidity on hand, the REIT has established the commitment line with a maximum total limit of ¥7,000 million (contract period is from June 1, 2023 to May 31, 2024) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., and Resona Bank, Limited. On May 28, 2024, the REIT renewed the commitment line, increasing the maximum total limit to ¥8,000 million (contract period is from June 1, 2024 to May 31, 2025).

[Term Loan 74-1]

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

[Term Loan 74-2]

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

[Term Loan 74-3]

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

[Term Loan 75 Tranche A]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited	¥560 million	May 31, 2024	November 30, 2028 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 75 Tranche B]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary

MUFG Bank, Ltd.	¥225 million	May 31, 2024	November 30, 2028 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed
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[Term Loan 75 Tranche C]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited	¥3,320 million	May 31, 2024	May 30, 2031 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 75 Tranche D]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	¥2,000 million	May 31, 2024	May 30, 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): 46.90%).

(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 45th fiscal period results of ¥8,735 million in operating revenues, ¥4,483 million in operating income, after deducting interest expenses on borrowings, ¥3,939 million in ordinary income, and ¥3,938 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 ¥3,886,773,540 for the current fiscal period, which are the amounts calculated by adding reversal of reserve for temporary difference adjustment of ¥45,997,320 (¥40 per unit) to the amount calculated by deducting ¥97,706,781 from net income of ¥3,938,483,001. As a result, distributions per unit have come to ¥3,380.

(2) Overview of capital increase

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

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

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

(Note 2) The REIT issued additional investment units (public offering) at the offer price of ¥161,070 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 4), the REIT issued additional investment units (third-party allotment) to SMBC Nikko Securities Inc.

[Changes in the market price of investment securities]

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

(Unit: yen)

Fiscal period	41st FP	42nd FP	43rd FP	44th FP	45th FP
Closing date	May 31, 2022	November 30, 2022	May 31, 2023	November 30, 2023	May 31, 2024
High	157,600	162,100	163,700	155,700	143,500
Low	131,400	138,400	147,000	135,400	129,700

(3) Distributions

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

Based on this policy, the REIT made a decision to pay out ¥3,886,773,540 as distributions, 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. As a result, distributions per unit have come to ¥3,380.

Fiscal period		41st FP	42nd FP	43rd FP	44th FP	45th FP
		May 31, 2022	November 30, 2022	May 31, 2023	November 30, 2023	May 31, 2024
Unappropriated retained earnings	thousand yen	6,304,797	6,692,914	6,755,071	7,254,729	7,442,828
Reversal of reserve for temporary difference adjustment	thousand yen	42,229	44,549	44,549	45,997	45,997
Retained earnings	thousand yen	3,127,041	3,251,479	3,280,224	3,505,947	3,602,051
Total distributions	thousand yen	3,219,985	3,485,984	3,519,396	3,794,778	3,886,773
Distributions per unit	yen	(3,050)	(3,130)	(3,160)	(3,300)	(3,380)
Distributions of profit	thousand yen	3,219,985	3,485,984	3,519,396	3,794,778	3,886,773
(Distributions of profit per unit)	yen	(3,050)	(3,130)	(3,160)	(3,330)	(3,380)
Contribution refunds	thousand yen	—	—	—	—	—
(Contribution refunds per unit)	yen	(—)	(—)	(—)	(—)	(—)
Of contribution refunds, distributions from reserve for temporary difference adjustment	thousand yen	—	—	—	—	—
(Of contribution refunds per unit, distributions from reserve for temporary difference adjustment per unit)	yen	(—)	(—)	(—)	(—)	(—)
Of contribution refunds, distributions accompanying decrease in capital, etc. under tax law	thousand yen	—	—	—	—	—
(Of contribution refunds per unit, distributions accompanying decrease in capital, etc. under tax law)	yen	(—)	(—)	(—)	(—)	(—)

(4) Management policy and future issues

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

(a) External growth

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

(b) Internal growth

The REIT believes that by using the database and information network developed by the Heiwa Real Estate Group and its property management company, it can quickly detect leasing market trends and conduct precise property management, enabling it to maintain and increase occupancy rates and rent levels in assets under management. In the office building leasing market, while tenant demand is increasing as tenants are using the post-pandemic period as an opportunity to review their office strategies, interest in set-up offices is also currently growing. To respond to changes in office demand, we will continue to exercise management 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 endeavor to ensure stable profitability, since the tendency toward an increase in 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. Issuance of new investment units

At the Board of Directors Meeting held on May 20, 2024 and May 23, 2024, HEIWA REAL ESTATE REIT resolved to issue new investment units as described below and the payment for issuance of new investment units through public offering and third-party allotment has been completed on June 3, 2024, and June 25, 2024, respectively. As a result, the amount of unitholders' capital is ¥108,578,000 thousand and the number of investment units issued is 1,194,933 as of August 28, 2024.

1. Issuance of new investment units through public offering

(1) Number of investment units issued	42,800 units
(2) Issue price (offer price)	¥128,271 per unit
(3) Total amount of the issue	¥5,489,998,800
(4) Paid-in amount (issue amount)	¥124,126 per unit
(5) Total paid-in amount (total issue amount)	¥5,312,592,800
(6) Payment date	June 3, 2024

2. Issuance of new investment units through third-party allotment

(1) Number of investment units issued	2,200 units
(2) Paid-in amount (issue amount)	¥124,126
(3) Total paid-in amount (total issue amount)	¥273,077,200
(4) Allottee	SMBC Nikko Securities Inc.
(5) Payment date	June 25, 2024

B. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT acquired three real estate trust beneficiary rights on June 6, 2024 and June 14, 2024 (total acquisition price: ¥7,666,000 thousand).

Of-55 Kitahama 1-Chome Heiwa Building (Additional acquisition)

Type of specified asset	Real estate trust beneficiary right (25% interest of quasi-co-ownership)
Agreement date	May 20, 2024
Acquisition date	June 6, 2024
Acquisition price (Note 1)	¥1,130,000 thousand
Location (lot number)	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka
Purpose of use	Office, store and parking
Construction date	February 28, 2015
Structure	Steel beam / steel-framed reinforced concrete with flat roof, 1 floor below ground and 9 floors above ground
Total floor space (Note 2)	1,368.83m ²
Total rentable space (Note 3)	904.76m ²

Notes:

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

- 2 “Total floor space” is calculated by multiplying the total floor space of one building by 25% interest of quasi-co-ownership and rounded down to two decimal places.
- 3 “Total rentable space” is calculated by multiplying the total rentable space of one building by 25% interest of quasi-co-ownership and rounded down to two decimal places.

Of-58 Shinwa Esaka Building

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

Note:

“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.

Of-59 Kita Nijo Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 20, 2024
Acquisition date	June 6, 2024
Acquisition price (Note 1)	¥1,535,000 thousand
Location (lot number)	1-2-9, 1-2-10, Kitaniyohigashi, Chuo-ku, Sapporo City, Hokkaido (Note 2)
Purpose of use	Office, store, parking
Construction date	February 21, 1990
Structure	Reinforced concrete / steel-framed reinforced concrete with flat roof, 9 floors above ground
Total floor space	2,887.33m ²
Total rentable space	2,071.78m ²

Notes:

- 1 “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.
- 2 “Location” is the building address as stated in the real estate registry because the residential address has not been assigned.

C. Disposition of Assets

In accordance with the basic policies of asset management, etc., set out in the Article of Incorporation, and pursuant to the real estate trust beneficiary right transfer agreement concluded on March 25, 2024, HEIWA REAL ESTATE REIT transferred the remaining 50% interest of quasi-co-ownership of real estate trust beneficiary right as follows on June 3, 2024.

Of-31 HF NIHONBASHI HAMACHO BUILDING (Second transfer)

Type of specified asset	Real estate trust beneficiary right (50% interest of quasi-co-ownership)
Location (lot number)	1-2-1 Nihonbashi Hama-cho, Chuo-ku, Tokyo
Transfer price (Note 1)	¥1,760,000 thousand
Book value (Note 2)	¥995,000 thousand
Agreement date	March 25, 2024

Disposition date	June 3, 2024
Transferee (Note 3)	Not disclosed

Notes:

1. The transfer was made in two parts and the first transfer had been executed before the end of the fiscal period as of May 31, 2024. “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 (the amount equivalent to 50% interest of quasi-co-ownership) as of the date of the second transfer.
3. Not disclosed as consent has not been obtained from the transferee.

2. Overview of the REIT

(1) Overview of investment units

Fiscal period		41st FP	42nd FP	43rd FP	44th FP	45th FP
		May 31, 2022	November 30, 2022	May 31, 2023	November 30, 2023	May 31, 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		1,055,733	1,113,733	1,113,733	1,149,933	1,149,933
Unitholders' capital	million yen	90,063	97,799	97,799	102,992	102,992
Number of unitholders		11,206	11,454	11,229	12,619	15,849

(2) Matters concerning investment units

The following represents major unitholders as of May 31, 2024

Name	Units Owned (units)	Ownership Ratio (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	336,974	29.30
The Master Trust Bank of Japan, Ltd. (trust account)	183,952	15.99
Heiwa Real Estate Co., Ltd.	148,645	12.92
The Nomura Trust and Banking Co., Ltd. (trust account)	46,221	4.01
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	21,800	1.89
STATE STREET BANK WEST CLIENT -TREATY 505234	17,426	1.51
JP MORGAN CHASE BANK 385771	16,416	1.42
SMBC Nikko Securities Inc.	14,447	1.25
Shikoku Railway Company	10,249	0.89
STATE STREET BANK AND TRUST COMPANY 505103	8,531	0.74
Total	804,661	69.97

(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 45th 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	—	12,000 (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) There is no consideration paid to KPMG AZSA LLC. for services 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 45th 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	44 th Fiscal Period (As of November 30, 2023)		45 th Fiscal Period (As of May 31, 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	7,498	3.1	7,487	3.1
		Metropolitan Area (Note 4)	5,070	2.1	5,100	2.1
		Other (Note 5)	4,958	2.1	5,053	2.1
	Residence	Tokyo 23 Wards	31,848	13.2	34,477	14.2
		Metropolitan Area (Note 4)	9,637	4.0	9,618	4.0
		Other (Note 5)	9,347	3.9	9,315	3.8
Subtotal			68,360	28.4	71,052	29.2
Real estate in trust (Note 3)	Office	Tokyo 23 Wards	60,797	25.2	60,017	24.7
		Metropolitan Area (Note 4)	8,726	3.6	8,701	3.6
		Other (Note 5)	29,700	12.3	29,601	12.2
	Residence	Tokyo 23 Wards	36,062	15.0	37,451	15.4
		Metropolitan Area (Note 4)	2,863	1.2	2,857	1.2
		Other (Note 5)	15,413	6.4	14,962	6.2
Subtotal			153,565	63.8	153,591	63.2
Real estate, etc., subtotal			221,926	92.1	224,644	92.4
Deposits and other assets			18,948	7.9	18,518	7.6
Total assets			240,874	100.0	243,163	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 45th 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	7,374	4,251.76	4,251.76	100.00	2.4	Office
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,255	8,141.02	7,940.52	97.54	2.7	Residence
Re-25	HF GINZA RESIDENCE EAST	5,353	5,459.49	5,244.51	96.06	1.8	Residence
Of-47	OSAKI CN BUILDING	5,190	3,237.86	3,237.86	100.00	1.5	Office
Of-25	KAYABACHO HEIWA BUILDING	4,962	4,156.53	4,156.53	100.00	2.7	Office
Of-30	HF SAKURADORI BUILDING	4,272	9,934.77	9,934.77	100.00	4.3	Office
Of-51	SAKAE CENTER BUILDING	4,021	5,379.03	5,379.03	100.00	1.8	Office, Retail, Residence
Of-57	PRIME TOWER YOKOHAMA	3,958	4,446.45	4,161.80	93.60	1.4	Office
Of-38	ACROSS SHINKAWA BUILDING	3,958	3,828.92	3,745.51	97.82	1.7	Office, Residence
Re-45	HF NIHONBASHI KABUTOCHO BUILDING	3,707	2,737.77	2,737.77	100.00	1.4	Office
Total		49,055	51,573.60	50,790.06	98.48	21.8	

(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 45th 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	1,835	1,376
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	2,960	2,302
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	1,780	1,563
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,430	2,775
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,540	2,134
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,800	2,988
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,130	1,092
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,048	3,357
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,550	3,453
Of-21	ADESSO NISHIAZABU	1-7-2 Nishi Azabu, Minato-ku, Tokyo	Real estate	570	590
Of-23	HF IKEBUKURO BUILDING	2-29-12 Minami Ikebukuro, Toshima-ku, Tokyo	Real estate	1,460	1,255
Of-24	HF YUSHIMA BUILDING	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,750	1,561
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	7,650	4,962
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho, Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,580	2,437
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,410	1,427
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	6,940	4,272
Of-31	HF NIHONBASHI HAMACHO BUILDING (note 4)	1-2-1 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	1,760	996
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,710	2,455
Of-33	HF UENO BUILDING	5-6-10 Ueno, Taito-ku, Tokyo	Trust beneficial interest	4,190	3,360
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficial interest	2,120	1,350
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami, Chiyoda-ku, Tokyo	Trust beneficial interest	3,270	2,869
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachi, Chiyoda-ku, Tokyo	Trust beneficial interest	4,210	3,180
Of-37	NISSO 5 BUILDING	2-10-39 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,150	3,134
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,260	3,958
Of-39	SENJU MILDIX II	3-98 Senju, Adachi-ku, Tokyo	Trust beneficial interest	1,900	1,589
Of-40	ARK Mori Building	1-12-32 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,480	3,267
Of-41	Nihonbashi Horidomecho First	1-2-10 Nihonbashi Horidomecho, Chuo-ku, Tokyo	Trust beneficial interest	2,340	2,150

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi, Hachioji City, Tokyo	Trust beneficial interest	1,900	1,607
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,200	3,134
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,850	2,925
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	3,910	3,707
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,700	2,703
Of-47	OSAKI CN BUILDING	5-10-10 Osaki, Shinagawa-ku, Tokyo	Trust beneficial interest	5,470	5,190
Of-48	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Real estate	2,000	1,647
Of-49	HF ESAKA BUILDING	1-13-48 Esakacho, Suita City, Osaka	Trust beneficial interest	2,670	2,577
Of-50	Shinsaibashi FRONT Building	3-5-11, Minamisenba, Chuo-ku, Osaka-city, Osaka	Trust beneficial interest	7,580	7,374
Of-51	SAKAE CENTER BUILDING	3-13-20 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	4,320	4,021
Of-52	IWAMOTOCHO TWIN BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	3,750	3,435
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	549	427
Of-54	HF NAGOYA NISHIKI BUILDING	1-7-34, Nishiki, Naka-ku, Nagoya-city, Aichi	Real estate	2,420	2,349
Of-55	Kitahama 1-Chome Heiwa Building	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	3,547	3,375
Of-56	Heiwa Real Estate Kitahama Building	2-1-5 Kitahama, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	1,830	1,659
Of-57	PRIME TOWER YOKOHAMA	89-6, Yamashitacho, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,040	3,958
Office subtotal				137,559	115,961
Re-03	HF ICHIKAWA RESIDENCE	4-8-13 Ainokawa, Ichikawa City, Chiba	Trust beneficial interest	610	367
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	823	610
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	1,029	565
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	5,633	3,056
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	2,072	1,382
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,632	1,289
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,270	875
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,690	842
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,960	935
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	986	555

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	6,670	3,545
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,170	978
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,340	1,051
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,140	815
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,420	1,047
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	6,490	5,353
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	3,120	2,836
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,630	1,455
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,480	1,559
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,360	949
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	873	829
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	1,050	695
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,930	1,308
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,370	1,668
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,360	792
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	8,450	6,255
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	761	476
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,310	1,464
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	650	466
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,640	1,631
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	780
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	786	574
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,260	767
Re-58	HF KOKUBUNJI RESIDENCE	3-18-7 Minami-cho, Kokubunji City, Tokyo	Trust beneficial interest	1,200	791
Re-59	HF HISAYAODORI RESIDENCE	1-12-1 Izumi, Higashi-ku, Nagoya City, Aichi	Trust beneficial interest	1,300	953
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	411-1 Kami Goryomae-cho, Kami Goryomae Dori, Karasuma Higashi Iru, Kamigyo-ku, Kyoto City, Kyoto	Trust beneficial interest	773	505
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,970	1,897

	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	1,111
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,780	1,219
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	753	510
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,210	686
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	961	605
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,150	726
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	856
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,830	1,947
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	820
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,760	1,138
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,040	1,441
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,540	1,235
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	980	747
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,380	1,698
Re-79	HF MEIEKI-KITA RESIDENCE	(W) 2-19-22 Kikui, (E) 2-19-27 Kikui, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	2,400	2,104
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,910	1,414
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,010	891
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	951	874
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,510	1,044
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,730	1,347
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,270	1,207
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,570	1,250
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	1,120	899
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,140	1,058
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,350	1,164
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,230	1,085

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	1,180
Re-93	HF HAKATA-HIGASHI RESIDENCE II	1-9-27 Yutaka, Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,470	1,290
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamataseshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,520	1,321
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,940	1,753
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,440	1,266
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	835	724
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,460	1,373
Re-99	HF UENO IRIYA RESIDENCE	1-12-1, Iriya, Taito-ku, Tokyo	Real estate	1,040	954
Re-100	HF TSUJIDO RESIDENCE	2-2-26 Tsujidokandai, Fujisawa City, Kanagawa	Real estate	2,130	2,008
Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	3-2-24 Sakaecho, Kawaguchi City, Saitama	Real estate	1,580	1,361
Re-102	HF HIGASHIOGU RESIDENCE	8-32-5 Higashiogu, Arakawa-ku, Tokyo	Real estate	1,460	1,254
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	941
Re-104	HF FUSHIMI RESIDENCE	1-25-23, Sakae, Naka-ku, Nagoya City, Aichi	Real estate	667	669
Re-105	HF NAKANO-SAKAUE RESIDENCE	1-29-17, Chuo, Nakano-ku, Tokyo	Real estate	1,280	1,099
Re-106	HF UENO RESIDENCE EAST	5-4-15, Higashiueno, Taito-ku, Tokyo	Real estate	2,890	2,632
Re-107	HF OMORIMACHI RESIDENCE	1-13-8, Omorinaka, Ota-ku, Tokyo	Real estate	1,340	1,281
Re-108	HF KITASENJU RESIDENCE	1-1-7, Senju, Adachi-ku, Tokyo	Real estate	3,030	2,713
Re-109	HF HIKIFUNE RESIDENCE	3-20-15, Kyojima, Sumida-ku, Tokyo	Trust beneficial interest	1,670	1,420
Residence subtotal				145,648	108,682
Total				283,207	224,644

(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. Regarding Of-31 HF NIHONBASHI HAMACHO BUILDING, the value obtained by multiplying the transfer price in the agreement on the sale and purchase dated March 25, 2024 by the quasi co-ownership interest (50%) in the trust beneficiary interest is indicated.

(Note 3) Book value is the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of May 31, 2024, after deducting the accumulated depreciation.

(Note 4) The remaining quasi co-ownership interest of 50% in Of-31 HF NIHONBASHI HAMACHO BUILDING was transferred on June 3, 2024.

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

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 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	62,410	0.8	6	100.00	60,188	0.8
Of-06	HF MONZENNAKA CHO BUILDING	7	100.00	90,184	1.2	7	100.00	89,589	1.1
Of-07	HF HAMAMATSUC HO BUILDING	8	88.81	51,338	0.7	7	77.62	43,376	0.6
Of-08	HF TAMEIKE BUILDING	8	100.00	84,760	1.1	8	100.00	87,305	1.1
Of-11	HF NIHONBASHI ODENMACHO BUILDING	7	77.36	64,072	0.8	8	100.00	56,094	0.7
Of-12	HF HATCHOBORI BUILDING	7	100.00	79,052	1.0	7	100.00	77,879	1.0
Of-17	HATCHOBORI MF BUILDING	9	100.00	34,726	0.4	9	100.00	34,703	0.4
Of-18	M2 HARAJUKU	5	100.00	83,031	1.1	5	100.00	85,363	1.1
Of-20	FUNABASHI FACE BUILDING	9	100.00	121,771	1.6	9	100.00	122,334	1.6
Of-21	ADESSO NISHIAZABU	3	72.37	10,134	0.1	4	100.00	13,159	0.2
Of-23	HF IKEBUKURO BUILDING	9	100.00	44,563	0.6	9	100.00	43,720	0.6
Of-24	HF YUSHIMA BUILDING	9	100.00	51,334	0.7	9	100.00	50,403	0.6
Of-25	KAYABACHO HEIWA BUILDING	1	100.00	211,839	2.7	1	100.00	210,299	2.7
Of-27	KOBE KYUKYORYUC HI HEIWA BUILDING	38	96.43	151,902	2.0	40	100.00	149,172	1.9
Of-29	SAKAE MINAMI HEIWA BUILDING	6	100.00	100,904	1.3	6	100.00	92,843	1.2
Of-30	HF SAKURADORI BUILDING	22	100.00	337,987	4.3	22	100.00	335,274	4.3
Of-31	HF NIHONBASHI HAMACHO BUILDING(Note 6, 8)	8	100.00	95,809	1.2	8	100.00	81,718	1.0

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 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	40	100.00	153,687	2.0	39	100.00	155,754	2.0
Of-33	HF UENO BUILDING	7	100.00	144,624	1.9	7	100.00	141,228	1.8
Of-34	KOJIMACHI HF BUILDING	8	100.00	70,636	0.9	8	100.00	70,447	0.9
Of-35	HF KUDAN MINAMI BUILDING	3	100.00	91,801	1.2	3	100.00	90,404	1.2
Of-36	HF KANDA OGAWAMACHI BUILDING	6	88.11	102,946	1.3	6	100.00	98,200	1.3
Of-37	NISSO 5 BUILDING	1	100.00	88,611	1.1	1	100.00	89,308	1.1
Of-38	ACROSS SHINKAWA BUILDING	13	100.00	136,566	1.8	12	97.82	135,995	1.7
Of-39	SENJU MILDIX II	5	100.00	69,945	0.9	5	100.00	69,950	0.9
Of-40	ARK Mori Building	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.00	64,180	0.8	3	100.00	63,610	0.8
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.00	73,715	0.9	3	100.00	72,818	0.9
Of-43	HAMACHO HEIWA BUILDING	10	100.00	87,643	1.1	10	100.00	86,353	1.1
Of-44	KINSHICHO SQUARE BUILDING	11	100.00	78,645	1.0	11	100.00	77,928	1.0
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	8	100.00	112,039	1.4	8	100.00	112,358	1.4
Of-46	HF SENDAI ICHIBANCHO BUILDING	15	100.00	84,220	1.1	15	100.00	89,035	1.1
Of-47	OSAKI CN BUILDING	7	100.00	114,918	1.5	7	100.00	114,492	1.5
Of-48	Faret East Building	7	100.00	65,210	0.8	7	100.00	65,120	0.8
Of-49	HF ESAKA BUILDING	7	100.00	68,698	0.9	7	100.00	68,923	0.9
Of-50	Shinsaibashi FRONT Building	13	100.00	192,075	2.5	13	100.00	191,927	2.4

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 2024)			
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Of-51	SAKAE CENTER BUILDING	21	100.00	138,357	1.8	21	100.00	143,950	1.8
Of-52	IWAMOTOCHO TWIN BUILDING	8	100.00	71,150	0.9	8	100.00	80,386	1.0
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	9	100.00	12,713	0.2	9	100.00	15,461	0.2
Of-54	HF NAGOYA NISHIKI BUILDING	21	86.27	59,173	0.8	21	90.99	56,737	0.7
Of-55	Kitahama 1- Chome Heiwa Building(Note 5)	18	100.00	85,560	1.1	18	100.00	86,647	1.1
Of-56	Heiwa Real Estate Kitahama Building(Note 5)	15	100.00	47,648	0.6	15	100.00	49,702	0.6
Of-57	PRIME TOWER YOKOHAMA (Note 5)	14	100.00	71,273	0.9	13	93.60	107,742	1.4
Office subtotal		436	98.56	4,044,144	52.0	436	99.15	4,050,190	51.7
Re-03	HF ICHIKAWA RESIDENCE	36	100.00	17,280	0.2	36	100.00	17,299	0.2
Re-05	HF MEGURO RESIDENCE	18	85.95	19,175	0.2	21	100.00	20,303	0.3
Re-09	HF KASAI RESIDENCE	47	97.94	26,949	0.3	48	100.00	27,778	0.4
Re-11	HF WAKABAYASHI -KOEN RESIDENCE	96	98.89	127,736	1.6	93	96.31	128,713	1.6
Re-12	HF HIMONYA RESIDENCE	52	97.48	46,429	0.6	50	94.07	46,594	0.6
Re-14	HF MINAMIAZABU RESIDENCE	58	96.68	35,916	0.5	58	96.68	36,332	0.5
Re-16	HF GAKUGEIDAIG AKU RESIDENCE	27	100.00	28,901	0.4	24	88.44	29,107	0.4
Re-17	HF HIGASHIKAND A RESIDENCE	64	100.00	38,487	0.5	62	96.35	38,262	0.5
Re-18	HF HIGASHINIHON BASHI RESIDENCE	64	96.25	43,350	0.6	65	98.80	44,433	0.6
Re-19	HF NERIMA RESIDENCE	50	98.08	25,635	0.3	50	98.08	26,481	0.3

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 2024)			
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Re-20	HF SHIROKANETA KANAWA RESIDENCE	65	98.07	128,301	1.7	66	100.00	134,624	1.7
Re-21	HF MEIDAIMAE RESIDENCE	53	100.00	28,893	0.4	53	100.00	29,632	0.4
Re-22	HF NIHONBASHI RESIDENCE	47	98.28	35,130	0.5	48	100.00	36,556	0.5
Re-23	HF KAMISHAKUJII RESIDENCE	62	97.17	33,196	0.4	60	94.17	33,625	0.4
Re-24	HF KINSHICHO RESIDENCE	56	100.00	33,100	0.4	56	100.00	33,254	0.4
Re-25	HF GINZA RESIDENCE EAST	103	98.50	138,425	1.8	101	96.06	139,852	1.8
Re-26	HF SHIN-YOKOHAMA RESIDENCE	113	100.00	88,358	1.1	111	98.36	88,202	1.1
Re-30	HF MAGOME RESIDENCE	26	86.49	41,632	0.5	24	77.81	43,095	0.6
Re-31	HF GAKUGEIDAIG AKU RESIDENCE II	22	100.00	36,976	0.5	22	100.00	38,787	0.5
Re-33	HF KAMEIDO RESIDENCE	60	98.37	32,925	0.4	60	98.37	33,612	0.4
Re-34	HF TANASHI RESIDENCE	35	100.00	32,523	0.4	34	97.15	32,979	0.4
Re-38	La Residence de Shirokanedai	28	100.00	27,033	0.3	26	92.78	25,928	0.3
Re-39	HF GINZA RESIDENCE EAST II	71	94.42	52,001	0.7	73	98.75	51,389	0.7
Re-40	HF HATCHOBORI RESIDENCE II	83	99.08	59,151	0.8	84	100.00	62,424	0.8
Re-41	HF HATCHOBORI RESIDENCE III (Note 5)	—	—	15,465	0.2	—	—	—	—
Re-42	HF GINZA RESIDENCE	43	93.31	32,576	0.4	44	98.13	32,086	0.4
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	280	97.45	211,662	2.7	280	97.54	214,809	2.7

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Re-45	HF NAKANOSHIMA RESIDENCE (Note 6)	37	97.96	20,664	0.3	—	—	2,296	0.0
Re-46	HF AWAZA RESIDENCE (Note 5)	—	—	22,934	0.3	—	—	—	—
Re-47	HF MARUNOUCHI RESIDENCE	68	94.43	25,539	0.3	72	100.00	26,122	0.3
Re-48	HF HIRAO RESIDENCE	195	97.37	81,404	1.0	197	98.34	83,686	1.1
Re-49	HF KAWARAMACH I NIJO RESIDENCE	49	98.06	20,172	0.3	50	100.00	20,519	0.3
Re-53	HF SHIJO KAWARAMACH I RESIDENCE	127	96.91	75,222	1.0	127	96.93	75,427	1.0
Re-54	La Residence de Sendagi	48	96.25	28,318	0.4	50	100.00	32,072	0.4
Re-55	HF SENDAGI RESIDENCE	48	97.16	32,147	0.4	49	100.00	36,287	0.5
Re-56	HF KOMAZAWA- KOEN RESIDENCE	35	97.22	20,836	0.3	35	97.23	20,828	0.3
Re-57	HF MUSASHIKOYA MA RESIDENCE	52	100.00	34,937	0.4	52	100.00	32,408	0.4
Re-58	HF KOKUBUNJI RESIDENCE	43	92.87	32,486	0.4	47	100.00	31,611	0.4
Re-59	HF HISAYAODORI RESIDENCE	95	97.05	42,074	0.5	96	97.95	42,232	0.5
Re-60	HF KARASUMA KURAMAGUCH I RESIDENCE	41	100.00	22,413	0.3	40	97.86	22,336	0.3
Re-61	HF NISHI- SHINJUKU RESIDENCE WEST	72	93.41	71,924	0.9	77	100.00	71,183	0.9
Re-62	HF NISHI- SHINJUKU RESIDENCE EAST	48	100.00	41,932	0.5	43	89.25	44,976	0.6
Re-63	HF HIGASHI- SHINJUKU RESIDENCE	67	97.40	47,278	0.6	68	100.00	47,130	0.6

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 2024)			
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Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	37	97.26	20,988	0.3	36	94.98	20,980	0.3
Re-65	HF KITA-YOBANCHO RESIDENCE	89	98.91	39,114	0.5	82	91.13	38,730	0.5
Re-66	HF ATAGOBASHI RESIDENCE	73	91.75	31,819	0.4	77	97.51	32,143	0.4
Re-68	HF ASAKUSABASHI RESIDENCE	39	100.00	28,575	0.4	35	89.74	28,050	0.4
Re-69	HF ICHIBANCHO RESIDENCE	77	98.82	40,138	0.5	78	100.00	41,489	0.5
Re-70	HF HIGASHI-NAKANO RESIDENCE	47	96.65	32,432	0.4	49	100.00	32,425	0.4
Re-72	HF WASEDA RESIDENCE	117	97.02	76,776	1.0	113	93.14	78,178	1.0
Re-73	HF WASEDA RESIDENCE II	51	100.00	30,962	0.4	49	95.91	32,410	0.4
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	33	100.00	43,337	0.6	33	100.00	44,002	0.6
Re-75	HF SENDAI RESIDENCE EAST	142	95.15	67,390	0.9	138	91.22	67,104	0.9
Re-76	HF NISHI-KOEN RESIDENCE	99	96.97	43,888	0.6	99	97.09	44,165	0.6
Re-77	HF BANSUI-DORI RESIDENCE	65	98.48	29,161	0.4	65	98.48	28,809	0.4
Re-78	HF KANNAI RESIDENCE	112	95.56	62,174	0.8	110	93.99	63,167	0.8
Re-79	HF MEIEKI-KITA RESIDENCE	111	98.39	64,476	0.8	109	96.82	64,956	0.8
Re-80	HF HIGASHI-SAPPORO RESIDENCE	143	95.24	58,022	0.7	141	93.71	57,866	0.7
Re-81	HF HAKATA-HIGASHI RESIDENCE	76	97.44	30,588	0.4	76	97.43	30,665	0.4
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	54	98.18	27,148	0.3	54	98.18	26,209	0.3
Re-83	HF TABATA RESIDENCE	55	98.61	41,925	0.5	55	97.08	47,196	0.6

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 2024)			
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Re-84	HF RYOGOKU RESIDENCE	64	97.60	52,621	0.7	63	95.45	51,411	0.7
Re-85	HF HACHIOJI RESIDENCE	51	100.00	35,453	0.5	51	100.00	36,872	0.5
Re-86	HF MITA RESIDENCE II	40	100.00	32,429	0.4	40	100.00	32,658	0.4
Re-87	HF MONZEN- NAKACHO RESIDENCE	43	97.73	29,003	0.4	43	97.73	29,396	0.4
Re-88	HF MINAMI- SUNAMACHI RESIDENCE	42	87.52	29,171	0.4	48	100.00	26,726	0.3
Re-89	HF SENDAI NAGAMACHI RESIDENCE	68	98.92	34,342	0.4	68	98.47	34,962	0.4
Re-90	HF SHOKOJI AKABANE RESIDENCE	49	100.00	37,919	0.5	46	91.98	38,474	0.5
Re-91	HF SENDAI HONCHO RESIDENCE	67	97.11	33,341	0.4	67	97.11	33,988	0.4
Re-92	HF OHORI RESIDENCE BAYSIDE	65	97.23	35,275	0.5	67	100.00	36,425	0.5
Re-93	HF HAKATA- HIGASHI RESIDENCE II	107	97.16	42,606	0.5	109	99.11	42,655	0.5
Re-94	HF FUKUOKA RESIDENCE EAST	113	95.09	45,016	0.6	116	97.24	45,530	0.6
Re-95	HF SHOKOJI AKABANE RESIDENCE II	65	92.23	52,990	0.7	69	97.71	57,998	0.7
Re-96	HF YAHIRO RESIDENCE	64	100.00	40,827	0.5	64	100.00	42,817	0.5
Re-97	HF SETAGAYAKAM IMACHI RESIDENCE	30	100.00	20,363	0.3	29	96.70	20,359	0.3
Re-98	HF SOKA RESIDENCE	97	98.00	43,875	0.6	98	99.00	42,393	0.5
Re-99	HF UENO IRIYA RESIDENCE	33	100.00	24,156	0.3	31	94.95	24,971	0.3
Re-100	HF TSUJIDO RESIDENCE	37	95.05	50,228	0.6	36	90.35	52,331	0.7
Re-101	HF KAWAGUCHIEK IMAE RESIDENCE	88	97.02	56,528	0.7	89	98.01	62,401	0.8

Property name		44th Fiscal Period (For the six-month period ended November 30, 2023)				45th Fiscal Period (For the six-month period ended May 31, 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)
Re-102	HF HIGASHIOGU RESIDENCE	49	100.00	39,884	0.5	48	97.05	45,267	0.6
Re-103	HF IMAIKE- MINAMI RESIDENCE	69	97.26	27,753	0.4	69	97.26	26,560	0.3
Re-104	HF FUSHIMI RESIDENCE	33	91.10	18,702	0.2	35	97.03	17,993	0.2
Re-105	HF NAKANO- SAKAUE RESIDENCE	30	92.29	29,418	0.4	31	92.66	29,155	0.4
Re-106	HF UENO RESIDENCE EAST	52	93.22	64,112	0.8	50	88.91	63,916	0.8
Re-107	HF OMORIMACHI RESIDENCE	25	95.83	26,255	0.3	25	95.83	27,813	0.4
Re-108	HF KITASENJU RESIDENCE(Note 6)	—	—	—	—	90	100.00	37,817	0.5
Re-109	HF HIKIFUNE RESIDENCE(Note 6)	—	—	—	—	30	93.47	10,291	0.1
Residence subtotal		5,485	97.11	3,728,707	48.0	5,563	96.71	3,785,034	48.3
Total		5,921	97.71	7,772,851	100.0	5,999	97.70	7,835,225	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 June 6, 2023 for Of-55 Kitahama 1-Chome Heiwa Building and Of-56 Heiwa Real Estate Kitahama Building, August 3, 2023 for Of-57 Prime Tower Yokohama. The dates of transfer were August 31, 2023 for Re-41 HF Hatchobori Residence III and November 30, 2023 for Re-46 HF Awaza Residence.

(Note 6) 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 7) These figures are not disclosed because no consent of the master lease company and the property management company has been obtained.

(Note 8) 50% of the remaining quasi co-ownership of the trust beneficial interest in Of-31 HF NIHONBASHI HAMACHO BUILDING was transferred on June 3, 2024.

(4) Schedule of securities incorporated into assets

Not applicable

(5) Schedule of renewable energy power generation facilities

Not applicable

(6) Schedule of public facilities management rights

Not applicable

(7) Status of other assets

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

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

Table of contract amounts and market prices of specified transactions

(Unit: thousand yen)

Classification	Type	Contract amount (Note 1)		Market price (Note 2)
			Contract period of over a year	
Transactions other than market transactions	Interest rate swaps Pay fixed, receive floating	61,998,200	49,991,200	612,114

(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-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	Repair of elevators	From June 2024 To November 2024	54,800	—	—
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Air conditioning equipment replacement	From June 2024 To November 2024	24,000	—	—
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Comprehensive repair of outer walls	From June 2024 To November 2024	52,544	—	—
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Comprehensive repair of outer walls	From June 2024 To November 2024	40,377	—	—
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Air conditioning equipment replacement	From June 2024 To November 2024	37,517	—	—
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	Chuo-ku, Tokyo	Renovation of common-area	From June 2024 To November 2024	85,890	—	—
Of-52	IWAMOTOCHO TWIN BUILDING	Chiyoda-ku, Tokyo	Renovation of tenant-area	From June 2024 To November 2024	35,200	—	—
Of-54	HF NAGOYA NISHIKI BUILDING	Nagoya City, Aichi	Air conditioning equipment replacement	From June 2024 To November 2024	104,900	—	—
Of-57	PRIME TOWER YOKOHAMA	Yokohama City, Kanagawa	Renovation of common-area	From June 2024 To November 2024	60,000	—	—
Re-59	HF HISAYAODORI RESIDENCE	Nagoya City, Aichi	Intercom equipment replacement	From June 2024 To November 2024	10,000	—	—
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From June 2024 To November 2024	29,035	—	—
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From June 2024 To November 2024	15,718	—	—

(2) Capital expenditures in the 45th fiscal period

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 45th fiscal period.

Capital expenditures in the fiscal period stood at ¥1,005,063 thousand. Expenses for repairs, etc. were ¥1,387,952 thousand, including repair expenses of ¥382,888 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-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Renovation of tenant-area	From March 2024 To May 2024	48,556
Of-25	KAYABACHO HEIWA Bldg.	Chuo-ku, Tokyo	Air conditioning equipment replacement	From December 2023 To May 2024	105,000
Of-40	ARK Mori Building	Minato-ku, Tokyo	Renovation of tenant-area	From June 2023 To February 2024	65,295
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	Chuo-ku, Tokyo	Renovation of common-area	From April 2024 To May 2024	39,055
Of-54	HF NAGOYA NISHIKI BUILDING	Nagoya City, Aichi	Renovation of common-area	From August 2023 To March 2024	76,689
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From March 2024 To May 2024	24,962
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Comprehensive repair of outer walls	From March 2024 To May 2024	13,290
	Others			From December 2023 To May 2024	632,214
Total					1,005,063

(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	41st FP ended May 31, 2022	42nd FP ended November 30, 2022	43rd FP ended May 31, 2023	44th FP ended November 30, 2023	45th FP ended May 31, 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 ¥527,307 thousand at the end of the 45th 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	44th Fiscal Period (For the six-month period ended November 30, 2023)	45th Fiscal Period (For the six-month period ended May 31, 2024)
(a) Asset management fees (Note)	718,412	738,315
(b) Asset custody fees	13,122	13,488
(c) Administrative service fees	30,970	30,492
(d) Directors' compensation	6,102	6,102
(e) Independent auditors' fees	12,000	12,000
(f) Other operating expenses	182,418	175,744
Total	963,026	976,143

(Note) In addition to the asset management fee above, management fees related to property acquisitions of ¥63,100 thousand (44th period) and ¥38,900 thousand (45th period) were recorded. Management fees related to property transfers of ¥20,800 thousand (44th period) and ¥23,350 thousand (45th period) were also recorded.

(2) Status of borrowings

Below is the status of borrowings from each financial institution at the end of the 45th 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								
Short-term loan	Sumitomo Mitsui Banking Corporation	August 3, 2023	1,000,000	—	0.30435	May 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Subtotal		1,000,000	—					
Long-term loans payable Due within One Year	Sumitomo Mitsui Banking Corporation	October 30, 2015	2,440,000	—	1.20800	May 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		940,000	—					
	MUFG Bank, Ltd.		1,500,000	—					
	Sumitomo Mitsui Banking Corporation	May 31, 2016	1,050,000	1,050,000	0.91770	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		1,600,000	1,600,000					
	MUFG Bank, Ltd.		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited.		700,000	700,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2016	—	1,585,000	0.93670	May 30, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		—	1,250,000					
	Resona Bank, Limited.		—	452,000					
	MUFG Bank, Ltd.		—	320,000					
	ORIX Bank Corporation		—	250,000					
	Mizuho Bank, Ltd.	December 15, 2017	800,000	800,000	0.68740	October 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	March 28, 2018	—	900,000	0.78630	May 30, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2019	—	500,000	0.50500	May 30, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		—	700,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	500,000	0.47100	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		500,000	500,000					
	MUFG Bank, Ltd.	May 31, 2021	225,000	—	0.37800	May 31, 2024	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 Due within One Year	Sumitomo Mitsui Banking Corporation	June 4, 2021	250,000	250,000	0.40500	October 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	The Chiba Bank, Ltd.		150,000	150,000					
	MUFG Bank, Ltd.	October 29, 2021	580,000	580,000	0.41811	October 31, 2024	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		200,000	200,000					
	Resona Bank, Limited.	May 31, 2022	—	550,000	0.41811	May 30, 2025	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		—	400,000					
	Subtotal			11,935,000	13,737,000				
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 31, 2016	1,585,000	—	0.93670	May 30, 2025	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Aozora Bank, Ltd.		1,250,000	—					
	Resona Bank, Limited.		452,000	—					
	MUFG Bank, Ltd.		320,000	—					
	ORIX Bank Corporation		250,000	—					
	Sumitomo Mitsui Banking Corporation	May 31, 2017	895,000	895,000	0.90850	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		915,000	915,000					
	SBI Shinsei Bank, Limited		485,000	485,000					
	MUFG Bank, Ltd.		470,000	470,000					
	Aozora Bank, Ltd.	October 31, 2017	1,820,000	1,820,000	0.97750	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	March 28, 2018	900,000	—	0.78630	May 30, 2025	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	May 31, 2018	1,100,000	1,100,000	0.74700	November 30, 2026	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					
	Resona Bank, Limited.		700,000	700,000					
	Aozora Bank, Ltd.		700,000	700,000					
	MUFG Bank, Ltd.		200,000	200,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2018	600,000	600,000	0.76850	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		150,000	150,000					
	Aozora Bank, Ltd.		100,000	100,000					
	MUFG Bank, Ltd.		200,000	200,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
	Sumitomo Mitsui Trust Bank, Limited.		100,000	100,000					
	Mizuho Bank, Ltd.		100,000	100,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Mizuho Bank, Ltd.	December 14, 2018	1,000,000	1,000,000	0.63850	November 28, 2025	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	December 14, 2018	700,000	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					

(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 Bank of Fukuoka, Ltd.	May 31 2019	285,000	285,000	0.60000	May 29 2026	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	ORIX Bank Corporation		600,000	600,000					
	The Norinchukin Bank		877,000	877,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	500,000	—	0.50500	May 30, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		700,000	—					
	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		
Resona Bank, Limited.	1,000,000		1,000,000						
Aozora Bank, Ltd.	950,000		950,000						
Mizuho Trust & Banking Co., Ltd.	1,000,000		1,000,000						

(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 30, 2020	300,000	300,000	0.66900	October 29, 2027	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	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	0.96640	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.	October 29, 2021	1,000,000	1,000,000	0.72811	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					
	Sumitomo Mitsui Trust Bank, Limited.		500,000	500,000					
	Mizuho Bank, Ltd.		200,000	200,000					
	SBI Shinsei Bank, Limited		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.	December 22, 2021	900,000	900,000	0.89333	May 31, 2029	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	Nippon Life Insurance Company	December 23, 2021	1,000,000	1,000,000	0.70000	December 22, 2028	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited.	December 23, 2021	1,000,000	1,000,000	0.75811	November 29, 2030	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 24, 2022	600,000	600,000	0.73908	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	0.62811	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	May 31, 2022	550,000	—	0.41811	May 30, 2025	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		400,000	—					
	MUFG Bank, Ltd.	May 31, 2022	395,000	395,000	0.45311	November 28, 2025	Lump-sum repayment		
	Sompo Japan Insurance Inc.		469,000	469,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	400,000	400,000	1.07500	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					
Sumitomo Mitsui Banking Corporation	June 6, 2022	1,800,000	1,800,000	0.80753	May 31, 2029	Lump-sum repayment			
Mizuho Bank, Ltd.		500,000	500,000						

(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	Development Bank of Japan Inc.	June 3, 2022	500,000	500,000	0.85947	May 31, 2029	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	October 31, 2022	500,000	500,000	0.66811	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	0.55811	November 30, 2032	Lump-sum repayment		
	The Chiba Bank, Ltd.	January 30, 2023	800,000	800,000	0.55811	January 30, 2030	Lump-sum repayment		
	Kansai Mirai Bank, Limited	January 30, 2023	800,000	800,000	0.58811	November 28, 2031	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 28, 2023	1,090,000	1,090,000	0.54811	May 31, 2030	Lump-sum repayment		
	The Norinchukin Bank	February 28, 2023	1,500,000	1,500,000	1.3424	May 31, 2030	Lump-sum repayment		
	SBI Shinsei Bank, Limited	March 1, 2023	1,090,000	1,090,000	0.56811	May 31, 2032	Lump-sum repayment		
	The Minato Bank, Ltd.	March 31, 2023	1,000,000	1,000,000	0.57811	May 31, 2033	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	April 28, 2023	1,100,000	1,100,000	0.72811	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	0.41811	May 29, 2026	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.		200,000	200,000					
	The Nomura Trust and Banking Co., Ltd.		300,000	300,000					
	Mizuho Bank, Ltd.	May 31, 2023	200,000	200,000	0.51811	October 29, 2027	Lump-sum repayment		
	SBI Shinsei Bank, Limited		100,000	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	MUFG Bank, Ltd.	May 31, 2023	500,000	500,000	0.70631	October 29, 2027	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	May 31, 2023	1,000,000	1,000,000	0.66811	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	1.04500	May 31, 2030	Lump-sum repayment		
	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	0.67811	May 31, 2032	Lump-sum repayment		
	Resona Bank, Limited.	August 3, 2023	1,000,000	1,000,000	0.67811	November 30, 2032	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2023	400,000	400,000	0.48811	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		
	Sumitomo Mitsui Banking Corporation	October 31, 2023	900,000	900,000	0.66811	November 29, 2030	Lump-sum repayment		
	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					

(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.	October 31, 2023	200,000	200,000	0.66811	November 29, 2030	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	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	0.56975	May 31, 2032	Lump-sum repayment		
	The Chiba Bank, Ltd.	February 29, 2024	—	1,000,000	0.56975	May 31, 2032	Lump-sum repayment		
	SBI Shinsei Bank, Limited	February 29, 2024	—	1,000,000	0.57975	November 30, 2032	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2024	—	360,000	0.66727	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.			200,000					
	MUFG Bank, Ltd.	May 31, 2024	—	225,000	1.13886	November 30, 2028	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2024	—	2,580,000	0.81727	May 30, 2031	Lump-sum repayment		
	Resona Bank, Limited.			740,000					
	MUFG Bank, Ltd.	May 31, 2024	—	2,000,000	1.49000	May 30, 2031	Lump-sum repayment		
	Subtotal			90,702,200	92,400,200				
Total			103,637,200	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 45th 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 #4	June 4, 2019	1,000,000	—	0.410 %	May 31, 2024	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		8,900,000	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)
Re-108	HF KITASENJU RESIDENCE	February 29, 2024	2,510	—	—	—	—
Re-109	HF HIKIFUNE RESIDENCE	March 29, 2024	1,380	—	—	—	—
Re-45	HF NAKANOSHIMA RESIDENCE	—	—	December 22, 2023	575	401	156
Of-31	HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi co-ownership)	—	—	April 12, 2024	1,760	997	743
Total		—	3,890	—	2,335	1,399	900

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

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

(2) Status of purchases and sales of other assets

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

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

(i) Real estate, etc.

Acquisition or disposition	Asset type	Name of real estate		Date of acquisition or disposition	Acquisition price or transfer price (million yen) (Note)	Real estate appraisal value (million yen)	Real estate appraisal organization	Valuation date
Acquisition	Real estate	Re-108	HF KITASENJU RESIDENCE	February 29, 2024	2,510	3,030	Tanizawa Sogo Appraisal Co., Ltd	January 1, 2024
Acquisition	Trust beneficial interest	Re-109	HF HIKIFUNE RESIDENCE	March 29, 2024	1,380	1,670	Daiwa Real Estate Appraisal Co., Ltd	March 1, 2024
Disposition	Trust beneficial interest	Re-45	HF NAKANOSHIMA RESIDENCE	December 22, 2023	575	551	Daiwa Real Estate Appraisal Co., Ltd	November 30, 2023
Disposition	Trust beneficial interest	Of-31	HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi co-ownership)	April 12, 2024	1,760	1,330 (note 2)	Daiwa Real Estate Appraisal Co., Ltd	November 30, 2023

(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 "① Real estate, etc." above among the transactions conducted by the Investment Corporation that require an investigation into the value of specified assets pursuant to Article 201 of the Act on Investment Trusts and Investment Corporations, the investigation has been entrusted to KPMG AZSA LLC. Relevant transactions during the period covered (December 1, 2023 to May 31, 2024) were four 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

Not applicable

(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:	782,600	Heiwa Real Estate Co., Ltd.	(Note 4) 9,906	1.3%
		Heiwa Real Estate Property Management Co., Ltd.	(Note 5) 282,667	36.1%

(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. ¥619 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. ¥68,225 thousand

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 43rd fiscal period are as stated below. Heiwa Real Estate Property Management Co., Ltd. ¥57,478 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 (%)
36th FP November 30, 2019	3,334	337	0.3
37th FP May 31, 2020	3,334	337	0.3
38th FP November 30, 2020	3,334	337	0.3
39th FP May 31, 2021	3,334	337	0.3
40th FP November 30, 2021	3,334	337	0.3
41st FP May 31, 2022	3,334	337	0.3
42nd FP November 30, 2022	3,334	337	0.3
43rd FP May 31, 2023	3,334	337	0.3
44th FP November 30, 2023	3,334	337	0.3
45th FP May 31, 2024	3,334	337	0.3

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

8. Other

(1) Notice

The REIT held Board of Directors meetings in the 45th fiscal period. Summaries of the major agenda items resolved by the Board of Directors are as follows.

Date of approval	Item	Summary
May 23, 2024	Conclusion of underwriting agreement	In association with the issuance of new investment units, administrative services related to the public offering of investment units were entrusted to SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., IwaiCosmo Securities Co., Ltd., Okasan Securities Co., Ltd., Toyo Securities Co., Ltd., Mito Securities Co., Ltd.

(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.



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 May 31, 2024 and November 30, 2023, the statements of income and retained earnings, changes in net assets and cash flows for each of the six-month periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HEIWA REAL ESTATE REIT as at May 31, 2024 and November 30, 2023, and its financial performance and its cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 20 to the financial statements, which states issuance of new investment units, acquisition of assets and 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

August 28, 2024

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 May 31, 2024 and November 30, 2023

	As of	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Assets		
Current Assets:		
Cash and deposits (Note 3)	¥ 11,870,573	¥ 12,873,216
Cash and deposits in trust (Note 3)	4,192,984	4,341,127
Tenant receivables	147,576	124,285
Prepaid expenses	150,554	147,966
Consumption taxes receivable	—	47,490
Other current assets	34,255	7,822
Allowance for doubtful accounts	(115)	(22)
Total Current Assets	16,395,828	17,541,885
Investment Properties (Notes 5 and 6):		
Land	42,321,308	42,318,429
Buildings	24,056,023	22,790,521
Structures	116,336	109,390
Machinery and equipment	328,481	307,109
Tools, furniture and fixtures	372,175	354,283
Land in trust	114,383,689	114,179,658
Buildings in trust	50,919,977	50,738,120
Structures in trust	250,994	251,263
Machinery and equipment in trust	779,683	751,836
Tools, furniture and fixtures in trust	1,441,744	1,396,116
Construction in progress in trust	504,500	—
Less: accumulated depreciation	(23,351,766)	(22,598,025)
Leasehold rights	10,553,621	8,855,074
Leasehold rights in trust	2,472,255	2,472,255
Total Investment Properties, Net	225,149,025	221,926,033
Other Assets:		
Software	1,074	1,419
Lease and guarantee deposits	24,589	24,589
Long-term prepaid expenses	363,858	340,905
Derivative assets (Note 4)	621,193	419,131
Deferred investment units issuance costs	42,218	65,016
Deferred investment corporation bond issuance costs	37,967	42,124
Others	527,534	513,019
Total Other Assets	1,618,437	1,406,207
Total Assets	¥ 243,163,290	¥ 240,874,126

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

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS, CONTINUED

As of May 31, 2024 and November 30, 2023

	As of	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Liabilities		
Current Liabilities:		
Operating accounts payable	¥ 961,210	¥ 863,221
Investment corporation bonds due within one year (Notes 4 and 8)	—	1,000,000
Short-term debt (Notes 4 and 7)	—	1,000,000
Long-term debt due within one year (Notes 4 and 7)	13,737,000	11,935,000
Accrued expenses	924,473	911,723
Income taxes payable	593	593
Accrued consumption taxes	176,128	—
Advances received	1,314,347	1,291,566
Other current liabilities	37,074	37,233
Total Current Liabilities	17,150,828	17,039,338
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	7,900,000	7,900,000
Long-term debt (Notes 4 and 7)	92,400,200	90,702,200
Tenant security deposits	1,112,153	1,063,448
Tenant security deposits in trust	5,615,051	5,548,891
Derivative liabilities (Note 4)	31,914	87,775
Total Long-Term Liabilities	107,059,319	105,302,315
Total Liabilities	124,210,147	122,341,654
Net Assets (Notes 9)		
Unitholders' Equity:		
Unitholders' capital	102,992,648	102,992,648
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,149,933 units		
Capital surplus	7,406,652	7,406,652
Deduction from capital surplus	(1,699,990)	(1,699,990)
Reserve for reduction entry	492,732	491,130
Reserve for temporary difference adjustment (Note 10)	1,706,157	1,752,155
Retained earnings	7,442,828	7,254,729
Total Unitholders' Equity	118,341,028	118,197,324
Valuation and translation adjustments:		
Deferred gains or losses on hedges	612,114	335,147
Total valuation and translation adjustments	612,114	335,147
Total Net Assets	118,953,142	118,532,472
Total Liabilities and Net Assets	¥ 243,163,290	¥ 240,874,126

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 May 31, 2024 and November 30, 2023

	For the six months ended	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Operating Revenues (Note 11):		
Rental revenues (Note 12)	¥ 7,111,707	¥ 7,053,118
Other revenues related to property leasing (Note 12)	723,518	719,733
Gain on sales of investment properties (Note 13)	900,261	884,007
Total Operating Revenues	8,735,486	8,656,859
Operating Expenses:		
Property-related expenses (Notes 12 and 18)	3,275,645	3,198,154
Asset management fees	738,315	718,412
Asset custody fees	13,488	13,122
Administrative service fees	30,492	30,970
Directors' compensation	6,102	6,102
Independent auditors' fees	12,000	12,000
Other operating expenses	175,744	182,418
Total Operating Expenses	4,251,788	4,161,180
Operating Income	4,483,697	4,495,679
Non-Operating Revenues:		
Interest income	79	75
Reversal of distributions payable	489	638
Insurance income	3,478	4,824
Other non-operating revenues	286	23
Total Non-Operating Revenues	4,334	5,561
Non-Operating Expenses:		
Interest expenses	419,382	383,648
Borrowing related expenses	57,109	56,011
Interest expenses on investment corporation bonds	32,385	32,385
Amortization of deferred investment corporation bond issuance costs	4,157	4,157
Amortization of deferred investment units issuance costs	22,798	22,798
Other non-operating expenses	13,111	6,631
Total Non-Operating Expenses	548,944	505,632
Ordinary Income	3,939,088	3,995,609
Income Before Income Taxes	3,939,088	3,995,609
Income taxes – current	605	605
Income Taxes (Note 14)	605	605
Net Income	3,938,483	3,995,004
Retained Earnings Brought Forward	3,504,345	3,259,725
Retained Earnings at End of Period	¥ 7,442,828	¥ 7,254,729

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 May 31, 2024 and November 30, 2023

	Unitholders' Equity							
	Number of Units	Unitholders' Capital	Capital Surplus	Deduction from Capital Surplus	Reserve for Reduction Entry	Reserve for Temporary Difference Adjustment	Retained Earnings	Total Unitholders' Equity
	(Units)	(Thousands of Yen)						
Balance as of May 31, 2023	1,113,733	¥ 97,799,794	¥7,406,652	¥ (1,699,990)	¥ 470,630	¥1,796,704	¥ 6,755,071	¥112,528,862
Cash distributions declared	—	—	—	—	—	—	(3,519,396)	(3,519,396)
Net income	—	—	—	—	—	—	3,995,004	3,995,004
Issuance of new investment units	36,200	5,192,853	—	—	—	—	—	5,192,853
Provision of reserve for reduction entry	—	—	—	—	20,499	—	(20,499)	—
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(44,549)	44,549	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	—
Balance as of November 30, 2023	1,149,933	¥102,992,648	¥7,406,652	¥ (1,699,990)	¥ 491,130	¥1,752,155	¥ 7,254,729	¥118,197,324
Cash distributions declared	—	—	—	—	—	—	(3,794,778)	(3,794,778)
Net income	—	—	—	—	—	—	3,938,483	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	¥118,341,028
	Valuation and Translation Adjustments							
	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets					
	(Thousands of Yen)							
Balance as of May 31, 2023	¥ 282,680	¥ 282,680	¥ 112,811,543					
Cash distributions declared	—	—	(3,519,396)					
Net income	—	—	3,995,004					
Issuance of new investment units	—	—	5,192,853					
Provision of reserve for reduction entry	—	—	—					
Reversal of reserve for temporary difference adjustment	—	—	—					
Net changes of items other than unitholders' equity	52,466	52,466	52,466					
Balance as of November 30, 2023	¥ 335,147	¥ 335,147	¥ 118,532,472					
Cash distributions declared	—	—	(3,794,778)					
Net income	—	—	3,938,483					
Provision of reserve for reduction entry	—	—	—					
Reversal of reserve for temporary difference adjustment	—	—	—					
Net changes of items other than unitholders' equity	276,966	276,966	276,966					
Balance as of May 31, 2024	¥ 612,114	¥ 612,114	¥ 118,953,142					

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 May 31, 2024 and November 30, 2023

	For the six months ended	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 3,939,088	¥ 3,995,609
Depreciation and amortization	1,035,175	1,037,955
Increase in allowance for doubtful accounts	93	—
Amortization of deferred investment corporation bond issuance costs	4,157	4,157
Amortization of deferred investment units issuance costs	22,798	22,798
Interest income	(79)	(75)
Interest expenses	451,767	416,033
(Increase) decrease in tenant receivables	(15,046)	10,692
Decrease (increase) in consumption taxes receivable	47,490	(47,490)
Increase (decrease) in accrued consumption taxes	176,128	(122,813)
Increase in long-term prepaid expenses	(22,952)	(63,105)
(Decrease) increase in operating accounts payable	(74,929)	19,252
Increase in accrued expenses	2,560	33,652
Increase in advances received	22,781	26,176
(Decrease) increase in deposits received	(6,061)	5,711
Decrease in investment properties in trust due to sale	1,399,130	1,139,984
Other, net	(7,917)	(16,374)
Interest income received	79	75
Interest expenses paid	(441,576)	(402,852)
Income taxes paid	(605)	(605)
Net Cash Provided by Operating Activities	6,532,079	6,058,781
Cash Flows from Investing Activities:		
Payment for purchases of investment properties other than intangible assets	(1,322,125)	(171,068)
Payment for purchases of investment properties in trust	(2,495,391)	(9,707,502)
Payment for purchases of intangible assets	(1,698,547)	—
Proceeds from tenant security deposits	84,136	52,746
Refunds of tenant security deposits	(35,213)	(48,650)
Proceeds from tenant security deposits in trust	219,970	554,170
Refunds of tenant security deposits in trust	(141,766)	(205,364)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	166,697	53,745
Deposit of trust deposits corresponding to tenant security deposits in trust	(93,813)	(371,606)
Payment of guarantee deposits	—	(4,972)
Net Cash Used in Investing Activities	(5,316,053)	(9,848,502)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	—	1,000,000
Repayments of short-term debt	(1,000,000)	(1,380,000)
Proceeds from long-term debt	8,605,000	9,280,000
Repayments of long-term debt	(5,105,000)	(6,180,000)
Redemption of investment corporation bonds	(1,000,000)	—
Proceeds from issuance of new investment units	—	5,152,803
Distributions paid	(3,793,927)	(3,518,466)
Net Cash (Used in) Provided by Financing Activities	(2,293,927)	4,354,337
Net Change in Cash and Cash Equivalents	(1,077,901)	564,616
Cash and Cash Equivalents at Beginning of Period	16,400,286	15,835,669
Cash and Cash Equivalents at End of Period (Note 3)	¥ 15,322,384	¥ 16,400,286

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 May 31, 2024 and November 30, 2023

Note 1 – Organization and Basis of Presentation

(a) Organization

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

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

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

As of May 31, 2024, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 127 properties with approximately 311,140.23 square meters of rentable space and has leased space to 5,999 tenants. The occupancy rate for the properties is approximately 97.70%.

(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	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Investment properties	¥ 225,149,025	¥ 221,926,033

(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	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Capitalized real estate taxes	¥ 7,848	¥ 22,825

(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	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Cash and deposits	¥ 11,870,573	¥ 12,873,216
Cash and deposits in trust	4,192,984	4,341,127
Trust deposits retained for repayment of tenant security deposits	(741,173)	(814,057)
Cash and cash equivalents	¥ 15,322,384	¥ 16,400,286

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 May 31, 2024			As of November 30, 2023		
	(Thousands of Yen)			(Thousands of Yen)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment corporation bonds due within one year	¥ —	¥ —	¥ —	¥ 1,000,000	¥ 998,900	¥ (1,100)
Long-term debt due within one year	13,737,000	13,737,000	—	11,935,000	11,935,000	—
Investment corporation bonds	7,900,000	7,563,600	(336,400)	7,900,000	7,665,130	(234,870)
Long-term debt	92,400,200	92,259,851	(140,348)	90,702,200	90,610,178	(92,021)
Liabilities total	¥ 114,037,200	¥ 113,560,451	¥ (476,748)	¥ 111,537,200	¥ 111,209,208	¥ (327,991)
Derivatives (*)	¥ 612,114	¥ 612,114	¥ —	¥ 335,147	¥ 326,082	¥ (9,065)

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

Note:

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

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

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

Derivatives:

There are no derivatives to which hedge accounting is not applied as of May 31, 2024 and November 30, 2023.

Derivatives to which hedge accounting is applied are as follows:

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

(*) 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 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

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

Note 5 – Investment Properties

Investment properties consist of the following:

	As of May 31, 2024			As of November 30, 2023		
	(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	¥ 42,318,429	¥ —	¥ 42,318,429
Buildings	24,056,023	(6,173,708)	17,882,314	22,790,521	(5,878,003)	16,912,518
Structures	116,336	(56,839)	59,497	109,390	(53,796)	55,593
Machinery and equipment	328,481	(247,731)	80,750	307,109	(242,127)	64,981
Tools, furniture and fixtures	372,175	(217,100)	155,074	354,283	(200,186)	154,097
Land in trust	114,383,689	—	114,383,689	114,179,658	—	114,179,658
Buildings in trust	50,919,977	(15,189,094)	35,730,883	50,738,120	(14,796,348)	35,941,772
Structures in trust	250,994	(123,352)	127,641	251,263	(119,128)	132,135
Machinery and equipment in trust	779,683	(386,032)	393,650	751,836	(374,774)	377,061
Tools, furniture and fixtures in trust	1,441,744	(957,907)	483,837	1,396,116	(933,660)	462,455
Construction in progress in trust	504,500	—	504,500	—	—	—
Leasehold rights	10,553,621	—	10,553,621	8,855,074	—	8,855,074
Leasehold rights in trust	2,472,255	—	2,472,255	2,472,255	—	2,472,255
Total	¥ 248,500,791	¥(23,351,766)	¥ 225,149,025	¥ 244,524,058	¥ (22,598,025)	¥ 221,926,033

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	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Book value:		
Balance at beginning of period	¥ 221,926,033	¥ 214,157,992
Change during the period	2,718,491	7,768,041
Balance at end of period	¥ 224,644,525	¥ 221,926,033
Fair value	¥ 283,207,499	¥ 279,447,000

Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. 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). For the six months ended November 30, 2023, the increases are primarily due to acquisition of Prime Tower Yokohama and two other properties (¥9,043,180 thousand), and the decreases are primarily due to disposal of HF HATCHOBORI RESIDENCE III and one other property (¥1,139,984 thousand) and depreciation (¥1,037,955 thousand).
3. Fair value is determined based on appraisal values provide by external real estate appraisers with the exception that fair value of HF NIHONBASHI HAMACHO BUILDING (50% interest of quasi-co-ownership) as of May 31, 2024 is determined as the transfer price described in the transfer agreement dated March 25, 2024.

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	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Short-term debt		
0.30% unsecured loans due 2024 (Notes 1 and 2)	¥ —	¥ 1,000,000
Total short-term debt	¥ —	¥ 1,000,000
Long-term debt		
0.41% - 0.92% unsecured loans due 2024 (Notes 1 and 2)	6,830,000	11,935,000
0.42% - 0.94% unsecured loans due 2025 (Notes 1 and 2)	13,986,000	13,986,000
0.42% - 0.98% unsecured loans due 2026 (Notes 1 and 2)	14,162,000	14,162,000
0.49% - 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	14,909,200
0.63% - 1.34% unsecured loans due 2029 (Notes 1 and 2)	13,020,000	13,020,000
0.55% - 1.47% unsecured loans due 2030 (Notes 1 and 2)	12,620,000	12,620,000
0.59% - 1.49% unsecured loans due 2031 (Notes 1 and 2)	9,320,000	4,000,000
0.56% - 0.68% unsecured loan due 2032 (Notes 1 and 2)	6,070,000	3,570,000
0.58% unsecured loan due 2033 (Notes 1 and 2)	1,000,000	1,000,000
Less: amount due within one year	(13,737,000)	(11,935,000)
Total long-term debt due after one year	¥ 92,400,200	¥ 90,702,200

Notes:

1. Interest rates presented are average interest rates applicable to individual loans during the period ended May 31, 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.
2. 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 May 31, 2024 and November 30, 2023 are as follows:

	As of	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Total amounts of borrowing commitment lines	¥ 7,000,000	¥ 7,000,000
Borrowing execution balances	—	—
Net unused balance	¥ 7,000,000	¥ 7,000,000

Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

				As of			
				May 31, 2024		November 30, 2023	
	Issued date	Maturity date	Interest rate	(Thousands of Yen)			
2nd unsecured bonds	June 30, 2017	June 30, 2027	0.65%	¥	1,800,000	¥	1,800,000
3rd unsecured bonds	May 7, 2018	May 2, 2028	0.70%		1,000,000		1,000,000
4th unsecured bonds	June 4, 2019	May 31, 2024	0.41%		—		1,000,000
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	¥	8,900,000

Note 9 – Net Assets

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

The following table shows the cumulative number and amount of treasury investment units cancelled as of a May 31, 2024 and November 30, 2023, respectively.

	As of			
	May 31, 2024		November 30, 2023	
Cumulative number of treasury investment units cancelled	14,914		14,914	
	(Thousands of Yen)			
Cumulative amount of treasury investment units cancelled	¥	1,699,990	¥	1,699,990

Note 10 – Reserve for Temporary Difference Adjustment

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

For the six months ended 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.						

For the six months ended November 30, 2023	Original amount	Balance as of June 1, 2023	Provision during the period	Reversal during the period	Balance as of November 30, 2023	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,471,558	¥ —	¥ (41,162)	¥ 1,430,396	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 325,145	¥ —	¥ (3,386)	¥ 321,758	Allocation for distributions
Notes:						
1. The amount represents gain on bargain purchase provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.						
2. The amount represents a part of differences between tax and accounting due to gain on sales of investment properties provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.						

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	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Revenues from property leasing:		
Rental revenues:		
Base rents	¥ 6,387,324	¥ 6,320,701
Common area charges	724,382	732,416
Total rental revenues	7,111,707	7,053,118
Other revenues related to property leasing:		
Parking space rental revenues	205,663	195,974
Utility charge revenues	300,048	340,386
Incidental income	197,255	162,213
Cancellation penalty income	3,874	4,299
Others	16,676	16,859
Total other revenues related to property leasing	723,518	719,733
Total revenues from property leasing	7,835,225	7,772,851
Property-related expenses:		
Rental expenses:		
Property management expenses	782,600	775,252
Taxes and dues	539,565	517,918
Utilities expenses	329,238	375,123
Repair expenses	382,888	287,140
Insurance expenses	7,180	10,784
Trust fees	32,702	32,982
Depreciation	1,035,175	1,037,955
Others	166,293	160,997
Total property-related expenses	3,275,645	3,198,154
Operating income from property leasing	¥ 4,559,579	¥ 4,574,697

Note 13 – Gain on Sales of Investment Properties

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

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

For the six months ended November 30, 2023

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

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	
	May 31, 2024	November 30, 2023
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(30.12)	(29.88)
Changes in valuation allowance	(1.34)	(1.57)
Provision of reserve for reduction entry	—	(0.01)
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

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

	As of	
	May 31, 2024	November 30, 2023
	(Thousands of Yen)	
Deferred tax assets:		
Allowance for doubtful accounts	¥ 29	¥ —
Valuation differences due to merger	1,830,755	1,883,485
Total deferred tax assets	1,830,784	1,883,485
Valuation allowance	(1,830,784)	(1,883,485)
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	
	May 31, 2024	November 30, 2023
	(Yen)	
Unappropriated retained earnings	¥ 7,442,828,182	¥ 7,254,729,118
Reversal of reserve for temporary difference adjustment (Note)	45,997,320	45,997,320
Cash distributions declared	3,886,773,540	3,794,778,900
(Cash distributions per unit)	(3,380)	(3,300)
Provision of reserve for reduction entry	—	1,602,357
Retained earnings carried forward	¥ 3,602,051,962	¥ 3,504,345,181

Note: In accordance with transitional measures of the Supplementary Provisions paragraph No. 3 of the Ordinance on Accounting of Investment Corporations (Cabinet Office Order No. 27 of 2015), HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥2,497,604,770, which was the outstanding amount allocated to gain on bargain purchase recognized in past periods from unappropriated retained earnings in the statement of distributions for the six months ended November 30, 2015. The provided amount has been reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2016. HEIWA REAL ESTATE REIT reversed ¥42,610,385 for the six months ended May 31, 2024 and November 30, 2023, respectively.

In addition, HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥338,693,498, which was a part of differences between tax and accounting due to gain on sales of investment properties for the six months ended November 30, 2020. The provided amount is reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2021. HEIWA REAL ESTATE REIT reversed ¥3,386,935 for the six months ended May 31, 2024 and November 30, 2023, respectively.

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

Based on the policy, HEIWA REAL ESTATE REIT declared total distributions of ¥3,886,773,540 and ¥3,794,778,900 for the six months ended May 31, 2024 and November 30, 2023, respectively, which are the amounts calculated by adding reversal of reserve for temporary difference adjustment of ¥45,997,320 (¥40 per unit) to the amount calculated by deducting ¥97,706,781 from net income of ¥3,938,483,001 for the six months ended May 31, 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 ¥246,222,503 including provision of reserve for reduction entry of ¥1,602,357 in application of "Special provisions for taxation in case of replacement of specified assets" of Article 65-7 of the Special Taxation Measure Act of Japan from net income of ¥3,995,004,083 for the six months ended November 30, 2023, respectively. Furthermore, HEIWA REAL ESTATE REIT does not make cash distributions in excess of profit as set forth in Article 32(2) of HEIWA REAL ESTATE REIT's Articles of Incorporation.

Note 16 – Per Unit Information

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

Earnings per unit:	For the six months ended			
	May 31, 2024		November 30, 2023	
	(Yen)			
	¥		¥	
Net income per unit	¥	3,424	¥	3,474
Weighted average number of units outstanding (units)		1,149,933		1,149,691
	As of			
	May 31, 2024		November 30, 2023	
	(Yen)			
	¥		¥	
Net assets per unit	¥	103,443	¥	103,077

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 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 of ¥38,900 thousand and transfer fees of ¥23,350 thousand.

For the six months ended November 30, 2023

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

Notes:

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

Note 18 – Transactions with Major Unitholders

Amounts of transactions with major unitholders are as follows:

	For the six months ended			
	May 31, 2024		November 30, 2023	
	(Thousands of Yen)			
Property-related expenses	¥	9,906	¥	10,484

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. Issuance of New Investment Units

At the Board of Directors Meeting held on May 20, 2024 and May 23, 2024, HEIWA REAL ESTATE REIT resolved to issue new investment units as described below and the payment for issuance of new investment units through public offering and third-party allotment has been completed on June 3, 2024, and June 25, 2024, respectively. As a result, the amount of unitholders' capital is ¥108,578,000 thousand and the number of investment units issued is 1,194,933 as of August 28, 2024.

1. Issuance of new investment units through public offering
 - (1) Number of investment units issued 42,800 units
 - (2) Issue price (offer price) ¥128,271 per unit
 - (3) Total amount of the issue ¥5,489,998,800
 - (4) Paid-in amount (issue amount) ¥124,126 per unit
 - (5) Total paid-in amount (total issue amount) ¥5,312,592,800
 - (6) Payment date June 3, 2024
2. Issuance of new investment units through third-party allotment
 - (1) Number of investment units issued 2,200 units
 - (2) Paid-in amount (issue amount) ¥124,126
 - (3) Total paid-in amount (total issue amount) ¥273,077,200
 - (4) Allottee SMBC Nikko Securities Inc.
 - (5) Payment date June 25, 2024

B. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT acquired three real estate trust beneficiary rights on June 6, 2024 and June 14, 2024 (total acquisition price: ¥7,666,000 thousand).

Of-55 Kitahama 1-Chome Heiwa Building (Additional acquisition)

Type of specified asset	Real estate trust beneficiary right (25% interest of quasi-co-ownership)
Agreement date	May 20, 2024
Acquisition date	June 6, 2024
Acquisition price (Note 1)	¥1,130,000 thousand
Location (lot number)	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka
Purpose of use	Office, store and parking
Construction date	February 28, 2015
Structure	Steel beam / steel-framed reinforced concrete with flat roof, 1 floor below ground and 9 floors above ground
Total floor space (Note 2)	1,368.83m ²
Total rentable space (Note 3)	904.76m ²

Notes:

1. “Acquisition price” is the price described in the real estate trust beneficiary right quasi-co-ownership purchase agreement (consumption tax excluded), and does not include acquisition costs or the amounts of settlement for fixed property tax, city planning tax, etc.
2. “Total floor space” is calculated by multiplying the total floor space of one building by 25% interest of quasi-co-ownership and rounded down to two decimal places.
3. “Total rentable space” is calculated by multiplying the total rentable space of one building by 25% interest of quasi-co-ownership and rounded down to two decimal places.

Of-58 Shinwa Esaka Building

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

Note:

“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.

Of-59 Kita Nijo Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 20, 2024
Acquisition date	June 6, 2024
Acquisition price (Note 1)	¥1,535,000 thousand
Location (lot number)	1-2-9, 1-2-10, Kitanihigashi, Chuo-ku, Sapporo City, Hokkaido (Note 2)
Purpose of use	Office, store, parking
Construction date	February 21, 1990
Structure	Reinforced concrete / steel-framed reinforced concrete with flat roof, 9 floors above ground
Total floor space	2,887.33m ²
Total rentable space	2,071.78m ²

Notes:

1. “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.
2. “Location” is the building address as stated in the real estate registry because the residential address has not been assigned.

C. Disposition of Assets

In accordance with the basic policies of asset management, etc., set out in the Article of Incorporation, and pursuant to the real estate trust beneficiary right transfer agreement concluded on March 25, 2024, HEIWA REAL ESTATE REIT transferred the remaining 50% interest of quasi-co-ownership of real estate trust beneficiary right as follows on June 3, 2024.

Of-31 HF NIHONBASHI HAMACHO BUILDING (Second transfer)

Type of specified asset	Real estate trust beneficiary right (50% interest of quasi-co-ownership)
Location (lot number)	1-2-1 Nihonbashi Hama-cho, Chuo-ku, Tokyo
Transfer price (Note 1)	¥ 1,760,000 thousand
Book value (Note 2)	¥995,000 thousand
Agreement date	March 25, 2024
Disposition date	June 3, 2024
Transferee (Note 3)	Not disclosed

Notes:

1. The transfer was made in two parts and the first transfer had been executed before the end of the fiscal period as of May 31, 2024. “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 (the amount equivalent to 50% interest of quasi-co-ownership) as of the date of the second transfer.
3. Not disclosed as consent has not been obtained from the transferee.