

**Semiannual Financial Report**  
**The 42<sup>nd</sup> Fiscal Period**  
(From June 1, 2022 to November 30, 2022)

**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 “NEXT VISION”, its new medium-to long-term targets, in July 2021. Under this, the REIT will aim for an asset size of 300 billion yen, distributions of 3,300 yen, an AA- rating, and 100% of the electricity it consumes being generated by renewable energy resources. 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 42nd 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” (below, collectively referring to Heiwa Real Estate Co., Ltd. [below, “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 42nd 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 (below, TSE) since March 8, 2005 (Securities Code: 8966). Between then and the start of the 42nd fiscal period, the REIT executed a capital increase through public offering and underwriting of new investment units issued 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 (below, this event is referred to as the “Merger”), a cancellation of treasury investment units in September 2020 and public offering, etc. for two consecutive years in June 2021 and June 2022. As a result, total investment units outstanding were 1,113,733 and unitholders’ capital was 97,799 million yen as of the end of the 42nd fiscal period (November 2022).

#### (ii) Operating environment

There was a trend toward the recovery of economic activity in Japan during the 42nd fiscal period due to the easing of entry restrictions and government measures to support nationwide travel in response to the COVID-19 pandemic. However, in addition to concerns about the spread of COVID-19 in the 8th wave, the situation in Ukraine and other factors prompted soaring crude oil prices, which in turn caused rising prices and other phenomena. Along with the rapid depreciation of the yen following the interest rate hike by the U.S. financial authorities, this is weighing on the economic recovery. Under these circumstances, uncertainties inherent in overseas economies continue, and attention should be paid to overseas trends.

In this environment, the TSE REIT index temporarily fell to 1,854.20 points in October, from 2,006.03 points at the end of the previous fiscal period (May 31, 2022), but rose to 1,970.04 points at the end of the fiscal period (November 30, 2022) thanks to buy-backs in Japanese stocks on expectations of an easing of monetary tightening by the U.S. monetary authorities afterwards.

##### (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) temporarily trended upward from 6.37% at the end of the previous fiscal period (May 31, 2022), but the average office building vacancy rate at the end of the fiscal period (November 30, 2022) was 6.38%, almost the same level as that at the end of the previous period, due to large contracts signed and some new buildings completed, despite some tenant cancellations due to new supply and downsizing. Meanwhile, the average rent fell for 28 consecutive months from August 2020, plunging from 20,319 yen/tsubo at the end of the previous fiscal period, to 20,081 yen/tsubo at the end of the fiscal period.

Weak conditions are expected to persist due to the large supply of office space expected to be available in 2023 and the environment in which rent adjustments continue due to the impact of the COVID-19 pandemic. However, with vacancy rates trending down since the autumn of 2021 and more tenants starting to use the COVID-19 pandemic as an opportunity to review their office strategies, the REIT believes that uncertainty associated with cancellation by tenants due to business size reductions and cost-saving measures, among other factors, is declining. In the REIT’s portfolio, the occupancy rate is expected to stay at a high level as the impact of the COVID-19 pandemic has been subsiding.

##### (b) Residential leasing market

According to At Home Co., Ltd., as of November 2022, the average condominium contract rent in major cities across Japan (ten areas including the metropolis of Tokyo and the three surrounding prefectures, Sapporo City, Sendai City, Nagoya City, Osaka City and Fukuoka City), increased year on year for area zones ranging from less than 30 m<sup>2</sup> to over 70 m<sup>2</sup> in the metropolis of Tokyo outside the 23 wards, Saitama Prefecture, Chiba Prefecture ,

Sapporo City, Nagoya City and Osaka City. In addition, the average contract rent for family-oriented condominiums rose year-on-year in nine of the ten areas, excluding Fukuoka City, and reached their highest levels since January 2015 in four areas (Tokyo's 23 wards, Tokyo Prefecture excluding the 23 wards, Kanagawa Prefecture, and Sapporo City). According to the Survey Report on the Statistics of Construction Starts published in November 2022, the number of new housing starts (rental housing) increased for 21 consecutive months from March 2021. The supply and demand trends remained stable, despite increased supply as in the previous fiscal period, and the occupancy rate for residential assets in the REIT's portfolio remained stable in the fiscal period attributable to various measures taken. There is a possibility that changes in lifestyles, such as the development of teleworking associated with COVID-19, may continue to affect demand, particularly for rental condominiums in Tokyo's 23 wards. However, the impact of deteriorating economic conditions is limited as of this moment, and their effects on short-term operations are assumed to be insignificant.

#### (c) Real estate

With respect to land prices in the Land Price Research by Prefectural Governments as of July 1, 2022, which was published in September 2022, the average prices for all types of land rose the second consecutive year in Japan's three major metropolitan areas of Tokyo, Osaka and Nagoya, with the rate of increase expanding. Looking at their breakdown, prices for land in residential areas turned upward from flattening while prices for land in commercial areas climbed for the tenth consecutive year, with the rate of increase expanding. In addition, the average prices for all types of land, prices for land in residential areas and prices for land in commercial areas continued to fall in regional areas, but the rate of decrease contracted.

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.

While the overall recovery trend continues as the effects of the COVID-19 pandemic are gradually easing, it will be necessary to continue to closely monitor trends in the real estate market.

### (iii) Management performance

#### (a) External growth

The REIT took a range of measures, including the increase of capital through public offering in June 2022, for the purpose of strengthening the financial foundations while simultaneously seeking to expand assets and achieve improvements in profitability and quality with respect to its portfolio. Mainly by using the funds, the REIT acquired four office buildings (Of-50 Shinsaibashi FRONT Building [trust beneficiary rights, acquisition price: 7,300 million yen], Of-51 SAKAE CENTER BUILDING [trust beneficiary rights, acquisition price: 4,000 million yen], Of-52 IWAMOTOCHO TWIN BUILDING [trust beneficiary rights, acquisition price: 3,380 million yen] and Of-53 IWAMOTOCHO SAKAE BUILDING [trust beneficiary rights, acquisition price: 400 million yen]) and two residences (Re-101 HF KAWAGUCHIEKIMAE RESIDENCE [real estate, acquisition price: 1,260 million yen] and Re-102 HF HIGASHIOGU RESIDENCE [real estate, acquisition price: 1,210 million yen]) on June 3, 2022, while on the other hand selling one office building (Of-09 GRACE BUILDING SENGAKUJI MAE [trust beneficiary rights, acquisition price: 1,220 million yen, of which, quasi-co-ownership interest of 50%]) on the same day.

As a result, portfolio assets as of the end of the period were 120 properties (total acquisition price: 213,334 million yen), including 40 office buildings (total acquisition price of 106,642 million yen) and 80 residential buildings (total acquisition price of 106,692 million yen).

#### (b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 42nd 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 all properties held by the REIT came to 98.0% at the end of the fiscal period. The REIT was able to stabilize the occupancy rate, which had reached 97.6% at the end of the previous fiscal period, at a high level throughout the fiscal period. The average month-end occupancy rate for the period stood high at 97.7%.

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 with the aim of providing reassurance to existing tenants, increasing the appeal of the properties to prospective tenants and conducting leasing activities more efficiently.

Property renamed on January 1, 2023

Property no.	Old name	New name
Of-49	Inter Planet ESKA Building	HF ESKA BUILDING

(iv) Procurement of funds

The REIT procured capital through public offering (number of investment units issued: 55,200, total issue price: 7,362,907 thousand yen) on June 1, 2022 and through third-party allotment (number of investment units issued: 2,800, total issue price: 373,480 thousand yen) on June 28, 2022, and took out Term Loan 61 Tranche A (loan amount: 2,300 million yen) and Term Loan 61 Tranche B (loan amount: 500 million yen) on June 3, 2022 for the purpose of using such funds for property acquisition, etc. In addition, the REIT took out Term Loan 62 (loan amount: 1,000 million yen) to fund the redemption of the first series of unsecured investment corporation bonds (outstanding balance: 1,000 million yen), the principal redemption of which was due on June 30, 2022, and took out Term Loan 63 Tranche A (loan amount: 3,920 million yen), Term Loan 63 Tranche B (loan amount: 900 million yen) and Term Loan 64 (loan amount: 480 million yen) on October 31, 2022 to fund the redemption of Term Loan 24 Tranche C (loan balance: 1,920 million yen), Term Loan 25 Tranche C (loan balance: 900 million yen), Term Loan 30 Tranche A (loan balance: 1,000 million yen), Term Loan 46 Tranche A (loan balance: 1,000 million yen) and Term Loan 55 Tranche A (loan balance: 480 million yen), the principal repayment of which was 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 fiscal period came to 7.1 years, while the average remaining period was 3.9 years, and the average borrowing interest rate was 0.72%.

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 yen (contract period is from June 1, 2022 to May 31, 2023) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd and Resona Bank, Ltd.

[Term Loan 61 Tranche A]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	2,300 million yen	June 3, 2022	May 31, 2029 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 61 Tranche B]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Development Bank of Japan Inc.	500 million yen	June 3, 2022	May 31, 2029 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 62]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation	1,000 million yen	June 27, 2022	June 30, 2023 (Note)	Lump sum repayment on the principal repayment date	Redemption funds for existing investment corporation bonds	Unsecured Non-guaranteed

[Term Loan 63 Tranche A]

Lender	Loan amount	Borrowing	Principal	Principal	Purpose	Summary
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		date	repayment date	repayment method		
Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd. The Bank of Fukuoka, Ltd.	3,920 million yen	October 31, 2022	November 30, 2029 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 63 Tranche B]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Development Bank of Japan Inc.	900 million yen	October 31, 2022	November 30, 2029 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 64]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Kansai Mirai Bank, Limited	480 million yen	October 31, 2022	November 30, 2032 (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 period end was 99,557 million yen (period end LTV (Note): 44.94%).

(Note) Interest-bearing liabilities = short-term loans + investment corporation bonds redeemable within one year + long-term loans due within one year + investment corporation bonds + long-term loans  
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 42nd fiscal period results of 7,836 million yen in operating revenues, 4,018 million yen in operating income, after deducting interest expenses on loans, 3,566 million yen in ordinary income, and 3,565 million yen 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 fiscal period and are defined as anything in excess of 90% of the “amount of distributable income” stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957 and subsequent amendments; the “Special Taxation Measures Act”) in accordance with the stipulations of Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on this policy, the REIT has made a decision to pay out 3,485,984,290 yen as distributions from earnings by appropriating the reversal of the reserve for adjustment of temporary differences of 44,549,320 yen (40 yen per unit) to the amount calculated by deducting 124,438,160 yen including provision of reserve for reduction entry of 54,947,617 yen in application of “Special provisions for taxation in case of replacement of specified assets” of Article 65-7 of the Special Taxation Measure Act of Japan from net income of 3,565,873,130 yen. As a result, distributions per unit have come to 3,130 yen.

(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	Remaining units	
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)

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

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

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

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

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

[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	38th FP	39th FP	40th FP	41st FP	42nd FP
Closing date	November 30, 2020	May 31, 2021	November 30, 2021	May 31, 2022	November 30, 2022
High	121,000	168,400	179,800	157,600	162,100

Low	96,700	115,900	150,700	131,400	138,400
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## (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 3,485,984,290 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 44,549,320 yen (40 yen per unit) to the amount calculated by deducting 124,438,160 yen including provision of reserve for reduction entry of 54,947,617 yen in application of "Special provisions for taxation in case of replacement of specified assets" of Article 65-7 of the Special Taxation Measure Act of Japan from net income of 3,565,873,130 yen.

As a result, distributions per unit have come to 3,130 yen.

Fiscal period		38th FP	39th FP	40th FP	41st FP	42nd FP
		November 30, 2020	May 31, 2021	November 30, 2021	May 31, 2022	November 30, 2022
Unappropriated retained earnings	thousand yen	5,933,582	5,871,290	6,083,325	6,304,797	6,692,914
Provision of reserve for temporary difference adjustment	thousand yen	338,693	—	—	—	—
Reversal of reserve for temporary difference adjustment	thousand yen	39,997	39,997	79,219	42,229	44,549
Retained earnings	thousand yen	2,955,065	3,111,475	3,111,475	3,127,041	3,251,479
Total distributions	thousand yen	2,679,820	2,799,812	3,051,068	3,219,985	3,485,984
Distributions per unit (excluding distributions in excess of earnings)	yen	(2,680)	(2,800)	(2,890)	(3,050)	(3,130)
Distributions of profit	thousand yen	2,679,820	2,799,812	3,051,068	3,219,985	3,485,984
(Distributions of profit per unit)	yen	(2,680)	(2,800)	(2,890)	(3,050)	(3,130)
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 periods, we will continue to adhere to the above philosophy, aiming to further maximize investor value through the stable management of our portfolio and pursuing a strategy of steady growth.

##### (a) External growth

The REIT sought to expand its portfolio, enhance the portfolio’s quality and increase its revenues by selling four properties and acquiring ten new properties of good quality (including one additional acquisition) in the period from the previous fiscal period to the current fiscal period. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize investor value. Although the situation with regard to the financing environment and expectations for higher property prices on the back of the economic recovery may change due to the COVID-19 pandemic, 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. The REIT expects that the COVID-19 pandemic will have a limited impact on the office building leasing market in the next fiscal period. It will, however, be necessary to monitor changes in office demand stemming from teleworking in addition to changing economic, business and other trends in Japan and overseas. Meanwhile, in the residential leasing market, demand for small city-center units may decline judging from the signs of changes in property demand associated with the normalization of teleworking and a tendency to move to the suburbs to avoid high-density areas, but the REIT intends to exercise management carefully tailored to the characteristics of individual properties based on a close observation of market conditions.

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

##### (c) Financial strategy

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

the REIT will also consider the acquisition and cancellation of treasury investment units based on comprehensive consideration of factors such as the level of the investment unit price, the situation of cash reserves, financial conditions and the market environment. By implementing these measures and initiatives on a continuous basis, the REIT will strive to build sound financial systems that are resilient to changes in the funding environment.

(d) Promotion of more timely disclosure

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

(5) Significant subsequent events

A. Acquisition of assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, the REIT acquired one real estate on January 30, 2023 (acquisition price of ¥860,000 thousand), one real estate on January 31, 2023 (acquisition price of ¥610,000 thousand) and one real estate on February 28, 2023 (acquisition price of ¥2,500,000 thousand) and entered into purchase agreements of one real estate on December 23, 2022 (acquisition price of ¥1,050,000 thousand).

Re-103 HF IMAIKEMINAMI RESIDENCE(Note 1)

Type of specified asset	Real estate
Agreement date	December 23, 2022
Acquisition date	January 30, 2023
Acquisition price (Note 2)	¥860,000 thousand
Location (lot number)	(East building) 9-10, Imaikeminami, Chikusa-ku, Nagoya City, Aichi (West building) 9-20, Imaikeminami, Chikusa-ku, Nagoya City, Aichi
Purpose of use	Residence
Construction date	((East building) November 8, 2006 (West building) November 2, 2006
Structure	(East building) Reinforced concrete, flat roof, 14 floors above ground (West building) Reinforced concrete, flat roof, 4 floors above ground
Total floor space	(East building) 1,580.08m <sup>2</sup> (West building) 494.35m <sup>2</sup>
Total rentable space	1,946.35m <sup>2</sup>

(Note 1) As of February 28, 2023, the name of this property is GLEN PARK Imaike-Minami East & WEST. The name will be changed to HF IMAIKE-MINAMI RESIDENCE on September 1, 2023.

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

Re-104 HF Fushimi RESIDENCE(Note 1)

Type of specified asset	Real estate
Agreement date	December 23, 2022
Acquisition date	January 31, 2023
Acquisition price (Note 2)	¥610,000 thousand
Location (lot number)	1-25-23, Sakae, Naka-ku, Nagoya City, Aichi
Purpose of use	Residence and parking

Construction date	August 10, 2006
Structure	Reinforced concrete, flat roof, 10 floors above ground
Total floor space	1,713.50m <sup>2</sup>
Total rentable space	1,353.42m <sup>2</sup>

(Note 1) As of February 28, 2023, the name of this property is willDo Fushimi. The name will be changed to HF FUSHIMI RESIDENCE on September 1, 2023.

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

#### Re-105 HF NAKANOSAKAUE RESIDENCE(Note 1)

Type of specified asset	Real estate
Agreement date	December 23, 2022
Scheduled acquisition date (Note 2)	March 1, 2023
Scheduled acquisition price (Note 3)	¥1,050,000 thousand
Location (lot number)	1-29-17, Chuo, Nakano-ku, Tokyo
Purpose of use	Residence
Construction date	March 14, 2008
Structure	Reinforced concrete, flat roof, 1 floor below ground 5 floors above ground
Total floor space	1,760.28m <sup>2</sup>
Total rentable space	1,289.94m <sup>2</sup>

(Note 1) As of February 28, 2023, the name of this property is LIONS FORSIA NAKANOSAKAUE. The name will be changed to HF NAKANO-SAKAUE RESIDENCE on September 1, 2023.

(Note 2) The purchase agreement of real estate regarding the acquisition of the property (the “Agreement”) falls under a forward commitment by an investment corporation stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” issued by the Financial Services Agency. Under the Agreement, if the Agreement is canceled due to a cause attributable to the REIT or the counterparty, the defaulting party shall pay a cancellation penalty charge equal to 10% of the consideration to be paid for the real estate subject to the sale and purchase transaction. Moreover, funds in hand or funds borrowed will be allotted to acquire financing for the property. As of today, in consideration of cash and deposits held by the REIT and cash flow conditions of the REIT, the REIT does not consider that there will be any concern over acquisition of the property to be acquired with funds in hand. Therefore, the REIT believes that the possibility of the property to be acquired having a material impact on the REIT’s financial conditions and payment of distributions is remote. The REIT obtained an appraisal report on the property at the time of appraisal on November 30, 2022 from Tanizawa Sogo Appraisal Co., Ltd. and the appraisal value at the point of that day is ¥1,230,000 thousand.

(Note 3) “Acquisition price” is the price described in the purchase agreement of real estate (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

#### Re-104 HF UENO RESIDENCE EAST) (Note 1)

Type of specified asset (Note 2)	Real estate
Agreement date	February 17, 2023
Acquisition date	February 28, 2023
Acquisition price (Note 3)	¥2,500,000 thousand
Location (lot number)	5-4-15, Higashi Ueno, Taito-ku, Tokyo

Purpose of use	Residence
Construction date	September 5, 2017
Structure	Reinforced concrete, flat roof, 15 floors above ground
Total floor space	2,964.00m <sup>2</sup>
Total rentable space	2,317.84m <sup>2</sup>

(Note 1) As of February 28, 2023, the name of this property is IMPREST RESIDENCE UENO the architect. The name will be changed to HF UENO RESIDENCE EAST on September 1, 2023 after the acquisition.

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

(Note 3) “Acquisition price” is the price described in the purchase agreement of real estate (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.



## B. Disposition of Assets

On December 12, 2022, the REIT issued new investment corporation bonds (total amount of ¥2,000,000 thousand) as described below based on the comprehensive resolution regarding the issuance of investment corporation bonds at the meeting of the Board of Directors of the REIT held on May 25, 2022.

### Of-09 GRACE BUILDING SENGAKUJIMAE (Second transfer)

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	2-15-8 Takanawa, Minato-ku, Tokyo
Transfer price (Note 1)	¥1,109,500 thousand (50% interest of quasi co-ownership)
Book value (Note 2)	¥544,000 thousand
Agreement date	May 18, 2022
Disposition date	December 5, 2022
Transferee	HEIWA REAL ESTATE CO., LTD.

(Note 1) The transfer is made in two parts, of which the first transfer has been already executed. “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.

(Note 2) “Book value” represents the carrying amount of 50% interest of quasi co-ownership as of December 5, 2022, the date of the second transfer.

## C. Issuance of Investment Corporation Bonds

The REIT issued investment corporation bonds (amount of issue: 2,000 million yen) with the following terms on December 12, 2022 based on the “comprehensive resolution for issuance of investment corporation bonds” made at the Board of Directors meeting held on May 25, 2022.

[Seventh series of unsecured investment corporation bonds (green bonds)]

Name	HEIWA REAL ESTATE REIT, Inc. Seventh Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds) (Green bonds)
Total amount of investment corporation bonds	2,000 million yen
Payment date	December 12, 2022
Paid-in amount	100 yen per 100 yen of each investment corporation bond
Interest rate	0.880% per annum
Attachment of security and guarantee	Unsecured and without guarantee
Redemption date	The REIT will conduct the redemption of the total amount on December 10, 2032. The REIT has the option of buying back and retiring the Investment Corporation Bonds anytime on and after the following day of the payment date, unless otherwise provided for in laws, regulations, or other rules in the operational regulations of Japan Securities Depository Center, Inc., which is a transfer institution.
Interest payment date	June 12 and December 12 every year (The first payment of interest will occur on June 12, 2023) (If the interest payment date falls on a bank holiday, the payment will be made on the preceding bank business day.)
Use of funds	The funds were allocated to the repayment of the long-term borrowings (500 million yen) maturing on December 30, 2022, which had been raised for the purchase of HF ESAKA Building, a green eligible asset acquired on December 23, 2021. The remainder was allocated to funds in hand, which were reduced by the purchase of the Shinsaibashi Front Building, a green eligible asset acquired on June 3, 2022.

## D. Borrowing of Funds

The REIT took out loans (total loan amount: 1,600 million yen) to partially fund the acquisition of one residence as of January 30, 2023, and one residence acquired as of January 31, 2023. (See A. Acquisition of assets stated above for details.)

## [Term Loan 65-1]

Lender	Borrowing amount	Borrowing date	Maturity date	Repayment method	Usage of fund	Collateral and guarantee
Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	800 million yen	January 30, 2023	January 30, 2030	Lump sum repayment	To fund for acquisition of property and others	Unsecured/non-guaranteed

## [Term Loan 65-2]

Lender	Borrowing amount	Borrowing date	Maturity date	Repayment method	Usage of fund	Collateral and guarantee
Development Bank of Japan Inc.	800 million yen	January 30, 2023	November 28, 2031	Lump sum repayment	To fund for acquisition of property and others	Unsecured/non-guaranteed

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

## 2. Overview of the REIT

### (1) Overview of investment units

Fiscal period		38th FP	39th FP	40th FP	41st FP	42nd FP
		November 30, 2020	May 31, 2021	November 30, 2021	May 31, 2022	November 30, 2022
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		999,933	999,933	1,055,733	1,055,733	1,113,733
Unitholders' capital	million yen	81,370	81,370	90,063	90,063	97,799
Number of unitholders		11,699	10,906	11,034	11,206	11,454

### (2) Matters concerning investment units

The following represents major unitholders as of November 30, 2022

Name	Units Owned (units)	Ownership Ratio (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	317,666	28.52
The Master Trust Bank of Japan, Ltd. (trust account)	203,434	18.26
Heiwa Real Estate Co., Ltd.	143,845	12.91
The Nomura Trust and Banking Co., Ltd. (trust account)	43,058	3.86
STATE STREET BANK WEST CLIENT - TREATY 505234	16,293	1.46
SSBTC CLIENT OMNIBUS ACCOUNT	12,752	1.14
JP MORGAN CHASE BANK 385781	12,510	1.12
SMBC Nikko Securities Inc.	12,429	1.11
BNP PARIBAS LUXEMBOURG/2S/BNP PARIBAS LUXEMBOURG/2S/JASDEC/SECURITIES - AIFM	11,399	1.02
JP MORGAN CHASE BANK 385771	10,397	0.93
Total	783,783	70.37

(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 42nd 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)	Toshio Suzuki	Certified Public Accountant, Suzuki Toshio Certified Public Accountant Office	
Independent Auditor (Note 2)	KPMG AZSA LLC	—	14,000 (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) The amount includes compensation for an audit of English-language financial statements and compensation for the preparation of a comfort letter related to the issuance of new investment units in June 2022.

## (4) Asset Management Company, Asset Custodian and General Administrators

The asset management company, asset custody company and administrative service contractors at the end of 42nd 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	41st Fiscal Period (As of May 31, 2022)		42nd Fiscal Period (As of November 30, 2022)	
			Value of holding (Million yen) (Note 1)	Ratio to total assets (%)	Value of holding (Million yen) (Note 1)	Ratio to total assets (%)
Real estate (Note 2)	Office	Tokyo 23 Wards	7,554	3.6	7,527	3.4
		Metropolitan Area (Note 3)	5,098	2.4	5,091	2.3
		Other (Note 4)	2,661	1.3	2,664	1.2
	Residence	Tokyo 23 Wards	25,789	12.3	26,960	12.2
		Metropolitan Area (Note 3)	8,365	4.0	9,716	4.4
		Other (Note 4)	7,804	3.7	7,772	3.5
Subtotal		57,274	27.3	59,732	27.0	
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	57,587	27.4	60,971	27.5
		Metropolitan Area (Note 3)	4,822	2.3	4,800	2.2
		Other (Note 4)	13,478	6.4	24,830	11.2
	Residence	Tokyo 23 Wards	37,075	17.7	36,953	16.7
		Metropolitan Area (Note 3)	2,898	1.4	2,882	1.3
		Other (Note 4)	16,052	7.7	16,002	7.2
Subtotal		131,915	62.9	146,440	66.1	
Real estate, etc., subtotal		189,189	90.2	206,173	93.1	
Deposits and other assets		20,604	9.8	15,357	6.9	
Total assets		209,794	100.0	221,531	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) 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 3) "Metropolitan Area" refers to Tokyo (other than Tokyo 23 Wards) and Kanagawa, Saitama and Chiba prefectures.

(Note 4) "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 42st 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 <sup>2</sup> ) (Note 1)	Rental area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)	Main use
Of-50	Shinsaibashi FRONT Building	7,391	4,251.76	4,251.76	100.0	2.6	Office
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,306	8,141.02	7,807.67	95.9	2.9	Residence
Re-25	HF GINZA RESIDENCE EAST	5,401	5,459.49	5,318.61	97.4	1.8	Residence
Of-47	OSAKI CN BUILDING	5,185	3,237.86	3,237.86	100.0	1.6	Office
Of-25	KAYABACHO HEIWA BUILDING	4,752	4,156.53	4,156.53	100.0	3.0	Office
Of-30	HF SAKURADORI BUILDING	4,361	9,934.77	9,827.85	98.9	4.6	Office
Of-51	SAKAE CENTER BUILDING	4,035	5,380.71	5,380.71	100.0	1.8	Office, Retail, Residence
Of-38	ACROSS SHINKAWA BUILDING	3,891	3,828.92	3,745.89	97.8	1.8	Office, Residence
Of-45	KABUTO-CHO UNI-SQUARE	3,623	2,737.77	2,737.77	100.0	1.5	Office
Re-20	HF SHIROKANETAKANAWA RESIDENCE	3,560	4,457.76	4,371.90	98.1	1.7	Residence
Total		48,508	51,586.59	50,836.55	98.5	23.2	

(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 42<sup>nd</sup> 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	1,787	1,380
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	2,830	2,301
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	1,950	1,500
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,200	2,752
Of-09	GRACE BUILDING SENGAKUJIMAE	2-15-8 Takanawa, Minato-ku, Tokyo	Trust beneficial interest	1,109	545
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,320	2,140
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,840	3,012
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,110	1,078
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,121	3,385
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,440	3,436
Of-21	ADESSO NISHIAZABU	1-7-2 Nishi Azabu, Minato-ku, Tokyo	Real estate	557	594
Of-23	HF IKEBUKURO BUILDING	2-29-12 Minami Ikebukuro, Toshima-ku, Tokyo	Real estate	1,510	1,268
Of-24	HF YUSHIMA BUILDING	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,750	1,574
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	7,080	4,752
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho, Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,520	2,513
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,360	1,456
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	6,600	4,361
Of-31	HF NIHONBASHI HAMACHO BUILDING	1-2-1 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	2,640	2,009
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,670	2,481
Of-33	HF UENO BUILDING	5-6-10 Ueno, Taito-ku, Tokyo	Trust beneficial interest	4,250	3,407
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficial interest	2,170	1,351
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami, Chiyoda-ku, Tokyo	Trust beneficial interest	3,280	2,816
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachi, Chiyoda-ku, Tokyo	Trust beneficial interest	4,250	3,196
Of-37	NISSO 5 BUILDING	2-10-39 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,230	3,179
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,380	3,891
Of-39	SENJU MILDIX II	3-98 Senju, Adachi-ku, Tokyo	Trust beneficial interest	1,950	1,587
Of-40	ARK Mori Building	1-12-32 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,450	3,160

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-41	Nihonbashi Horidomecho First	1-2-10 Nihonbashi Horidomecho, Chuo-ku, Tokyo	Trust beneficial interest	2,400	2,160
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi, Hachioji City, Tokyo	Trust beneficial interest	1,890	1,620
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,330	3,143
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,880	2,871
Of-45	KABUTO-CHO UNI-SQUARE	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	4,020	3,623
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,670	2,664
Of-47	OSAKI CN BUILDING	5-10-10 Osaki, Shinagawa-ku, Tokyo	Trust beneficial interest	5,440	5,185
Of-48	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Real estate	2,000	1,654
Of-49	HF ESAKA BUILDING	1-13-48 Esakacho, Suita City, Osaka	Trust beneficial interest	2,660	2,591
Of-50	Shinsaibashi FRONT Building	3-5-11, Minamisenba, Chuo-ku, Osaka-city, Osaka	Trust beneficial interest	7,860	7,391
Of-51	SAKAE CENTER BUILDING	3-13-20 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	4,390	4,035
Of-52	IWAMOTOCHO TWIN BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	3,740	3,400
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	529	407
Office subtotal				127,163	105,886
Re-03	HF ICHIKAWA RESIDENCE	4-8-13 Ainokawa, Ichikawa City, Chiba	Trust beneficial interest	612	365
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	823	605
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	991	568
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	5,407	3,078
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	2,041	1,381
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,607	1,289
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,200	876
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,580	862
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,870	956
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	957	567
Re-20	HF SHIROKANETAKANAWA RESIDENCE	1-2-6 Takanawa, Minato-ku, Tokyo	Real estate	6,060	3,560
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,140	958
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,290	1,060
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,120	821



	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,360	1,057
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	6,060	5,401
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	2,980	2,866
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,530	1,444
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,440	1,565
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,300	964
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	836	855
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	996	694
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,920	1,325
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,370	1,692
Re-41	HF HATCHOBORI RESIDENCE III	2-17-8 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	1,150	678
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,360	800
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	8,060	6,306
Re-45	HF NAKANOSHIMA RESIDENCE	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka	Trust beneficial interest	549	407
Re-46	HF AWAZA RESIDENCE	4-6-12 Itachibori, Nishi-ku, Osaka City, Osaka	Trust beneficial interest	739	472
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	763	487
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,320	1,493
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	620	472
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,550	1,598
Re-54	La Residence de Sendagi	2-23-3 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,050	750
Re-55	HF SENDAGI RESIDENCE	2-6-6 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,110	787
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	762	577
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,210	773
Re-58	HF KOKUBUNJI RESIDENCE	3-18-7 Minami-cho, Kokubunji City, Tokyo	Trust beneficial interest	1,140	794
Re-59	HF HISAYAODORI RESIDENCE	1-12-1 Izumi, Higashi-ku, Nagoya City, Aichi	Trust beneficial interest	1,300	963
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	747	503
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,830	1,912
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	8-7-11 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	1,630	1,121

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,740	1,234
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	721	512
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,180	691
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	945	612
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,090	731
Re-69	HF ICHIBANCHO RESIDENCE	2-1-7 Ichibancho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,190	729
Re-70	HF HIGASHI-NAKANO RESIDENCE	2-19-4 Higashi Nakano, Nakano-ku, Tokyo	Trust beneficial interest	1,160	858
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,820	1,937
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	810
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,790	1,148
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,060	1,478
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,530	1,262
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	964	761
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,380	1,721
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	2,110
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,860	1,444
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	978	905
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	951	889
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,470	1,066
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,750	1,373
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,280	1,217
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,570	1,226
Re-87	HF MONZEN-NAKACHO RESIDENCE	1-16-4 Botan, Koto-ku, Tokyo	Real estate	1,280	954
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	7-4-9 Minamisuna, Koto-ku, Tokyo	Real estate	1,120	908
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,130	1,076
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,350	1,183
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,180	1,104

	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	1,310	1,194
Re-93	HF HAKATA-HIGASHI RESIDENCE II	1-9-27 Yutaka, Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,470	1,305
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamataseshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,520	1,296
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,890	1,783
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,410	1,287
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	822	731
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,420	1,387
Re-99	HF UENO IRIYA RESIDENCE	1-12-1, Iriya, Taito-ku, Tokyo	Real estate	1,010	964
Re-100	HF TSUJIDO RESIDENCE	2-2-26 Tsujidokandai, Fujisawa City, Kanagawa	Real estate	2,060	2,007
Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	3-2-24 Sakaecho, Kawaguchi City, Saitama	Real estate	1,550	1,381
Re-102	HF HIGASHIOGU RESIDENCE	8-32-5 Higashiogu, Arakawa-ku, Tokyo	Real estate	1,430	1,272
Residence subtotal				132,301	100,287
Total				259,464	206,173

(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-09 GRACE BUILDING SENGAKUJIMAE, the transfer price stated in the sale and purchase agreement dated May 18, 2022 is indicated.

(Note 3) Book value is the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of November 30, 2022, after deducting the accumulated depreciation.

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

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (at end of 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 (at end of period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Of-05	SUITENGU HEIWA BUILDING	5	100.00	59,093	0.9	6	100.00	60,524	0.8
Of-06	HF MONZENNAKA CHO BUILDING	5	100.00	95,729	1.4	6	100.00	83,389	1.1
Of-07	HF HAMAMATSUC HO BUILDING	9	100.00	57,849	0.8	8	88.81	53,615	0.7
Of-08	HF TAMEIKE BUILDING	6	98.12	83,893	1.2	7	90.87	80,857	1.1
Of-09	GRACE BUILDING SENGAKUJIMA E	9	100.00	64,887	0.9	9	100.00	31,211	0.4
Of-11	HF NIHONBASHI ODENMACHO BUILDING	7	100.00	66,057	1.0	7	100.00	69,305	1.0
Of-12	HF HATCHOBORI BUILDING	8	100.00	76,571	1.1	7	100.00	77,291	1.1
Of-17	HATCHOBORI MF BUILDING	9	100.00	33,336	0.5	9	100.00	33,432	0.5
Of-18	M2 HARAJUKU	5	100.00	66,124	1.0	5	100.00	81,184	1.1
Of-20	FUNABASHI FACE BUILDING	9	100.00	120,053	1.8	9	100.00	120,584	1.7
Of-21	ADESSO NISHIAZABU	4	100.00	13,880	0.2	4	100.00	13,405	0.2
Of-23	HF IKEBUKURO BUILDING	9	100.00	42,702	0.6	9	100.00	44,008	0.6
Of-24	HF YUSHIMA BUILDING	9	100.00	50,463	0.7	9	100.00	50,901	0.7
Of-25	KAYABACHO HEIWA BUILDING	1	100.00	209,571	3.1	1	100.00	215,174	3.0
Of-27	KOBE KYUKYORYUC HI HEIWA BUILDING	38	100.00	146,067	2.1	38	100.00	152,781	2.1
Of-29	SAKAE MINAMI HEIWA BUILDING	8	100.00	89,956	1.3	8	100.00	91,920	1.3
Of-30	HF SAKURADORI BUILDING	23	100.00	327,145	4.8	22	98.92	331,872	4.6

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
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Of-31	HF NIHONBASHI HAMACHO BUILDING	8	100.00	92,472	1.3	8	100.00	94,087	1.3
Of-32	HF SENDAI HONCHO BUILDING	41	100.00	149,581	2.2	41	100.00	151,572	2.1
Of-33	HF UENO BUILDING	7	100.00	139,903	2.0	7	100.00	142,339	2.0
Of-34	KOJIMACHI HF BUILDING	7	87.82	63,597	0.9	8	100.00	69,011	0.9
Of-35	HF KUDAN MINAMI BUILDING	3	100.00	98,750	1.4	3	100.00	82,142	1.1
Of-36	HF KANDA OGAWAMACHI BUILDING	8	100.00	110,675	1.6	8	100.00	111,975	1.5
Of-37	NISSO 5 BUILDING	1	100.00	87,218	1.3	1	100.00	87,218	1.2
Of-38	ACROSS SHINKAWA BUILDING	13	100.00	134,377	2.0	12	97.83	133,793	1.8
Of-39	SENJU MILDIX II	5	100.00	68,469	1.0	5	100.00	69,277	1.0
Of-40	ARK Mori Building	1	100.00	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.00	62,744	0.9	3	100.00	64,336	0.9
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.00	71,039	1.0	3	100.00	72,197	1.0
Of-43	HAMACHO HEIWA BUILDING	9	88.01	81,101	1.2	10	100.00	86,209	1.2
Of-44	KINSHICHO SQUARE BUILDING	10	97.33	75,864	1.1	11	100.00	76,438	1.0
Of-45	KABUTO-CHO UNI-SQUARE	8	100.00	108,563	1.6	8	100.00	109,495	1.5
Of-46	HF SENDAI ICHIBANCHO BUILDING	14	98.13	78,721	1.1	14	98.13	81,712	1.1
Of-47	OSAKI CN BUILDING	7	100.00	107,484	1.6	7	100.00	115,022	1.6
Of-48	Faret East Building(Note 5)	7	100.00	60,479	0.9	7	100.00	65,400	0.9
Of-49	HF ESAKA BUILDING(Note 5)	6	100.00	57,459	0.8	6	93.61	66,365	0.9

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue-real estate (at end of 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 (at end of period) (thousand yen) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)
Of-50	Shinsaibashi FRONT Building(Note 6)	—	—	—	—	13	100.00	186,188	2.6
Of-51	SAKAE CENTER BUILDING(Note 6)	—	—	—	—	23	100.00	129,370	1.8
Of-52	IWAMOTOCHO TWIN BUILDING(Note 6)	—	—	—	—	8	100.00	80,725	1.1
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING(Note 6)	—	—	—	—	8	88.67	13,232	0.2
Office subtotal		325	99.27	3,333,367	48.6	379	99.21	3,761,853	51.6
Re-03	HF ICHIKAWA RESIDENCE	36	100.00	17,299	0.3	36	100.00	17,280	0.2
Re-05	HF MEGURO RESIDENCE	20	93.69	18,749	0.3	21	100.00	19,791	0.3
Re-09	HF KASAI RESIDENCE	46	95.81	26,697	0.4	45	93.67	26,371	0.4
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	96	99.11	121,783	1.8	97	100.00	124,692	1.7
Re-12	HF HIMONYA RESIDENCE	53	100.00	45,932	0.7	51	95.65	47,144	0.6
Re-14	HF MINAMIAZABU RESIDENCE	57	95.00	35,539	0.5	58	96.64	36,082	0.5
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	27	100.00	27,563	0.4	27	100.00	29,146	0.4
Re-17	HF HIGASHIKANDA RESIDENCE	60	93.83	37,457	0.5	63	98.44	37,236	0.5
Re-18	HF HIGASHINIHONBASHI RESIDENCE	63	94.96	43,372	0.6	63	96.30	41,957	0.6
Re-19	HF NERIMA RESIDENCE	50	98.08	25,841	0.4	48	93.70	24,640	0.3
Re-20	HF SHIROKANETA KANAWA RESIDENCE	62	94.59	122,254	1.8	65	98.07	126,581	1.7
Re-21	HF MEIDAIMAE RESIDENCE	50	94.20	28,506	0.4	51	96.41	29,639	0.4
Re-22	HF NIHONBASHI RESIDENCE	44	90.41	33,934	0.5	47	98.28	35,050	0.5

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
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Re-23	HF KAMISHAKUJII RESIDENCE	63	98.64	32,013	0.5	62	97.28	32,819	0.5
Re-24	HF KINSHICHO RESIDENCE	56	100.00	32,728	0.5	56	100.00	33,374	0.5
Re-25	HF GINZA RESIDENCE EAST	101	95.63	133,471	1.9	102	97.42	132,853	1.8
Re-26	HF SHIN-YOKOHAMA RESIDENCE	108	95.44	86,363	1.3	111	98.51	85,343	1.2
Re-29	HF HAKUSAN RESIDENCE (Note 6)	—	—	60,180	0.9	—	—	—	—
Re-30	HF MAGOME RESIDENCE	29	94.33	45,579	0.7	30	100.00	45,909	0.6
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	22	100.00	35,338	0.5	21	95.12	37,556	0.5
Re-33	HF KAMEIDO RESIDENCE	60	98.35	32,239	0.5	60	98.37	31,614	0.4
Re-34	HF TANASHI RESIDENCE	35	100.00	32,929	0.5	35	100.00	32,309	0.4
Re-35	HF SHIBA-KOEN RESIDENCE (Note 6)	—	—	23,812	0.3	—	—	—	—
Re-36	HF MITA RESIDENCE (Note 6)	—	—	34,128	0.5	—	—	—	—
Re-38	La Residence de Shirokanedai	26	92.95	26,734	0.4	27	96.44	25,860	0.4
Re-39	HF GINZA RESIDENCE EAST II	73	98.75	49,775	0.7	72	95.67	49,406	0.7
Re-40	HF HATCHOBORI RESIDENCE II	79	93.89	59,090	0.9	81	97.25	59,166	0.8
Re-41	HF HATCHOBORI RESIDENCE III	37	100.00	31,506	0.5	37	100.00	30,280	0.4
Re-42	HF GINZA RESIDENCE	44	97.85	32,955	0.5	44	98.13	32,817	0.5
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	275	95.80	204,939	3.0	274	95.91	210,361	2.9

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
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Re-45	HF NAKANOSHIMA RESIDENCE	35	93.88	19,189	0.3	35	92.84	19,096	0.3
Re-46	HF AWAZA RESIDENCE	63	100.00	23,436	0.3	60	95.44	23,348	0.3
Re-47	HF MARUNOUCHI RESIDENCE	70	97.23	26,795	0.4	66	91.66	25,358	0.3
Re-48	HF HIRAO RESIDENCE	192	95.87	81,984	1.2	193	96.43	80,751	1.1
Re-49	HF KAWARAMACHI NIJO RESIDENCE	49	98.06	19,327	0.3	48	96.12	19,649	0.3
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	127	96.30	74,919	1.1	128	98.12	76,092	1.0
Re-54	La Residence de Sendagi	48	94.39	32,272	0.5	48	96.25	27,620	0.4
Re-55	HF SENDAGI RESIDENCE	47	93.97	35,675	0.5	49	100.00	31,299	0.4
Re-56	HF KOMAZAWA-KOEN RESIDENCE	35	97.22	20,053	0.3	34	94.45	19,921	0.3
Re-57	HF MUSASHIKOYAMA RESIDENCE	50	96.40	31,625	0.5	49	94.60	31,935	0.4
Re-58	HF KOKUBUNJI RESIDENCE	47	100.00	30,929	0.5	47	100.00	31,157	0.4
Re-59	HF HISAYAODORI RESIDENCE	96	98.03	41,998	0.6	93	95.09	42,981	0.6
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	40	97.98	22,856	0.3	40	97.98	22,135	0.3
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	74	95.91	68,672	1.0	73	95.00	70,732	1.0
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	40	82.92	41,638	0.6	47	98.49	40,582	0.6
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	65	95.73	44,105	0.6	66	97.22	43,906	0.6
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	35	92.24	21,047	0.3	38	100.00	20,904	0.3



Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
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Re-65	HF KITA-YOBANCHO RESIDENCE	87	96.68	38,456	0.6	85	94.43	38,088	0.5
Re-66	HF ATAGOBASHI RESIDENCE	77	97.49	33,262	0.5	75	95.03	33,239	0.5
Re-68	HF ASAKUSABASHI RESIDENCE	38	97.44	26,558	0.4	38	97.44	27,031	0.4
Re-69	HF ICHIBANCHO RESIDENCE	76	97.02	41,110	0.6	78	100.00	40,420	0.6
Re-70	HF HIGASHI-NAKANO RESIDENCE	46	93.77	31,222	0.5	47	96.86	31,296	0.4
Re-72	HF WASEDA RESIDENCE	115	95.26	77,252	1.1	118	97.77	77,066	1.1
Re-73	HF WASEDA RESIDENCE II	50	98.27	30,001	0.4	49	96.54	30,807	0.4
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	31	94.56	43,303	0.6	32	96.35	38,087	0.5
Re-75	HF SENDAI RESIDENCE EAST	149	99.39	68,975	1.0	148	98.79	69,705	1.0
Re-76	HF NISHI-KOEN RESIDENCE	98	96.12	44,912	0.7	100	98.06	43,417	0.6
Re-77	HF BANSUI-DORI RESIDENCE	63	95.45	27,512	0.4	63	95.45	27,911	0.4
Re-78	HF KANNAI RESIDENCE	114	97.35	64,635	0.9	115	98.28	60,381	0.8
Re-79	HF MEIEKI-KITA RESIDENCE	107	94.51	62,474	0.9	109	96.60	62,814	0.9
Re-80	HF HIGASHI-SAPPORO RESIDENCE	150	99.45	58,737	0.9	144	95.39	58,510	0.8
Re-81	HF HAKATA-HIGASHI RESIDENCE	76	97.44	30,138	0.4	77	98.70	30,603	0.4
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	53	96.36	26,714	0.4	52	94.54	25,963	0.4
Re-83	HF TABATA RESIDENCE	55	98.61	45,548	0.7	55	98.61	41,047	0.6
Re-84	HF RYOGOKU RESIDENCE	63	94.53	50,179	0.7	66	100.00	50,714	0.7
Re-85	HF HACHIOJI RESIDENCE	50	97.78	35,606	0.5	48	95.58	39,372	0.5

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue-real estate (at end of 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 (at end of period) (thousand yen) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)
Re-86	HF MITA RESIDENCE II	38	95.20	30,975	0.5	38	95.35	31,318	0.4
Re-87	HF MONZEN-NAKACHO RESIDENCE	42	95.45	28,508	0.4	43	97.73	28,811	0.4
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	45	93.76	27,264	0.4	46	95.88	26,799	0.4
Re-89	HF SENDAI NAGAMACHI RESIDENCE	67	96.86	34,933	0.5	68	98.38	32,649	0.4
Re-90	HF SHOKOJI AKABANE RESIDENCE	49	100.00	35,920	0.5	49	100.00	38,540	0.5
Re-91	HF SENDAI HONCHO RESIDENCE	67	97.09	33,874	0.5	67	97.11	35,343	0.5
Re-92	HF OHORI RESIDENCE BAYSIDE	65	97.21	34,690	0.5	63	94.42	33,504	0.5
Re-93	HF HAKATA-HIGASHI RESIDENCE II	106	96.99	41,639	0.6	107	97.00	41,962	0.6
Re-94	HF FUKUOKA RESIDENCE EAST	116	97.34	45,435	0.7	117	98.33	46,221	0.6
Re-95	HF SHOKOJI AKABANE RESIDENCE II (Note 5)	69	97.74	57,792	0.8	69	98.93	54,064	0.7
Re-96	HF YAHIRO RESIDENCE (Note 5)	62	97.37	39,749	0.6	62	96.58	39,180	0.5
Re-97	HF SETAGAYAKAM IMACHI RESIDENCE (Note 5)	28	93.31	19,838	0.3	28	93.36	19,176	0.3
Re-98	HF SOKA RESIDENCE	94	95.00	38,042	0.6	96	97.00	39,682	0.5
Re-99	HF UENO IRIYA RESIDENCE (Note 6)	32	97.48	20,740	0.3	33	100.00	23,925	0.3
Re-100	HF TSUJIDO RESIDENCE (Note 6)	38	97.53	25,153	0.4	37	95.06	49,329	0.7
Re-101	HF KAWAGUCHIEK IMAE RESIDENCE (Note 6)	—	—	—	—	88	97.02	54,894	0.8

Property name		41st Fiscal Period (As of May 31, 2022)				42nd Fiscal Period (As of November 30, 2022)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue-real estate (at end of 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 (at end of period) (thousand yen) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)
Re-102	HF HIGASHIOGU RESIDENCE(Note 6)	—	—	—	—	49	100.00	39,805	0.5
Residence subtotal		5,201	96.57	3,526,409	51.4	5,357	97.21	3,524,454	48.4
Total		5,526	97.59	6,859,776	100.0	5,736	98.01	7,286,308	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 REIT acquired Re-99 HF UENO IRIYA RESIDENCE as of December 22, 2021, Of-49 HF ESAKA BUILDING as of December 23, 2021, and Re-100 HF TSUJIDO RESIDENCE as of February 28, 2022. The REIT acquired additional ownership of Of-48 Faret East Building as of December 24, 2021. As of May 27, 2022, the REIT transferred Re-29 HF HAKUSAN RESIDENCE, Re-35 HF SHIBA-KOEN RESIDENCE, and Re-36 HF MITA RESIDENCE.

(Note 6) As of June 3, 2022, the REIT acquired Of-50 Shinsaibashi FRONT Building, Of-51 SAKAE CENTER BUILDING, Of-52 IWAMOTOCHO TWIN BUILDING, Of-53 IWAMOTOCHO TWIN SAKAE BUILDING, Re-101 HF KAWAGUCHIEKIMAE RESIDENCE, and Re-102 HF HIGASHIOGU RESIDENCE. As of June 3, 2022, the REIT transferred 50% quasi co-ownership of the trust beneficial interest in Of-09 GRACE BUILDING SENGAKUJIMAE.

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

#### (4) Schedule of securities incorporated into assets

Not applicable

#### (5) Schedule of renewable energy power generation facilities

Not applicable

#### (6) Schedule of public facilities management rights

Not applicable

#### (7) Status of other assets

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

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

#### Table of contract amounts and market prices of specified transactions

(Unit: thousand yen)

Classification	Type	Contract amount (Note 1)		Market price (Note 2)
			Contract period of over a year	
Transactions other than market transactions	Interest rate swaps Pay fixed, receive floating	63,898,200	51,118,200	538,318
Total		63,898,200	51,118,200	538,318

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

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

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

(8) Asset holdings by country and region

No asset holdings in countries or regions outside Japan

#### 4. Capital expenditures for properties held

##### (1) Planned capital expenditure

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

The estimate in the table may include expenses in accounting.

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

Property name		Address	Purpose	Scheduled period	Estimated construction costs (thousand yen)		
					Total amount	Payment in the period	Amount already paid
Of-06	HF MONZENNAKACH O BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From December 2022 To May 2023	29,000	—	—
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Air conditioning equipment replacement	From December 2022 To May 2023	55,000	—	—
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Repair of restrooms	From December 2022 To May 2023	41,000	—	—
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	Chiyoda-ku, Tokyo	Renovation of tenant-area	From December 2022 To May 2023	6,000	—	—
Re-03	HF ICHIKAWA RESIDENCE	Ichikawa City, Chiba	Intercom equipment replacement	From December 2022 To May 2023	3,950	—	—
Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	Comprehensive repair of outer walls	From December 2022 To May 2023	30,000	—	—
Re-94	HF FUKUOKA RESIDENCE EAST	Fukuoka City, Fukuoka	Comprehensive repair of outer walls	From December 2022 To May 2023	37,000	—	—

## (2) Capital expenditures in the 42nd fiscal period

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 42nd fiscal period.

Capital expenditures in the fiscal period stood at 592,606 thousand yen. Expenses for repairs, etc. were 842,612 thousand yen, including repair expenses of 250,005 thousand yen.

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

Property name		Address	Purpose	Scheduled period	Estimated construction costs (thousand yen)
Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From July 2022 To September 2022	32,700
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Repair of elevators	From August 2022 To September 2022	35,700
Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	Comprehensive repair of outer walls	From July 2022 To November 2022	52,824
	Others			From June 2022 To November 2022	471,382
Total					592,606

## (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	38th FP November 30, 2020	39th FP May 31, 2021	40th FP November 30, 2021	41st FP May 31, 2022	42nd FP November 30, 2022
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 509,386 thousand yen at the end of the 42nd 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	41st Fiscal Period (As of May 31, 2022)	42nd Fiscal Period (As of November 30, 2022)
(a) Asset management fee (Note)	648,938	675,020
(b) Asset custody fee	12,668	13,011
(c) Administrative service fee	28,929	28,050
(d) Directors' compensation	6,102	6,102
(e) Audit fee	11,660	12,000
(f) Other operating expenses	173,173	147,285
Total	881,471	881,470

(Note) In addition to the asset management fee above, management fees related to property acquisitions of 58,700 thousand yen (41st period) and 124,250 thousand yen (42nd period) were recorded. Management fees related to property transfers of 45,080 thousand yen (41st period) and 5,547 thousand yen (42nd period) were also recorded.

## (2) Status of borrowings

Below is the status of borrowings from each financial institution at the end of the 42nd 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	May 31, 2022	200,000	200,000	0.27182	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Subtotal		200,000	200,000					
Long-term loans payable Due within One Year	Aozora Bank, Ltd.	October 31, 2014	420,000	—	1.00001	October 31, 2022	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Mizuho Trust & Banking Co., Ltd.		1,000,000	—					
	The Bank of Fukuoka, Ltd.		500,000	—					
	Development Bank of Japan Inc.	December 4, 2014	900,000	—	1.24348	October 31, 2022	Lump-sum repayment		
	Resona Bank, Limited.	May 29, 2015	480,000	480,000	1.02314	May 31, 2023	Lump-sum repayment		
	MUFG Bank, Ltd.		1,400,000	1,400,000					
	Shinsei Bank, Limited(Note 4)		200,000	200,000					
	Mizuho Bank, Ltd.		800,000	800,000					
	Sumitomo Mitsui Banking Corporation	October 29, 2015	—	1,100,000	1.08054	October 31, 2023	Lump-sum repayment		
	Aozora Bank, Ltd.		—	200,000					
	Resona Bank, Limited.		—	500,000					
	MUFG Bank, Ltd.		—	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		—	500,000					
	Sumitomo Mitsui Trust Bank, Limited.		—	900,000					
	Mizuho Bank, Ltd.		—	200,000					
	Aozora Bank, Ltd.	May 31, 2016	1,000,000	—	0.65900	October 31, 2022	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2019	1,000,000	1,000,000	0.32500	May 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		700,000	700,000					
	Sumitomo Mitsui Trust Bank, Limited.		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 Due within One Year	The Nomura Trust and Banking Co., Ltd.	October 31, 2019	300,000	300,000	0.32500	May 31, 2023	Lump-sum	(Note 2)	Unsecured and Unguaranteed
	Shinsei Bank, Limited(Note 4)		200,000	200,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	—	0.35227	October 31, 2022	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.		500,000	—					
	Sumitomo Mitsui Banking Corporation	October 30, 2020	—	200,000	0.38200	October 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		—	200,000					
	MUFG Bank, Ltd.		—	1,150,000					
	Mizuho Trust & Banking Co., Ltd.		—	230,000					
	Sumitomo Mitsui Banking Corporation	October 29, 2021	480,000	—	0.27495	October 31, 2022	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	December 23, 2021	500,000	500,000	0.27180	December 30, 2022	Lump-sum repayment		
Sumitomo Mitsui Banking Corporation	June 27, 2022	—	1,000,000	0.27189	June 30, 2023	Lump-sum			
Subtotal			11,380,000	13,260,000					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 29, 2015	1,100,000	—	1.08054	October 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Aozora Bank, Ltd.		200,000	—					
	Resona Bank, Limited.		500,000	—					
	MUFG Bank, Ltd.		1,000,000	—					
	Mizuho Trust & Banking Co., Ltd.		500,000	—					
	Sumitomo Mitsui Trust Bank, Limited.		900,000	—					
	Mizuho Bank, Ltd.		200,000	—					
	Sumitomo Mitsui Banking Corporation	October 30, 2015	2,440,000	2,440,000	1.20800	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	Resona Bank, Limited.		940,000	940,000					
	MUFG Bank, Ltd.		1,500,000	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	1,585,000	0.93670	May 31, 2025	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Aozora Bank, Ltd.		1,250,000	1,250,000					
	Resona Bank, Limited.		452,000	452,000					
	MUFG Bank, Ltd.		320,000	320,000					
	ORIX Bank Corporation		250,000	250,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2017	895,000	895,000	0.90850	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		915,000	915,000					
	Shinsei Bank, Limited (Note 4)		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 31, 2026	Lump-sum repayment		
	Resona Bank, Limited.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		550,000	550,000					
	Mizuho Bank, Ltd.		330,000	330,000					
	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	900,000	0.78630	May 31, 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 30, 2025	Lump-sum repayment		
	Resona Bank, Limited.		150,000	150,000					
	Aozora Bank, Ltd.		100,000	100,000					
	MUFG Bank, Ltd.		200,000	200,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
	Sumitomo Mitsui Trust Bank, Limited.		100,000	100,000					
	Mizuho Bank, Ltd.		100,000	100,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Mizuho Bank, Ltd.	December 14, 2018	1,000,000	1,000,000	0.63850	November 30, 2025	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	December 14, 2018	700,000	700,000	0.63850	November 30, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	300,000	0.60000	May 31, 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.		285,000	285,000					(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	500,000	0.50500	May 31, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		700,000	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					
	Shinsei Bank, Limited(Note 4)		300,000	300,000					
	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					
	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	200,000	-	0.38200	October 31, 2023	Lump-sum repayment			
Resona Bank, Limited.		200,000	-						

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
Long-term loans payable	MUFG Bank, Ltd.		1,150,000	-					
	Mizuho Trust & Banking Co., Ltd.		230,000	-					
	Sumitomo Mitsui Banking Corporation	October 30, 2020	1,000,000	1,000,000	0.66900	October 29, 2027	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		1,000,000	1,000,000					
	Aozora Bank, Ltd.		950,000	950,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	The 77 Bank, Ltd.	December 17, 2020	1,000,000	1,000,000	0.68500	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		
	Shinsei Bank, Limited(Note 4)	March 24, 2021	1,000,000	1,000,000	0.68500	May 31, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	May 31, 2021	225,000	225,000	0.37800	May 31, 2024	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		
	Sumitomo Mitsui Banking Corporation	June 4, 2021	250,000	250,000	0.40500	October 31, 2024	Lump-sum repayment		
	The Chiba Bank, Ltd.		150,000	150,000					
	Mizuho Trust & Banking Co., Ltd.	September 29, 2021	1,390,000	1,390,000	0.56496	November 30, 2028	Lump-sum repayment		

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
Long-term loans payable	Resona Bank, Limited.	October 29, 2021	1,000,000	1,000,000	0.68496	November 30, 2029	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	MUFG Bank, Ltd.	October 29, 2021	580,000	580,000	0.37496	October 31, 2024	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		200,000	200,000					
	MUFG Bank, Ltd.	October 29, 2021	900,000	900,000	0.51496	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 29, 2021	1,690,000	1,690,000	0.66496	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					
	Shinsei Bank, Limited(Note 4)		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.	December 22, 2021	900,000	900,000	0.56496	May 31, 2029	Lump-sum repayment		
	Nippon Life Insurance Company	December 23, 2021	1,000,000	1,000,000	0.70000	December 22, 2028	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.	December 23, 2021	1,000,000	1,000,000	0.71496	November 29, 2030	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 24, 2022	600,000	600,000	0.58996	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	February 28, 2022	700,000	700,000	0.61496	May 31, 2029	Lump-sum repayment		
	Shinsei Bank, Limited(Note 4)	February 28, 2022	1,200,000	1,200,000	0.58496	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	May 31, 2022	550,000	550,000	0.37573	May 30, 2025	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		400,000	400,000					

(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, 2022	395,000	395,000	0.41073	November 28, 2025	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sompo Japan Insurance Inc.		469,000	469,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	400,000	400,000	0.51573	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	0.58573	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 3, 2022	—	1,800,000	0.66765	May 31, 2029	Lump-sum repayment		
	Mizuho Bank, Ltd.		—	500,000					
	Development Bank of Japan Inc.	June 3, 2022	—	500,000	0.85947	May 31, 2029	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2022	—	500,000	0.61364	November 30, 2029	Lump-sum repayment		
	Aozora Bank, Ltd.		—	1,420,000					
	Mizuho Trust & Banking Co., Ltd.		—	1,500,000					
The Bank of Fukuoka, Ltd.	—		500,000						
Development Bank of Japan Inc.	October 31, 2022	—	900,000	0.98434	November 30, 2029	Lump-sum repayment			
Kansai Mirai Bank, Ltd	October 31, 2022	—	480,000	0.50364	November 30, 2032	Lump-sum repayment			
Subtotal			77,277,200	79,197,200					

(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								
Total			88,857,200	92,657,200					

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

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

(Note 3) The full amount was repaid as of the same day after the account closing day.

(Note 4) Shinsei Bank, Limited changed its trade name to SBI Shinsei Bank, Limited as of January 4, 2023.



## (3) Investment corporation bonds

Below is the status of investment corporation bonds issued at the end of the 42nd 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 #1	June 30, 2017	1,000,000	—	0.300%	June 30, 2022	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	—
Unsecured Investment Corporation Bond #2	June 30, 2017	1,800,000	1,800,000	0.650%	June 30, 2027	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	—
Unsecured Investment Corporation Bond #3	May 7, 2018	1,000,000	1,000,000	0.700%	May 2, 2028	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	—
Unsecured Investment Corporation Bond #4	June 4, 2019	1,000,000	1,000,000	0.410%	May 31, 2024	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	—
Unsecured Investment Corporation Bond #5	June 4, 2019	1,600,000	1,600,000	0.820%	May 31, 2029	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	—
Unsecured Investment Corporation Bond #6	November 25, 2020	1,500,000	1,500,000	0.750%	November 25, 2030	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	—
Total		7,900,000	6,900,000					

## (4) Short-term investment corporation bonds

Not applicable

## (5) Investment unit subscription rights

Not applicable

## 6. Status of purchases and sales in the fiscal period

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

Property name		Acquisition		Disposition			
		Date of acquisition	Acquisition price (Note 1) (million yen)	Date of transfer	Transfer price (Note 1) (million yen)	Book value (million yen)	Profit/loss on sale (Note 2) (million yen)
Of-50	Shinsaibashi FRONT Building	June 3, 2022	7,300	—	—	—	—
Of-51	SAKAE CENTER BUILDING	June 3, 2022	4,000	—	—	—	—
Of-52	IWAMOTOCHO TWIN BUILDING	June 3, 2022	3,380	—	—	—	—
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	June 3, 2022	400	—	—	—	—
Re101	HF KAWAGUCHIEKIMAE RESIDENCE	June 3, 2022	1,260	—	—	—	—
Re-102	HF HIGASHIOGU RESIDENCE	June 3, 2022	1,210	—	—	—	—
Of-09	GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership)	—	—	June 3, 2022	1,109	548	549
Total		—	17,550	—	1,109	548	549

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

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

### (2) Status of purchases and sales of other assets

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

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

#### (i) Real estate, etc.

Acquisition or disposition	Asset type	Name of real estate		Date of acquisition or disposition	Acquisition price or transfer price (million yen) (Note 1)	Real estate appraisal value (million yen)	Real estate appraisal organization	Valuation date
Acquisition	Trust beneficial interest	Of-50	Shinsaibashi FRONT Building	June 3, 2022	7,300	7,830	Daiwa Real Estate Appraisal Co., Ltd	March 1, 2022
Acquisition	Trust beneficial interest	Of-51	SAKAE CENTER BUILDING	June 3, 2022	4,000	4,390	Tanizawa Sogo Appraisal Co., Ltd	April 1, 2022
Acquisition	Trust beneficial interest	Of-52	IWAMOTOCHO TWIN BUILDING	June 3, 2022	3,380	3,740	Tanizawa Sogo Appraisal Co., Ltd.	April 1, 2022
Acquisition	Trust beneficial interest	Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	June 3, 2022	400	531	Tanizawa Sogo Appraisal Co., Ltd	April 1, 2022
Acquisition	Real estate	Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	June 3, 2022	1,260	1,530	Daiwa Real Estate Appraisal Co., Ltd	March 31, 2022

Acquisition	Real estate	Re-102	HF HIGASHIOG U RESIDENCE	June 3, 2022	1,210	1,410	Daiwa Real Estate Appraisal Co., Ltd.	March 31, 2022
Disposition	Trust beneficial interest	Of-09	GRACE BUILDING SENGAKUJI MAE (50% interest of quasi co- ownership)	June 3, 2022	1,109	835(Note 2)	ENRIX CO., Ltd.	November 30, 2021

(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

Not applicable

## (4) Transactions with interested parties

## (i) Status of transactions

(Unit: thousand yen)

Classification	(Unit: thousand yen)			
	Trading value, etc. (Note 2)			
	Purchase amount, etc.		Sales amount, etc.	
Total	17,550,000		1,109,500	
Breakdown of transactions with interested parties, etc. (Note 1)				
Heiwa Real Estate Co., Ltd.	10,250,000	(58.4%)	1,109,500	(100.0%)
Total	10,250,000	(58.4%)	1,109,500	(100.0%)

## (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:	746,971	Heiwa Real Estate Co., Ltd.	(Note 4) 8,598	1.2%
		Heiwa Real Estate Property Management Co., Ltd.	(Note 5) 274,115	36.7%
Non-life insurance premiums	9,574	Heiwa Real Estate Property Management Co., Ltd.	9,286	97.0%

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

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

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

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

Heiwa Real Estate Property Management Co., Ltd. 4,881 thousand yen

Third parties other than Heiwa Real Estate Property Management Co., Ltd. 102 thousand yen

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

Third parties other than Heiwa Real Estate Property Management Co., Ltd. 46,285 thousand yen

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 42nd fiscal period are as stated below. Heiwa Real Estate Property Management Co., Ltd. 128,653 thousand yen

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

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

**7. Financial situation**

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

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

## (2) Change in method of calculating depreciation

Not applicable

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

Not applicable

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

## (i) Status of acquisition

Not applicable

## (ii) Status of holding

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

	Number of investment units at end of period	Value of investment units held at end of period (Note) (million yen)	Ratio to investment units issued and outstanding (%)
33rd FP May 31, 2018	3,334	337	0.3
34th FP November 30, 2018	3,334	337	0.3
35th FP May 31, 2019	3,334	337	0.3
36th FP November 30, 2019	3,334	337	0.3
37th FP May 31, 2020	3,334	337	0.3
38th FP November 30, 2020	3,334	337	0.3
39th FP May 31, 2021	3,334	337	0.3
40th FP November 30, 2021	3,334	337	0.3
41st FP May 31, 2022	3,334	337	0.3
42nd FP November 30, 2022	3,334	337	0.3

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

## 8. Other

## (1) Notice

Not applicable.

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

Not applicable.

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

Not applicable.

## (4) Rounding of amounts and percentages

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

## 9. Sustainability Initiatives

### (1) Sustainability

#### Initiatives of Heiwa Real Estate Group

The Group promotes engagement with all stakeholders in order to mutually strengthen bonds with everyone who has a stake in its business. At the same time, the Group endeavors to improve urban environments, bring value to communities and help people benefit economically with a view to help make society more sustainable. The REIT and the Asset Management Company also strive to gain the trust of their stakeholders.



#### Participate in GRESB Assessment

GRESB is a benchmark that measures the sustainability of real estate companies and funds from the perspective of environmental, social and governance (ESG) criteria.

The Investment Corporation received for the sixth consecutive year “Green Star”, which is awarded to participants who are highly rated for their actions to address environmental consideration and sustainability in terms of both “Management & Policy” and “Implementation & Measurement” in the GRESB Real Estate Assessment in 2020. Figure on the right is an extract of GRESB Standing Investment Benchmark Report from GRESB 2020.

The score has been continuously improving except in FY2020 when the evaluation standard changed significantly. Consequently, the Investment Corporation obtained a 3-star rating for the first time in the 2022 GRESB Real Estate Assessment. In addition, the Investment Corporation received the highest “A Level” for the GRESB Public Disclosure, which measures the quality of ESG information disclosure.



#### Enhancement of the ESG website

The REIT's ESG-related initiatives have been strengthened. To organize them in a systematic way and introduce them in a way that is easy to understand, the ESG-related website has been refurbished. We hope you will enjoy it.

(<https://www.heiwa-re.co.jp/en/sustainability/index.html>)



### Preparation of the ESG Report

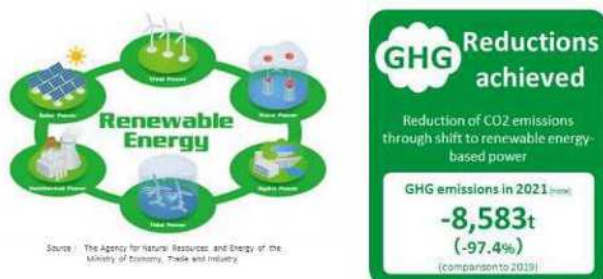
The REIT's ESG-related initiatives were compiled into a brochure. We would like to help various stakeholders deepen their understanding about our activities by providing detailed disclosures as well as expanding our range of initiatives. (<https://www.heiwa-re.co.jp/assets/sustainability/en/disclosures/report/esg-report-2022.pdf>)



### (2) Environment

#### Renewable Energy

The Investment Corporation will change the power used in all properties that it owns to power from renewable energy. Shift generally to power plans conforming to the RE100 standards was completed at all 113 properties subject to the shift by the end of the fiscal period. The shift is expected to result in the reduction of GHG emissions in 2021 by 8,583 tons (down 97.4%) compared to the level in 2019. The Investment Corporation will continue to apply the shift to properties that will be acquired going forward, thereby aiming to contribute to the realization of a low-carbon society as a member of society.



#### TCFD

Heiwa Real Estate Asset Management Co., Ltd., the Asset Management Company of the Investment Corporation, announced its support for the proposals of the TCFD and joined the TCFD Consortium in December 2021.

In July 2022, we analyzed the degree of impact of climate change risks and opportunities by classifying them into the 1.5 °C and 4 °C scenarios, and determined the importance of risks in the management of the Investment Corporation's portfolio based on the seriousness of their impact on business.

For more information, please see the following website.

<https://www.heiwa-re.co.jp/en/sustainability/environment/climate.html>



### Eco-friendly initiatives: Reduction of fossil fuel use

Efforts are being made to reduce the volume of fossil fuel used. A switchover to LED lamps is in progress for curbing the use of electricity in rooms for rent, common space at office properties and common space at residential properties. The switchover was completed at 117 properties of all 120 properties owned, excluding properties that have been acquired recently. Equipment that consumes less energy will be introduced during air-conditioner replacement.



### Electronic prospectus

To reduce environmental impact, we implemented a paperless offering by delivering the prospectus electronically. Intended to reduce the environmental impact by reducing the amount of paper, ink, etc. used. Reduced approx. 770,000 sheets of A4 paper, the number of sheets that would have been used during the public offering. In terms of trees, this saves 59.2 trees as resources for the future. Intended to make it easier to read by providing the main body of the electronic prospectus in color.



### Promotion of wall greening

The REIT has promoted wall greening. By arranging plants not only in the tree planting spaces outside the building but also on the walls of the entrance and communal areas, the REIT has taken steps to reduce carbon dioxide and provide comfortable and healthy office spaces.



### Eco-friendly initiatives: FSC paper and Glassine

This REIT has been sending distribution payment statements and the asset management report to investors after the settlement of accounts for each fiscal period. FSC-certified paper and Vegetable ink are used for those documents, and glassine is used for the window section of an envelope used for mailing them. FSC is an abbreviation of the Forest Stewardship Council, an international organization. FSC has established standards for cutting down trees necessary for economic activity, while curbing deforestation and preserving forest resources for future generations.



The REIT uses FSC-certified products to eliminate the risk of being involved in environmental destruction and contribute to preserving forest resources. Glassine is a translucent paper material. Unlike the window section made of plastic, a glassine window section does not need to be separated from paper for disposal. The whole envelope can be recycled without the need for separation. It is an environmentally friendly product.



Environmental Certificates - Total floor area ratio 21.7% (overlaps eliminated as of January 30, 2022) (21.8% as of December 9, 2022)



### (3) Social

#### Community Involvement

##### Supplying drinking water at the time of disaster

The REIT has concluded an agreement on supplying drinking water at the time of disaster with Chuo-ku, Tokyo and a neighborhood disaster mitigation association. If drinking water is in short supply due to a major earthquake, the REIT will supply drinking water from a water receiving tank installed in HF HATCHOBORI BUILDING, through the Bureau of Waterworks.

\*The right image is a photo of a page about the availability of drinking water at the time of disaster on the website of Chuo-ku, Tokyo. (Only available in Japanese)



### Cleaning around Kabuto-cho district

As a member of the local community, the executives and employees of the Asset Management Company engage in cleaning activities in the Kabuto-cho district, home to our sponsor company, Heiwa Real Estate Co., Ltd. We will cooperate with the local neighborhood association and other companies in the area to contribute to the local community. \*It was canceled in 2020 due to the effects of the COVID-19.



### Community Involvement

#### Sponsoring a jazz event

A jazz event was held at the Tokyo Stock Exchange (TSE Hall) on December 4, 2022. It was a live concert with the themes of “a fusion of music and financial services” and “the development of young musicians,” where young and talented musicians, who will carry on the future jazz culture, gathered and played together. It involved the local community and many residents participated. Continuing from last year, the Asset Management Company and Heiwa Real Estate, as the sponsor, also cooperated in the event.



### Promotion of diversity

Directors of the REIT and outside committee members and officers of the Asset Management Company are not appointed from Group companies and investment decisions are made from an objective standpoint.

Diversity is promoted among officers and employees, and efforts are made to incorporate expertise from all walks of life into asset management and to translate multi-faceted perspectives into corporate competitiveness.

Investment Corporation	
Target	2
Certified public accountant	1
Asset Management Company (Heiwa Real Estate Co., Ltd.)	
Real estate society	11
JARE Certified Master	23
Certified Building Administrator	57
CMAA	8
Certified real estate consulting engineer	2
Class-A Architect	1
Tax accountant	1
Real estate appraiser (not certified in real estate)	1
UNIVENT (not certified in real estate)	1

### Framework for employee motivation

#### • Health Support

Asset Management Company develops working environments that will enable its employees to work with security and peace of mind in the long term.

Asset Management Company has been recognized as a 2022 Certified Health and Productivity Management Outstanding Organization under the Certified Health & Productivity Management Organization Recognition Program, under which the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi recognize outstanding organizations engaged in health management initiatives. This is the fourth consecutive certification since FY2019. In addition, the company received Silver Certification as a Healthy Company by the Tokyo Federation of the National Federation of Health Insurance Societies. Moving forward, we will continue working to promote health management as we pursue further operational achievements.



#### • Improvement of work environment

The Asset Management Company relocated its office and introduced telecommuting for the purpose of improving work environment.

It will raise operation efficiency and promote communication by gathering work spaces on a single floor, enable flexible working styles by introducing, hotdesking, telecommuting, and a workflow system, and promote paperless operations. Placement of a refreshing space allows a switch between work and rest in the office, helping employees reduce stress from their duties.



#### • Development of human resources and support for qualification acquisition

With the goal of providing customers with high quality services and implementing operations in a fair and integrated manner, the Asset Management Company has been working to raise employees' awareness of compliance by implementing compliance-oriented training periodically. In addition, the Company includes compliance-related items in its remuneration program as one of its personnel evaluation points.

To increase employees' expertise, the Company also supports their efforts to participate in external training programs and acquire a range of qualifications related to their operations.

#### • Work-life balance

Asset Management Company encourages a balance between work and private life for each executive and employee by introducing programs such as childcare leave equally available to men and women, reduced working hours, long-term care leave, consecutive leave (five consecutive business days), promotion of paid leave (at least 70% of annual vacation days), paid leave on an hourly basis, flextime working, and telecommuting.

• List of employee programs

	Employees (no contractual terms)	Employees (with contractual terms)	Contract employees		Employees (no contractual terms)	Employees (with contractual terms)	Contract employees
Gender-equal childcare leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Caregiving leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child nursing care leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Reserved paid leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Short working hour system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Hourly paid leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Maternity leave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Summer vacation system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plus one leave system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Flextime	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Telecommuti ng	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Financial aid for regular medical checkups and health screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial aid for medical checkups and PET scan of dependent spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Occupational health physician	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stress checks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Defined contribution pension plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cafeteria plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cumulative investment unit investment program	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### (4) Governance

##### Corporate Governance

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

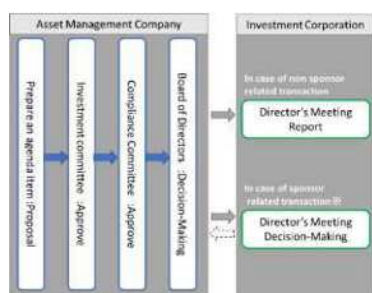
##### Process for making decisions regarding acquisition or sale of assets

For certain transactions with interested parties as set forth in the regulations of the REIT, it is necessary for the board of directors to make a resolution followed by a discussion and a final decision by the director's meeting of the REIT.

However, in the case of transactions with interested parties that are larger than a certain scale, it is necessary to obtain the prior agreement of the director's meeting of the REIT before a resolution is passed by the board of directors.

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

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



### Principles For Customer-Oriented Business Conduct

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

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

For details, please refer to the following URL.  
<https://www.heiwa-am.co.jp/en/policy/>



### Introduction of Managing Officer System

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

#### Overview of Managing Officer System

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





## Independent auditor's report

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

### Opinion

We have audited the accompanying financial statements of HEIWA REAL ESTATE REIT, Inc. ("HEIWA REAL ESTATE REIT"), which comprise the balance sheets as at November 30, 2022 and May 31, 2022, the statements of income and retained earnings, changes in net assets and cash flows for each of the six-month periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HEIWA REAL ESTATE REIT as at November 30, 2022 and May 31, 2022, and its financial performance and its cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Note 21 to the financial statements, which states acquisition of assets, disposition of assets, issuance of investment corporation bonds and borrowing of funds. 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, related safeguards.

#### 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.



Yohei Morimoto

Designated Engagement Partner

Certified Public Accountant



Hirofumi Hanyu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

February 28, 2023



# HEIWA REAL ESTATE REIT, Inc.

## BALANCE SHEETS

As of November 30, 2022 and May 31, 2022

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Assets</b>		
Current Assets:		
Cash and deposits (Note 3)	¥ 9,841,698	¥ 15,571,779
Cash and deposits in trust (Note 3)	3,822,174	3,725,431
Tenant receivables	94,063	71,359
Prepaid expenses	142,422	133,948
Consumption taxes receivable	9,775	—
Other current assets	13,606	11,302
Allowance for doubtful accounts	(117)	(117)
Total Current Assets	13,923,623	19,513,703
Investment Properties (Notes 5 and 6):		
Land	37,328,942	37,326,134
Buildings	20,707,926	19,729,530
Structures	97,928	90,212
Machinery and equipment	297,097	294,287
Tools, furniture and fixtures	307,180	285,911
Land in trust	107,493,984	93,387,652
Buildings in trust	49,139,239	47,830,585
Structures in trust	249,308	242,525
Machinery and equipment in trust	688,313	683,564
Tools, furniture and fixtures in trust	1,300,534	1,226,971
Less: accumulated depreciation	(21,097,528)	(20,256,387)
Leasehold rights	6,766,382	5,033,146
Leasehold rights in trust	2,893,960	3,315,665
Total Investment Properties, Net	206,173,270	189,189,799
Other Assets:		
Software	3,011	4,033
Lease and guarantee deposits	19,617	19,617
Long-term prepaid expenses	238,946	241,223
Derivative assets (Note 4)	564,402	276,237
Deferred investment units issuance costs	63,888	33,456
Deferred investment corporation bond issuance costs	34,751	38,251
Others	509,613	478,354
Total Other Assets	1,434,231	1,091,174
<b>Total Assets</b>	¥ 221,531,125	¥ 209,794,677

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

# HEIWA REAL ESTATE REIT, Inc.

## BALANCE SHEETS, CONTINUED

As of November 30, 2022 and May 31, 2022

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Liabilities</b>		
Current Liabilities:		
Operating accounts payable	¥ 630,465	¥ 667,082
Investment corporation bonds due within one year (Notes 4 and 8)	—	1,000,000
Short-term debt (Notes 4 and 7)	200,000	200,000
Long-term debt due within one year (Notes 4 and 7)	13,260,000	11,380,000
Accrued expenses	810,749	831,238
Income taxes payable	518	595
Accrued consumption taxes	—	69,780
Advances received	1,258,496	1,153,143
Other current liabilities	86,678	28,811
Total Current Liabilities	16,246,908	15,330,651
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	6,900,000	6,900,000
Long-term debt (Notes 4 and 7)	79,197,200	77,277,200
Tenant security deposits	963,976	939,402
Tenant security deposits in trust	5,215,652	4,710,548
Derivative liabilities (Note 4)	—	18,538
Total Long-Term Liabilities	92,276,829	89,845,689
<b>Total Liabilities</b>	108,523,737	105,176,340
<b>Net Assets (Notes 9)</b>		
Unitholders' Equity:		
Unitholders' capital	97,799,794	90,063,406
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,113,733 units and 1,055,733 units as of November 30, 2022 and May 31, 2022, respectively		
Capital surplus	7,406,652	7,406,652
Deduction from capital surplus	(1,699,990)	(1,699,990)
Reserve for reduction entry	415,683	415,683
Reserve for temporary difference adjustment (Note 10)	1,841,253	1,883,482
Retained earnings	6,692,914	6,304,797
Total Unitholders' Equity	112,456,307	104,374,031
Valuation and translation adjustments:		
Deferred gains or losses on hedges	551,080	244,304
Total valuation and translation adjustments	551,080	244,304
<b>Total Net Assets</b>	113,007,387	104,618,336
<b>Total Liabilities and Net Assets</b>	¥ 221,531,125	¥ 209,794,677

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

# HEIWA REAL ESTATE REIT, Inc.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six months ended November 30, 2022 and May 31, 2022

	For the six months ended	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Operating Revenues (Note 11):</b>		
Rental revenues (Note 12)	¥ 6,676,198	¥ 6,293,129
Other revenues related to property leasing (Note 12)	610,109	566,647
Gain on sales of investment properties (Notes 13 and 19)	549,904	462,979
Total Operating Revenues	7,836,212	7,322,756
<b>Operating Expenses:</b>		
Property-related expenses (Notes 12 and 19)	2,936,675	2,831,691
Asset management fees	675,020	648,938
Asset custody fees	13,011	12,668
Administrative service fees	28,050	28,929
Directors' compensation	6,102	6,102
Independent auditors' fees	12,000	11,660
Other operating expenses	147,285	173,173
Total Operating Expenses	3,818,146	3,713,163
<b>Operating Income</b>	4,018,065	3,609,593
<b>Non-Operating Revenues:</b>		
Interest income	286	311
Reversal of distributions payable	534	519
Insurance income	910	1,501
Other non-operating revenues	153	1,551
Total Non-Operating Revenues	1,884	3,883
<b>Non-Operating Expenses:</b>		
Interest expenses	345,390	326,214
Borrowing related expenses	52,699	49,800
Interest expenses on investment corporation bonds	23,835	25,085
Amortization of deferred investment corporation bond issuance costs	3,500	4,104
Amortization of deferred investment units issuance costs	16,123	8,364
Other non-operating expenses	11,923	5,980
Total Non-Operating Expenses	453,472	419,549
<b>Ordinary Income</b>	3,566,478	3,193,926
<b>Income Before Income Taxes</b>	3,566,478	3,193,926
Income taxes – current	605	605
Income Taxes (Note 15)	605	605
<b>Net Income</b>	3,565,873	3,193,321
<b>Retained Earnings Brought Forward</b>	3,127,041	3,111,475
<b>Retained Earnings at End of Period</b>	¥ 6,692,914	¥ 6,304,797

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

# HEIWA REAL ESTATE REIT, Inc.

## STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended November 30, 2022 and May 31, 2022

	Unitholders' Equity						
	Number of Units	Unitholders' Capital	Capital Surplus	Deduction from Capital Surplus	Reserve for Reduction Entry	Reserve for Temporary Difference Adjustment	Retained Earnings
	(Units)	(Thousands of Yen)					
<b>Balance as of November 30, 2021</b>	1,055,733	¥ 90,063,406	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,962,702	¥ 6,083,325
Cash distributions declared	—	—	—	—	—	—	(3,051,068)
Net income	—	—	—	—	—	—	3,193,321
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(79,219)	79,219
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
<b>Balance as of May 31, 2022</b>	1,055,733	¥ 90,063,406	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,883,482	¥ 6,304,797
Cash distributions declared	—	—	—	—	—	—	(3,219,985)
Net income	—	—	—	—	—	—	3,565,873
Issuance of new investment units	58,000	7,736,388	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(42,229)	42,229
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
<b>Balance as of November 30, 2022</b>	1,113,733	¥ 97,799,794	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,841,253	¥ 6,692,914

Valuation and Translation Adjustments		
Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets
(Thousands of Yen)		
<b>Balance as of November 30, 2021</b>	¥ (39,074)	¥ (39,074)
Cash distributions declared	—	(3,051,068)
Net income	—	3,193,321
Reversal of reserve for temporary difference adjustment	—	—
Net changes of items other than unitholders' equity	283,379	283,379
<b>Balance as of May 31, 2022</b>	¥ 244,304	¥ 244,304
Cash distributions declared	—	(3,219,985)
Net income	—	3,565,873
Issuance of new investment units	—	7,736,388
Reversal of reserve for temporary difference adjustment	—	—
Net changes of items other than unitholders' equity	306,776	306,776
<b>Balance as of November 30, 2022</b>	¥ 551,080	¥ 551,080

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

# HEIWA REAL ESTATE REIT, Inc.

## STATEMENTS OF CASH FLOWS

For the six months ended November 30, 2022 and May 31, 2022

	For the six months ended	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 3,566,478	¥ 3,193,926
Depreciation and amortization	980,148	954,944
Increase in allowance for doubtful accounts	0	117
Amortization of deferred investment corporation bond issuance costs	3,500	4,104
Amortization of deferred investment units issuance costs	16,123	8,364
Interest income	(286)	(311)
Interest expenses	369,225	351,299
Increase in tenant receivables	(22,981)	(21,668)
Increase in consumption taxes receivable	(9,775)	—
Decrease in accrued consumption taxes	(69,780)	(6,517)
Decrease in long-term prepaid expenses	2,276	3,137
Increase (decrease) in operating accounts payable	73,423	(20,337)
(Decrease) increase in accrued expenses	(20,375)	76,284
Increase in advances received	105,353	440
Increase (decrease) in deposits received	6,140	(7,227)
Decrease in investment properties due to sale	—	2,193,279
Decrease in investment properties in trust other than intangible assets due to sale	126,442	1,783,181
Decrease in intangible assets in trust due to sale	421,705	—
Other, net	20,730	(78,240)
Interest income received	563	61
Interest expenses paid	(369,339)	(346,009)
Income taxes paid	(681)	(285)
<b>Net Cash Provided by Operating Activities</b>	<b>5,198,890</b>	<b>8,088,544</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from withdrawals of time deposits	1,000,000	—
Payment for purchases of investment properties other than intangible assets	(1,028,072)	(3,029,361)
Payment for purchases of investment properties in trust	(15,896,601)	(2,983,153)
Payment for purchases of intangible assets	(1,733,236)	(722,951)
Proceeds from tenant security deposits	68,474	97,232
Refunds of tenant security deposits	(43,845)	(54,691)
Proceeds from tenant security deposits in trust	760,156	281,957
Refunds of tenant security deposits in trust	(229,144)	(128,752)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	190,392	12,158
Deposit of trust deposits corresponding to tenant security deposits in trust	(5,055)	(58,300)
<b>Net Cash Used in Investing Activities</b>	<b>(16,916,932)</b>	<b>(6,585,861)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	—	800,000
Repayments of short-term debt	—	(600,000)
Proceeds from long-term debt	9,100,000	11,549,000
Repayments of long-term debt	(5,300,000)	(5,849,000)
Redemption of investment corporation bonds	(1,000,000)	—
Proceeds from issuance of new investment units	7,736,388	—
Payment of new investment unit issuance costs	(46,555)	—
Distributions paid	(3,219,790)	(3,054,348)
<b>Net Cash Provided by Financing Activities</b>	<b>7,270,041</b>	<b>2,845,651</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(4,447,999)</b>	<b>4,348,334</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>17,624,466</b>	<b>13,276,131</b>
<b>Cash and Cash Equivalents at End of Period (Note 3)</b>	<b>¥ 13,176,466</b>	<b>¥ 17,624,466</b>

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

## **HEIWA REAL ESTATE REIT, Inc.**

### **Notes to Financial Statements**

For the six months ended November 30, 2022 and May 31, 2022

#### **Note 1 – Organization and Basis of Presentation**

##### *(a) Organization*

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

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

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

As of November 30, 2022, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 120 properties with approximately 293,158.57 square meters of rentable space and has leased space to 5,736 tenants. The occupancy rate for the properties is approximately 98.01%.

##### *(b) Basis of Presentation*

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

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

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

(c) *Significant Accounting Estimates*

Impairment loss on investment properties

(1) Carrying amount on the accompanying financial statements

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
Investment properties	¥ 206,173,270	¥ 189,189,799

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

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

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

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

**Note 2 – Summary of Significant Accounting Policies**

(a) *Cash and Cash Equivalents*

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

(b) *Allowance for Doubtful Accounts*

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

(c) *Investment Properties*

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

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

*(d) Software*

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

*(e) Long-Term Prepaid Expenses*

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

*(f) Deferred Investment Units Issuance Costs*

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

*(g) Deferred Investment Corporation Bond Issuance Costs*

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

*(h) Income Taxes*

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

*(i) Real Estate Taxes*

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

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

The following is a summary of capitalized real estate taxes.

	For the six-month periods ended			
	November 30, 2022		May 31, 2022	
	(Thousands of Yen)			
Capitalized real estate taxes	¥	52,183	¥	5,949

*(j) Consumption Taxes*

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

*(k) Hedge Accounting*

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



*(l) Revenue Recognition*

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

**(1) Sales of Investment Properties**

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

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

**(2) Utility charge revenues**

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

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

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

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

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

**Note 3 – Cash and Cash Equivalents**

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

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
Cash and deposits	¥ 9,841,698	¥ 15,571,779
Cash and deposits in trust	3,822,174	3,725,431
Trust deposits retained for repayment of tenant security deposits	(487,406)	(672,743)
Time deposits with maturities exceeding three months	—	(1,000,000)
Cash and cash equivalents	¥ 13,176,466	¥ 17,624,466

## Note 4 – Financial Instruments

### (a) Qualitative Information for Financial Instruments

#### Policy for Financial Instrument Transactions

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

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

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

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

#### Supplemental Explanation Regarding Fair Value of Financial Instruments

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

### (b) Estimated Fair Value of Financial Instruments

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

	As of November 30, 2022			As of May 31, 2022		
	(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	¥ 999,700	¥ (300)
Long-term debt due within one year	13,260,000	13,260,000	—	11,380,000	11,387,448	7,448
Investment corporation bonds	6,900,000	6,778,150	(121,850)	6,900,000	6,803,300	(96,700)
Long-term debt	79,197,200	79,139,020	(58,179)	77,277,200	77,246,541	(30,658)
<b>Liabilities total</b>	<b>¥ 99,357,200</b>	<b>¥ 99,177,170</b>	<b>¥ (180,029)</b>	<b>¥ 96,557,200</b>	<b>¥ 96,436,990</b>	<b>¥ (120,209)</b>
<b>Derivatives (*)</b>	<b>¥ 551,080</b>	<b>¥ 538,318</b>	<b>¥ (12,761)</b>	<b>¥ 244,304</b>	<b>¥ 217,677</b>	<b>¥ (26,626)</b>

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

Note:

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

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

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

*Derivatives:*

There are no derivatives to which hedge accounting is not applied as of November 30, 2022 and May 31, 2022.

Derivatives to which hedge accounting is applied are as follows:

Hedge accounting method	Type	Hedged item	As of November 30, 2022			
			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	¥ 59,018,200	¥ 46,238,200	¥	551,080
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	4,880,000		(12,761)
			¥ 63,898,200	¥ 51,118,200	¥	538,318
Hedge accounting method	Type	Hedged item	As of May 31, 2022			
			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	¥ 62,418,200	¥ 52,718,200	¥	244,304
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	4,880,000		(26,626)
			¥ 67,298,200	¥ 57,598,200	¥	217,677

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

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

As of November 30, 2022	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)					
Short-term debt	¥ 200,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt due within one year	13,260,000	—	—	—	—	—
Investment corporation bonds	—	1,000,000	—	—	1,800,000	4,100,000
Long-term debt	—	11,935,000	13,986,000	13,262,000	11,305,000	28,709,200
<b>Total</b>	<b>¥ 13,460,000</b>	<b>¥ 12,935,000</b>	<b>¥ 13,986,000</b>	<b>¥ 13,262,000</b>	<b>¥ 13,105,000</b>	<b>¥ 32,809,200</b>

As of May 31, 2022	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	200,000	—	—	—	—	—
Long-term debt due within one year	11,380,000	—	—	—	—	—
Investment corporation bonds	—	1,000,000	—	—	—	5,900,000
Long-term debt	—	11,285,000	13,737,000	13,341,000	14,055,000	24,859,200
<b>Total</b>	<b>¥ 12,580,000</b>	<b>¥ 12,285,000</b>	<b>¥ 13,737,000</b>	<b>¥ 13,341,000</b>	<b>¥ 14,055,000</b>	<b>¥ 30,759,200</b>

## Note 5 – Investment Properties

Investment properties consist of the following:

	As of November 30, 2022			As of May 31, 2022		
	(Thousands of Yen)			(Thousands of Yen)		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 37,328,942	¥ —	¥ 37,328,942	¥ 37,326,134	¥ —	¥ 37,326,134
Buildings	20,707,926	(5,324,277)	15,383,649	19,729,530	(5,058,779)	14,670,751
Structures	97,928	(47,818)	50,110	90,212	(45,042)	45,169
Machinery and equipment	297,097	(231,605)	65,492	294,287	(224,884)	69,402
Tools, furniture and fixtures	307,180	(169,356)	137,823	285,911	(155,774)	130,137
Land in trust	107,493,984	—	107,493,984	93,387,652	—	93,387,652
Buildings in trust	49,139,239	(14,006,566)	35,132,673	47,830,585	(13,523,339)	34,307,245
Structures in trust	249,308	(110,400)	138,908	242,525	(105,882)	136,642
Machinery and equipment in trust	688,313	(341,282)	347,031	683,564	(326,514)	357,049
Tools, furniture and fixtures in trust	1,300,534	(866,222)	434,312	1,226,971	(816,169)	410,801
Leasehold rights	6,766,382	—	6,766,382	5,033,146	—	5,033,146
Leasehold rights in trust	2,893,960	—	2,893,960	3,315,665	—	3,315,665
<b>Total</b>	<b>¥ 227,270,799</b>	<b>¥(21,097,528)</b>	<b>¥ 206,173,270</b>	<b>¥ 209,446,186</b>	<b>¥ (20,256,387)</b>	<b>¥ 189,189,799</b>

## Note 6 – Fair Value of Investment and Rental Properties

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

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Book value:</b>		
Balance at beginning of period	¥ 189,189,799	¥ 187,279,421
Change during the period	16,983,471	1,910,377
Balance at end of period	¥ 206,173,270	¥ 189,189,799
<b>Fair value</b>	¥ 259,464,500	¥ 238,588,000

### Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. For the six months ended November 30, 2022, the increases are primarily due to acquisition of Shinsaibashi FRONT Building and five other properties (¥17,921,696 thousand), and the decreases are primarily due to disposal of GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership) (¥548,147 thousand) and depreciation (¥980,148 thousand). For the six months ended May 31, 2022, the increases are primarily due to acquisition of HF ESAKA Building and three other properties (¥6,214,952 thousand, at total), and the decreases are primarily due to disposal of HF HAKUSAN RESIDENCE and two other properties (¥3,976,460 thousand) and depreciation (¥954,944 thousand).
3. Fair value is determined based on appraisal values provide by external real estate appraisers with the exception that fair value of GRACE BUILDING SENGAKUJIMAE is determined as the transfer price described in the transfer agreement dated May 18, 2022.

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

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

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

	As of			
	November 30, 2022		May 31, 2022	
	(Thousands of Yen)			
Short-term debt				
0.27% unsecured loans due 2023 (Notes 1 and 2)	¥	200,000	¥	200,000
Total short-term debt	¥	200,000	¥	200,000
Long-term debt				
0.27% unsecured loan due 2022 (Notes 1, 2 and 3)	¥	500,000	¥	5,800,000
0.27% - 1.08% unsecured loans due 2023 (Notes 1 and 2)		12,760,000		11,760,000
0.37% - 1.21% unsecured loans due 2024 (Notes 1 and 2)		11,935,000		11,935,000
0.38% - 0.94% unsecured loans due 2025 (Notes 1 and 2)		13,986,000		13,986,000
0.51% - 0.98% unsecured loans due 2026 (Notes 1 and 2)		13,262,000		13,262,000
0.52% - 0.67% unsecured loans due 2027 (Notes 1 and 2)		11,305,000		11,305,000
0.56% - 0.70% unsecured loans due 2028 (Notes 1 and 2)		14,209,200		14,209,200
0.56% - 0.98% unsecured loans due 2029 (Notes 1 and 2)		13,020,000		5,400,000
0.71% unsecured loan due 2030 (Notes 1 and 2)		1,000,000		1,000,000
0.50% unsecured loan due 2032 (Notes 1 and 2)		480,000		—
Less: amount due within one year		(13,260,000)		(11,380,000)
Total long-term debt due after one year	¥	79,197,200	¥	77,277,200

Notes:

- Interest rates presented are average interest rates applicable to individual loans during the period ended November 30, 2022. The average interest rates are stated after reflecting the effect of the interest rate swaps as to the loans with interest rate swaps for the purpose of hedging the risk of interest rate fluctuations.
- Funds are used for the acquisition of real estate and refinancing of borrowings.
- The loan has been repaid in full amount on December 30, 2022.

HEIWA REAL ESTATE REIT maintains commitment line contracts with four financial institutions. The amounts of unused commitments on loans as of November 30, 2022 and May 31, 2022 are as follows:

	As of			
	November 30, 2022		May 31, 2022	
	(Thousands of Yen)			
Total amounts of borrowing commitment lines	¥	7,000,000	¥	7,000,000
Borrowing execution balances		—		—
Net unused balance	¥	7,000,000	¥	7,000,000

## Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

	Issued date	Maturity date	Interest rate	As of	
				November 30, 2022	May 31, 2022
				(Thousands of Yen)	
1st unsecured bonds	June 30, 2017	June 30, 2022	0.30%	¥ —	¥ 1,000,000
2nd unsecured bonds	June 30, 2017	June 30, 2027	0.65%	1,800,000	1,800,000
3rd unsecured bonds	May 7, 2018	May 2, 2028	0.70%	1,000,000	1,000,000
4th unsecured bonds	June 4, 2019	May 31, 2024	0.41%	1,000,000	1,000,000
5th unsecured bonds	June 4, 2019	May 31, 2029	0.82%	1,600,000	1,600,000
6th unsecured bonds	November 25, 2020	November 25, 2030	0.75%	1,500,000	1,500,000
<b>Total</b>				¥ 6,900,000	¥ 7,900,000

## Note 9 – Net Assets

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

The following table shows the cumulative number and amount of treasury investment units cancelled as of a November 30, 2022 and May 31, 2022, respectively.

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
Cumulative number of treasury investment units cancelled	14,914	14,914
Cumulative amount of treasury investment units cancelled	¥ 1,699,990	¥ 1,699,990

## Note 10 – Reserve for Temporary Difference Adjustment

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

For the six months ended November 30, 2022	Original amount	Balance as of June 1, 2022	Provision during the period	Reversal during the period	Balance as of November 30, 2022	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,551,563	¥ —	¥ (38,842)	¥ 1,512,720	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 331,919	¥ —	¥ (3,386)	¥ 328,532	Allocation for distributions
Notes:						
1. The amount represents gain on bargain purchase provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.						
2. The amount represents a part of differences between tax and accounting due to gain on sales of investment properties provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.						

For the six months ended May 31, 2022	Original amount	Balance as of December 1, 2021	Provision during the period	Reversal during the period	Balance as of May 31, 2022	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,627,395	¥ —	¥ (75,832)	¥ 1,551,563	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 335,306	¥ —	¥ (3,386)	¥ 331,919	Allocation for distributions
Notes:						
1. The amount represents gain on bargain purchase provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.						
2. The amount represents a part of differences between tax and accounting due to gain on sales of investment properties provided in past periods and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.						

## Note 11 – Revenue Recognition

### *Disaggregation of revenue from contracts with customers*

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



## Note 12 – Operating Revenues and Expenses

Details of rental revenues and expenses are as follows:

	For the six months ended	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Revenues from property leasing:</b>		
Rental revenues:		
Base rents	¥ 5,947,312	¥ 5,581,229
Common area charges	728,885	711,899
Total rental revenues	6,676,198	6,293,129
Other revenues related to property leasing:		
Parking space rental revenues	175,321	168,292
Utility charge revenues	275,478	213,469
Incidental income	135,419	162,780
Cancellation penalty income	4,986	4,695
Others	18,902	17,409
Total other revenues related to property leasing	610,109	566,647
Total revenues from property leasing	7,286,308	6,859,776
<b>Property-related expenses:</b>		
Rental expenses:		
Property management expenses	746,971	713,736
Taxes and dues	452,513	431,640
Utilities expenses	312,817	241,795
Repair expenses	250,005	306,925
Insurance expenses	9,574	9,159
Trust fees	32,544	32,054
Depreciation	980,148	954,944
Others	152,099	141,435
Total property-related expenses	2,936,675	2,831,691
<b>Operating income from property leasing</b>	<b>¥ 4,349,632</b>	<b>¥ 4,028,085</b>

### Note 13 – Gain on Sales of Investment Properties

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

#### For the six months ended November 30, 2022

	(Thousands of Yen)	
<b>GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership):</b>		
Proceeds from sales of investment properties	¥	1,109,500
Cost of sales of investment properties		548,147
Other expenses related to sales		11,447
Gain on sales of investment properties	¥	549,904

#### For the six months ended May 31, 2022

	(Thousands of Yen)	
<b>HF HAKUSAN RESIDENCE, HF SHIBA-KOEN RESIDENCE and HF MITA RESIDENCE:</b>		
Proceeds from sales of investment properties	¥	4,508,000
Cost of sales of investment properties		3,976,460
Other expenses related to sales		68,559
Gain on sales of investment properties	¥	462,979

Note: The individual transfer prices of HF HAKUSAN RESIDENCE, HF SHIBA-KOEN RESIDENCE and HF MITA RESIDENCE are not disclosed and each total amounts of details of gain on sales of investment properties are disclosed as non-disclosure is required by the transferor as mandatory clause for the transfer. The individual transfer prices are determined to be reasonable by the Asset Management Company considering the appraisal values and other factors.

### Note 14 – Leases

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

	As of			
	November 30, 2022		May 31, 2022	
	(Thousands of Yen)			
Due within one year	¥	116,290	¥	174,436
Due after one year		—		29,072
<b>Total</b>	¥	116,290	¥	203,508

## Note 15 – Income Taxes

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

	For the six months ended	
	November 30, 2022	May 31, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(30.75)	(28.97)
Changes in valuation allowance	(0.23)	(2.49)
Provision of reserve for reduction entry	(0.48)	—
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

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

	As of	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
<b>Deferred tax assets:</b>		
Allowance for doubtful accounts	¥ 37	¥ 36
Valuation differences due to merger	1,952,308	1,960,395
<b>Total deferred tax assets</b>	1,952,345	1,960,432
Valuation allowance	(1,952,345)	(1,960,432)
<b>Net deferred tax assets</b>	¥ —	¥ —

## Note 16 – Distribution Information

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

	For the six months ended	
	November 30, 2022	May 31, 2022
	(Yen)	
Unappropriated retained earnings	¥ 6,692,914,288	¥ 6,304,797,488
Reversal of reserve for temporary difference adjustment (Note)	44,549,320	42,229,320
Cash distributions declared	3,485,984,290	3,219,985,650
(Cash distributions per unit)	(3,130)	(3,050)
Provision of reserve for reduction entry	54,947,617	—
Retained earnings carried forward	¥ 3,196,531,701	¥ 3,127,041,158

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 ¥41,162,385 and ¥38,842,385 for the six months ended November 30, 2022 and May 31, 2022, respectively.

In addition, HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥338,693,498, which was a part of differences between tax and accounting due to gain on sales of investment properties for the six months ended November 30, 2020. The provided amount is reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2021. HEIWA REAL ESTATE REIT reversed ¥3,386,935 for the six months ended November 30, 2022 and May 31, 2022, 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 ¥3,485,984,290 and ¥3,219,985,650 for the six months ended November 30, 2022 and May 31, 2022, respectively, which are the amount calculated by adding reversal of reserve for temporary difference adjustment of ¥44,549,320 to the amount calculated by deducting ¥124,438,160 including provision of reserve for reduction entry of ¥54,947,617 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 ¥ 3,565,873,130 for the six months ended November 30, 2022 and the amount calculated by adding reversal of reserve for temporary difference adjustment of ¥42,229,320 to the amount calculated by deducting ¥15,565,364 from net income of ¥3,193,321,694 for the six months ended May 31, 2022, respectively. Furthermore, HEIWA REAL ESTATE REIT does not make cash distributions in excess of profit as set forth in Article 32(2) of HEIWA REAL ESTATE REIT's Articles of Incorporation.

## Note 17 – Per Unit Information

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

Earnings per unit:	For the six months ended			
	November 30, 2022		May 31, 2022	
	(Yen)			
Net income per unit	¥	3,202	¥	3,024
Weighted average number of units outstanding (units)		1,113,319		1,055,733
	As of			
	November 30, 2022		May 31, 2022	
	(Yen)			
Net assets per unit	¥	101,467	¥	99,095

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

## Note 18 – Related-Party Transactions

Related-party transactions are as follows:

For the six months ended November 30, 2022

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)	¥ 8,598	Operating accounts payable	¥ 662
							Purchase of trust beneficiary interests in real estate (Note 3)	7,805,871	—	—
							Purchase of real estate (Note 4)	2,473,681	—	—
							Sale of trust beneficiary interests in real estate (Note 5)	1,109,500	—	—
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 6)	Chuo-ku, Tokyo	134,000	Property management	—	Provision of property management services	Payment of property management fees (Note 7)	274,115	Operating accounts payable	49,870
							Payment of insurance premium	9,286	—	—
							Payment of repair work	128,653	Operating accounts payable	23,557
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 6)		295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees	804,818 (Note 8)	Accrued expenses	742,522

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. ¥4,881 thousand  
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥102 thousand
- The purchase of trust beneficiary interests in real estate is related to SAKAE CENTER BUILDING, IWAMOTOCHO TWIN BUILDING and IWAMOTOCHO TWIN SAKAE 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 purchase of real estate is related to HF KAWAGUCHIEKIMAE RESIDENCE and HF HIGASHIOGU RESIDENCE. 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 sale of trust beneficiary interests in real estate is related to GRACE BUILDING SENGAKUJIMAE. The amount of transaction is the transfer price for the 50% interest of quasi co-ownership of the transferred trust beneficiary interests in real estate stated in the transfer agreement and does not include other ancillary expenses related to the transfer.
- 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. ¥46,285 thousand
- The asset management fees include acquisition fees and transfer fees of ¥129,797 thousand.

**For the six months ended May 31, 2022**

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	13.6% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Note 2)	¥ 8,834	Operating accounts payable	¥ 1,101
							Payment of brokerage fees	21,650	—	—
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 3)	223,920	Operating accounts payable	38,613
							Payment of insurance premium	8,871	—	—
							Payment of repair work	40,890	Operating accounts payable	28,944
	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	752,718 (Note 5)	Accrued expenses	763,420

Notes:

- Terms and conditions of transactions are determined based on market price.
- The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractor.  
HEIWA REAL ESTATE Property Management Co., Ltd. ¥5,219 thousand
- 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. ¥42,108 thousand
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The asset management fees include acquisition fees and transfer fees of ¥103,780 thousand.

## Note 19 – Transactions with Major Unitholders

Amounts of transactions with major unitholders are as follows:

	For the six months ended	
	November 30, 2022	May 31, 2022
	(Thousands of Yen)	
Gain on sales of investment properties (Other expenses related to sales)	¥ 549,904	¥ (21,650)
Property-related expenses	8,598	8,834

## Note 20 – Segment Information

### *Segment Information*

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

### *Related Information*

#### *Information about Products and Services*

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

#### *Information by Geographic Areas*

##### (1) Operating revenues

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

##### (2) Investment properties

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

#### *Information on Major Tenants*

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



## Note 21 – Subsequent Events

### A. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT acquired one real estate on January 30, 2023 (acquisition price of ¥860,000 thousand), one real estate on January 31, 2023 (acquisition price of ¥610,000 thousand) and one real estate on February 28, 2023 (acquisition price of ¥2,500,000 thousand) and entered into purchase agreements of one real estate on December 23, 2022 (acquisition price of ¥1,050,000 thousand).

#### Re-103 HF IMAIKE-MINAMI RESIDENCE (Note 1)

Type of specified asset	Real estate
Agreement date	December 23, 2022
Acquisition date	January 30, 2023
Acquisition price (Note 2)	¥860,000 thousand
Location (lot number)	(East building) 9-10, Imaikeminami, Chikusa-ku, Nagoya City, Aichi (West building) 9-20, Imaikeminami, Chikusa-ku, Nagoya City, Aichi
Purpose of use	Residence
Construction date	(East building) November 8, 2006 (West building) November 2, 2006
Structure	(East building) Reinforced concrete, flat roof, 14 floors above ground (West building) Reinforced concrete, flat roof, 4 floors above ground
Total floor space	(East building) 1,580.08m <sup>2</sup> (West building) 494.35m <sup>2</sup>
Total rentable space	1,946.35m <sup>2</sup>

Notes:

- As of February 28, 2023, the name of this property is GLEN PARK Imaike-Minami East & WEST. The name will be changed to HF IMAIKE-MINAMI RESIDENCE on September 1, 2023.
- “Acquisition price” is the price described in the purchase agreement of real estate (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

#### Re-104 HF FUSHIMI RESIDENCE (Note 1)

Type of specified asset	Real estate
Agreement date	December 23, 2022
Acquisition date	January 31, 2023
Acquisition price (Note 2)	¥610,000 thousand
Location (lot number)	1-25-23, Sakae, Naka-ku, Nagoya City, Aichi
Purpose of use	Residence and parking
Construction date	August 10, 2006
Structure	Reinforced concrete, flat roof, 10 floors above ground
Total floor space	1,713.50m <sup>2</sup>
Total rentable space	1,353.42m <sup>2</sup>

Notes:

- As of February 28, 2023, the name of this property is willDo Fushimi. The name will be changed to HF FUSHIMI RESIDENCE on September 1, 2023.
- “Acquisition price” is the price described in the purchase agreement of real estate (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

Re-105 HF NAKANO-SAKAUE RESIDENCE (Note 1)

Type of specified asset	Real estate
Agreement date	December 23, 2022
Scheduled acquisition date (Note 2)	March 1, 2023
Scheduled acquisition price (Note 3)	¥1,050,000 thousand
Location (lot number)	1-29-17, Chuo, Nakano-ku, Tokyo
Purpose of use	Residence
Construction date	March 14, 2008
Structure	Reinforced concrete, flat roof, 1 floor below ground 5 floors above ground
Total floor space	1,760.28m <sup>2</sup>
Total rentable space	1,289.94m <sup>2</sup>

Notes:

1. As of February 28, 2023, the name of this property is LIONS FORSIA NAKANOSAKAUE. The name will be changed to HF NAKANO-SAKAUE RESIDENCE on September 1, 2023.
2. The purchase agreement of real estate regarding the acquisition of the property (the “Agreement”) falls under a forward commitment by an investment corporation stipulated in the “Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.” issued by the Financial Services Agency. Under the Agreement, if the Agreement is canceled due to a cause attributable to HEIWA REAL ESTATE REIT or the counterparty, the defaulting party shall pay a cancellation penalty charge equal to 10% of the consideration to be paid for the real estate subject to the sale and purchase transaction. Moreover, funds in hand or funds borrowed will be allotted to acquire financing for the property. As of today, in consideration of cash and deposits held by HEIWA REAL ESTATE REIT and cash flow conditions of HEIWA REAL ESTATE REIT, HEIWA REAL ESTATE REIT does not consider that there will be any concern over acquisition of the property to be acquired with funds in hand. Therefore, HEIWA REAL ESTATE REIT believes that the possibility of the property to be acquired having a material impact on HEIWA REAL ESTATE REIT’s financial conditions and payment of distributions is remote. HEIWA REAL ESTATE REIT obtained an appraisal report on the property at the time of appraisal on November 30, 2022 from Tanizawa Sogo Appraisal Co., Ltd. and the appraisal value at the point of that day is ¥1,230,000 thousand.
3. “Acquisition price” is the price described in the purchase agreement of real estate (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

Re-106 HF UENO RESIDENCE EAST (Note 1)

Type of specified asset (Note 2)	Real estate
Agreement date	February 17, 2023
Acquisition date	February 28, 2023
Acquisition price (Note 3)	¥2,500,000 thousand
Location (lot number)	5-4-15, Higashi Ueno, Taito-ku, Tokyo
Purpose of use	Residence
Construction date	September 5, 2017
Structure	Reinforced concrete, flat roof, 15 floors above ground
Total floor space	2,964.00m <sup>2</sup>
Total rentable space	2,317.84m <sup>2</sup>

Notes:

1. As of February 28, 2023, the name of this property is IMPREST RESIDENCE UENO the architect. The name will be changed to HF UENO RESIDENCE EAST on September 1, 2023 after the acquisition.
2. The acquired asset is a building with leasehold land. The leasehold is not the fixed term land lease right provided in section 4, chapter 2 of the Act on Land and Building Leases.
3. “Acquisition price” is the price described in the purchase agreement of real estate (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

## **B. Disposition of Assets**

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT transferred the 50% interest of quasi co-ownership of real estate trust beneficiary right as described below on December 5, 2022.

### **Of-09 GRACE BUILDING SENGAKUJIMAE (Second transfer)**

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	2-15-8 Takanawa, Minato-ku, Tokyo
Transfer price (Note 1)	¥1,109,500 thousand (50% interest of quasi co-ownership)
Book value (Note 2)	¥544,000 thousand
Agreement date	May 18, 2022
Disposition date	December 5, 2022
Transferee	HEIWA REAL ESTATE CO., LTD.

Notes:

1. The transfer is made in two parts, of which the first transfer has been already executed. “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 carrying amount of 50% interest of quasi co-ownership as of December 5, 2022, the date of the second transfer.

## **C. Issuance of Investment Corporation Bonds**

On December 12, 2022, HEIWA REAL ESTATE REIT issued new investment corporation bonds (total amount of ¥2,000,000 thousand) as described below based on the comprehensive resolution regarding the issuance of investment corporation bonds at the meeting of the Board of Directors of HEIWA REAL ESTATE REIT held on May 25, 2022.

### **7th series of unsecured investment corporation bonds (Green Bond)**

Name	HEIWA REAL ESTATE REIT, Inc. 7th Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds) (Green Bond)
Total issue amount	¥2,000,000 thousand
Payment date	December 12, 2022
Paid-in amount	¥100 per ¥100 yen of each investment corporation bond
Interest rate	0.880% per annum
Collateral and guarantee	Unsecured and without guarantee
Redemption date	The total amount will be redeemed on December 10, 2032. The bonds may be retired by purchase at any time on and after the following day of the payment date, unless otherwise provided for in laws, regulations, or other rules in the operational regulations of Japan Securities Depository Center, Inc., which is a transfer organization.
Interest payment date	June 12 and December 12 every year (The first payment of interest will occur on June 12, 2023) (In the event that one of these days is not a business day, the business day immediately preceding it)
Use of funds	The funds were allocated to the repayment of the long-term borrowings (¥500,000 thousand) matured on December 30, 2022, which was borrowed for the acquisition of HF ESAKA Building, which was a green eligible asset acquired on December 23, 2021. The remainder was allocated to funds in hand, which were reduced by the acquisition of Shinsaibashi FRONT Building, a green eligible asset acquired on June 3, 2022.

#### ***D. Borrowing of Funds***

HEIWA REAL ESTATE REIT borrowed funds as described below to partly fund for acquisitions of one residential property acquired on January 30, 2023, one residential property acquired on January 31, 2023 and one residential property acquired on February 28, 2023 (as described in *A. Acquisition of Assets* above) (total borrowing amount of ¥4,190,000 thousand.)

##### **Term loan-65-1**

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
The Chiba Bank, Ltd.	¥800,000	January 30, 2023	January 30, 2030 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

##### **Term loan-65-2**

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Kansai Mirai Bank, Limited	¥800,000	January 30, 2023	November 28, 2031 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

##### **Term loan-66-1**

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Mizuho Trust & Banking Co., Ltd.	¥1,090,000	February 28, 2023	May 31, 2030 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

##### **Term loan-66-2**

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
The Norinchukin Bank	¥1,500,000	February 28, 2023	May 31, 2030 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

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