

44th Fiscal Period Financial Report (REIT)

January 18, 2024

REIT Issuer: HEIWA REAL ESTATE REIT, Inc.
 Securities Code: 8966
 Representative: (Title) Executive Director

Stock Exchange Listing: TSE
 URL: <https://www.heiwa-re.co.jp/>
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Scheduled date of submission of periodic securities report (yuka shoken hokokusho): February 29, 2024

Scheduled date of commencement of distribution payments:

February 15, 2024

Supplementary materials: Attached

IR Conference: Yes (for institutional investors and analysts)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets for the 44th Fiscal Period

44th Fiscal Period (44th FP): Fiscal period ended November 2023 (from June 1, 2023 to November 30, 2023)

(1) Management Status

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating profit		Ordinary profit		Profit	
44th FP	¥8,656 million	7.5%	¥4,495 million	12.0%	¥3,995 million	12.3%	¥3,995 million	12.3%
43rd FP	¥8,049 million	2.7%	¥4,015 million	(0.1)%	¥3,559 million	(0.2)%	¥3,558 million	(0.2)%

	Profit per unit	Ratio of profit to unitholders' equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
44th FP	¥3,474	3.5%	1.7%	46.2%
43rd FP	¥3,195	3.2%	1.6%	44.2%

(2) Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distributions in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio (Note 1)	Ratio of distributions to net assets (Note 2)
44th FP	¥3,300	¥3,794 million	¥-	¥-	95.0%	3.3%
43rd FP	¥3,160	¥3,519 million	¥-	¥-	98.9%	3.1%

(Note 1) Payout ratio shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ Profit × 100

(Note 2) Ratio of distributions to net assets shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(Note 3) The amount of total distributions (¥3,519 million) for the 43rd fiscal period, is calculated as follows and therefore differs from the amount of profit. The reversal of reserve for temporary difference adjustments of ¥44 million (¥40 per unit) is appropriated to the remaining amount of internal reserve of ¥83 million, including ¥20 million transfer of reserve for tax purpose reduction entry, from profit.

(Note 4) The amount of total distributions (¥3,794 million) for the 44th fiscal period, is calculated as follows and therefore differs from the amount of profit. The reversal of reserve for temporary difference adjustments of ¥45 million (¥40 per unit) is appropriated to the remaining amount of internal reserve of ¥246 million, including ¥1 million transfer of reserve for tax purpose reduction entry, from profit.

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
44th FP	¥240,874 million	¥118,532 million	49.2%	¥103,077
43rd FP	¥231,994 million	¥112,811 million	48.6%	¥101,291

(4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
44th FP	¥6,058 million	(¥9,848 million)	¥4,354 million	¥16,400 million
43rd FP	¥5,241 million	(¥9,340 million)	¥6,758 million	¥15,835 million

2. Management Status Forecasts for the 45th and 46th Fiscal Periods

45th Fiscal Period (45th FP): Fiscal period ending May 2024 (from December 1, 2023 to May 31, 2024)

46th Fiscal Period (46th FP): Fiscal period ending November 2024 (from June 1, 2024 to November 30, 2024)

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating profit		Ordinary profit		Profit		Distribution per unit (excluding distribution in excess of earnings) (Note)	Distributions in excess of earnings per unit
45th FP	¥7,917 million	(8.5)%	¥3,655 million	(18.7)%	¥3,117 million	(22.0)%	¥3,116 million	(22.0)%	¥3,325	¥–
46th FP	¥7,774 million	(1.8)%	¥3,510 million	(4.0)%	¥2,968 million	(4.8)%	¥2,968 million	(4.8)%	¥3,350	¥–

(Reference) Estimated profit per unit: 45th fiscal period: ¥2,710 46th fiscal period: ¥2,581

(Note) Funds for the payment of distributions for the 45th fiscal period include the planned amount of the reversal of reserve for temporary difference adjustments of ¥707 million (¥615 per unit). Funds for the payment of distributions for the 46th fiscal period include the planned amount of the reversal of reserve for temporary difference adjustments of ¥884 million (¥769 per unit). Therefore, the amount of such funds is not equal to that of profit.

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: No
- (ii) Changes in accounting policies other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement: No

(2) Total Number of Investment Units Issued and Outstanding

- (i) Total number of investment units issued and outstanding at end of period (including treasury investment units):
- (ii) Number of treasury investment units at end of period:

44th FP	1,149,933 units	43rd FP	1,113,733 units
44th FP	– units	43rd FP	– units

(Note) For the number of investment units on which the calculation of profit per unit is based, see “Note on per-unit information” on page 33 of the Japanese version of the “44th Fiscal Period Financial Report (REIT)” for the fiscal period ended November 2023.

* This financial report is not subject to audits by certified public accountants or audit companies.

* Special note

The management status outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by the REIT. Accordingly, actual management status and other results may vary materially due to various factors. This forecast is not a guarantee of actual distributions paid. See the “Management status forecast assumptions for 45th fiscal period (from December 1, 2023 to May 31, 2024) and 46th fiscal period (from June 1, 2024 to November 30, 2024)” on page 9 for notes on assumptions used in management status forecasts and on the use of management status forecasts.

1. Management Status

(1) Management Status

a. General situation during the 44th fiscal period

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

(i) Brief background of the REIT

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

(ii) Operating environment

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

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

(a) Office building leasing market

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

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

(b) Residential leasing market

According to At Home Co., Ltd., in November 2023, the average condominium contract rent in major cities across Japan (ten areas including the metropolis of Tokyo and the three surrounding prefectures, Sapporo City, Sendai City, Nagoya City, Osaka City and Fukuoka City), increased year on year for area zones ranging from less than 30 m² to over 70 m² in Tokyo 23 wards, the metropolis of Tokyo outside the 23 wards, Saitama Prefecture, Chiba Prefecture, Sendai City, Nagoya City, Osaka City, and Fukuoka City. In addition, the average contract rent for family-oriented condominiums rose year-on-year in all ten areas for 11 consecutive months, and reached their highest levels since January 2015 in eight areas (Tokyo 23 wards, the metropolis of Tokyo outside the 23 wards, Kanagawa Prefecture, Chiba Prefecture, Sapporo City, Sendai City, Osaka City and Fukuoka City). Furthermore, according to the Survey Report on the Statistics of Construction Starts published in November 2023, the number of new housing starts (rental housing) decreased for four consecutive months from August 2023. It is believed that occupancy rates will remain at a high level in the future due to the favorable balance of supply and demand for rental condominiums against the backdrop of the increasing flow of people into Tokyo and the recovery in the effective ratio of job vacancies to job applicants and due to continuing stable demand in other major cities.

(c) Real estate

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

In government ordinance-designated regional cities, which the REIT considers to be investment targets, land prices continued to increase in both residential and commercial areas, and the rate of increase expanded.

(iii) Management performance

(a) External growth

The REIT took a range of measures, including the increase of capital through public offering in June 2023, 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 two office properties on June 6, 2023 (75% quasi-co-ownership stake in Of-55 Kitahama 1-Chome Heiwa Building (trust beneficial interest, acquisition price: ¥3,370 million), Of-56 Heiwa Real Estate Kitahama Building (trust beneficial interest, acquisition price: ¥1,650 million)), and one office property on August 3, 2023 (Of-57 PRIME TOWER YOKOHAMA (trust beneficial interest, acquisition price: ¥3,800 million)). In addition, the REIT sold one residential property on August 31, 2023 (Re-41 HF HATCHOBORI RESIDENCE III (trust beneficial interest, acquisition price: ¥793 million)), and one residential property on November 30, 2023 (Re-46 HF AWAZA RESIDENCE (trust beneficial interest, acquisition price: ¥577 million)).

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

(b) Internal growth

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

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

(iv) Procurement of funds

The REIT procured capital through public offering (number of investment units issued: 34,500, total issue price: ¥4,948,990 thousand) on June 1, 2023 and through third-party allotment (number of investment units issued: 1,700, total issue price: ¥243,863 thousand) on June 27, 2023 for the purpose of using such funds for property acquisition, etc., and used some of it to fund the early repayment of loans on June 8, 2023. The REIT took out loans to fund property acquisition and the like: Term Loan 72-1 (loan amount: ¥1,000 million), Term Loan 72-2 (loan amount: ¥1,000 million), Term Loan 72-3 (loan amount: ¥1,000 million) and Term Loan 72-4 (loan amount: ¥1,000 million) on August 3, 2023. In addition, the REIT took out Term Loan 73 Tranche A (loan amount: ¥1,330 million), Tranche B (loan amount: ¥700 million), Tranche C (loan amount: ¥2,700 million) and Tranche D (loan amount: ¥1,550 million), on October 31, 2023, to fund the redemption of Term Loan 27 Tranche B (loan balance: ¥4,400 million), Term Loan 48 Tranche A (loan balance: ¥1,780 million), the principal repayment of which were due on the same day, and to fund the early repayment of Term Loan 71 Tranche A (loan balance: ¥100 million).

An overview of the loans is provided below. As a result of these loans, the average borrowing period as of the end of the fiscal period under review came to 7.3 years, while the average remaining period was 4.2 years, and the average borrowing interest rate was 0.77%. In addition, to secure financial creditworthiness by increasing the means of flexible and stable fundraising and liquidity on hand, the REIT has established the commitment line with a maximum total limit of ¥7,000 million (contract period is from June 1, 2023 to May 31, 2024) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., and Resona Bank, Limited.

[Term Loan 72-1]

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

[Term Loan 72-2]

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

[Term Loan 72-3]

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

[Term Loan 72-4]

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

[Term Loan 73 Tranche A]

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

[Term Loan 73 Tranche B]

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

[Term Loan 73 Tranche C]

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

[Term Loan 73 Tranche D]

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

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

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

(Note) Interest-bearing liabilities = short-term borrowings + current portion of investment corporation bonds + current portion of long-term borrowings + investment corporation bonds + long-term borrowings

Closing ratio of interest-bearing liabilities to total assets = Closing amount of interest-bearing liabilities / Closing amount of total assets × 100

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

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

(v) Performance and distributions

The management described above led to 44th fiscal period results of 8,656 million yen in operating revenue, ¥4,495 million in operating profit, after deducting interest expenses on borrowings, ¥3,995 million in ordinary profit, and ¥3,995 million in profit. With respect to the distribution of monies (“distributions”) stipulated in Article 137 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951 and subsequent amendments), distributions shall be not more than the amount of unappropriated retained earnings at the end of the fiscal period under review and are defined as anything in excess of 90% of the “amount of distributable earnings” stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957 and subsequent amendments) in accordance with the stipulations of Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on this policy, the REIT has made a decision to pay out ¥3,794,778,900 as distributions from earnings by appropriating the reversal of reserve for temporary difference adjustments of ¥45,997,320 (¥40 per unit) to the balance of the internal reserve of ¥246,222,503, which includes the transfer of reserve for tax purpose reduction entry of ¥1,602,357, from the profit of ¥3,995,004,083 for the fiscal period under review, according to the “special case of taxation in case of replacement of specified properties” under Article 65-7 of the Act on Special Measures Concerning Taxation. As a result, distributions per unit have come to ¥3,300.

b. Outlook for next period

Management policy and future issues

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

(a) External growth

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

(b) Internal growth

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

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

(c) Financial strategy

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

(d) Promotion of more timely disclosure

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

c. Significant subsequent events

Asset transfer

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

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

Asset transferred	Trust beneficial interest
Location (residential address)	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka
Transfer price (Note 1)	¥575 million
Carrying amount (Note 2)	¥400 million
Agreement execution date	December 19, 2023
Transfer date	December 22, 2023
Transferee	Not disclosed (Note 3)

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

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

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

d. Outlook for management status

Management status is forecast to be as follows during the 45th fiscal period (from December 1, 2023 to May 31, 2024). See “Management status forecast assumptions for 45th fiscal period (from December 1, 2023 to May 31, 2024) and 46th fiscal period (from June 1, 2024 to November 30, 2024)” below for assumptions used in this forecast.

Operating revenue	¥7,917 million
Operating profit	¥3,655 million
Ordinary profit	¥3,117 million
Profit	¥3,116 million
Distributions per unit (excluding distributions in excess of earnings)	¥3,325
Distributions in excess of earnings per unit	¥—

(Note 1) Sources of funds for paying total distributions include the planned amount of the reversal of reserve for temporary difference adjustments of ¥707 million (¥615 per unit), and they therefore differ from the amount of profit.

(Note 2) The above forecast figures were calculated using a fixed set of assumptions and are valid as of the time of this notice. Actual profit, distributions, etc., may vary due to changes in conditions. Forecast figures are not a guarantee of the amount of distributions.

Management status is forecast to be as follows during the 46th fiscal period (from June 1, 2024 to November 30, 2024). See “Management status forecast assumptions for 45th fiscal period (from December 1, 2023 to May 31, 2024) and 46th fiscal period (from June 1, 2024 to November 30, 2024)” below for assumptions used in this forecast.

Operating revenue	¥7,774 million
Operating profit	¥3,510 million
Ordinary profit	¥2,968 million
Profit	¥2,968 million
Distributions per unit (excluding distributions in excess of earnings)	¥3,350
Distributions in excess of earnings per unit	¥—

(Note 1) Sources of funds for paying total distributions include the planned amount of the reversal of reserve for temporary difference adjustments of ¥884 million (¥769 per unit), and they therefore differ from the amount of profit.

(Note 2) The above forecast figures were calculated using a fixed set of assumptions and are valid as of the time of this notice. Actual profit, distributions, etc., may vary due to changes in conditions. Forecast figures are not a guarantee of the amount of distributions.

Management status forecast assumptions for 45th fiscal period (from December 1, 2023 to May 31, 2024) and 46th fiscal period (from June 1, 2024 to November 30, 2024)

Item	Assumptions
Management period	45th fiscal period: from December 1, 2023 to May 31, 2024 (183 days) 46th fiscal period: from June 1, 2024 to November 30, 2024 (183 days)
Assets under management	<ul style="list-style-type: none"> Assumptions are made based on 126 properties owned as of November 30, 2023, minus HF NAKANOSHIMA RESIDENCE, for which an agreement was concluded on December 19, 2023 and which was transferred on December 22, 2023. The actual number may vary if properties are newly acquired, transferred, etc.
Total number of investment units issued and outstanding	<ul style="list-style-type: none"> Assumptions are made based on 1,149,933 total investment units issued and outstanding as of November 30, 2023.
Operating revenue	<ul style="list-style-type: none"> Operating revenue is calculated based on the assumption of the above assets under management. As a gain on sale of real estate property HF NAKANOSHIMA RESIDENCE transferred on December 22, 2023, ¥157 million is expected for the fiscal period ending May 31, 2024. Operating revenue is calculated taking into account such factors as cancellation notices currently received and the future market environment, using the history of acquired assets as our standard.
Operating expenses	<ul style="list-style-type: none"> Operating expenses are calculated based on the assumption of the above assets under management. Assumptions concerning major operating expenses are as follows: 45th fiscal period (from December 1, 2023 to May 31, 2024) Public charges and taxes (fixed property tax, city planning tax, etc.): ¥533 million Repair expenses: ¥386 million Management commissions: ¥794 million Depreciation: ¥1,031 million 46th fiscal period (from June 1, 2024 to November 30, 2024) Public charges and taxes (fixed property tax, city planning tax, etc.): ¥565 million Repair expenses: ¥345 million Management commissions: ¥787 million Depreciation: ¥1,037 million Fixed property tax, city planning tax, etc. associated with properties held are accounted for as expenses related to leasing business by posting the amounts corresponding to the relevant calculation period from the amount of tax determined to be due. Although fixed property tax, city planning tax, etc., on the buying and selling of real estate properties is generally calculated on a pro-rata basis with former owners and settled at the time of acquisition, the amount equivalent to the settlement money is not expensed, as it is included in the acquisition cost. For repair expenses, an amount deemed necessary during the period based on the maintenance and repair plans for the properties is posted. Emergency costs may arise as a result of unforeseeable factors, and actual operating expenses may therefore vary significantly from the forecast.
Non-operating expenses	<ul style="list-style-type: none"> The REIT assumes ¥500 million and ¥512 million as interest expenses (including interest expenses on investment corporation bonds) and financing fees for the fiscal period ending May 31, 2024 and the fiscal period ending November 30, 2024, respectively. In addition, the REIT assumes ¥27 million and ¥18 million as the amortization of investment corporation bond issuance costs and investment unit issuance expenses for the fiscal period ending May 31, 2024 and the fiscal period ending November 30, 2024, respectively.
Interest-bearing liabilities	<ul style="list-style-type: none"> Interest-bearing liabilities as of November 30, 2023 are ¥112,537 million. Calculated on the assumption that the REIT will have interest-bearing liabilities balances of ¥112,537 million and ¥112,537 million at the end of the fiscal period ending May 31, 2024 and the fiscal period ending November 30, 2024, respectively. The REIT assumes that it will refinance loans that become payable and investment corporation bonds that mature in May 2024 and October 2024.
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> Distributions per unit (excluding distributions in excess of earnings) are calculated based on the cash distribution policy stipulated in the REIT's bylaws. Assumptions on distributions for the fiscal period ending May 31, 2024 are made based on the distribution of a total of ¥3,823 million (distribution of ¥3,325 per unit), which includes ¥707 million from the reversal of reserve for temporary difference adjustments (the expected reserve reversal of ¥615 per unit) allocated to the expected profit of ¥3,116 million. Assumptions on distributions for the fiscal period ending November 30, 2024 are made based on the distribution of a total of ¥3,852 million (distribution of ¥3,350 per unit), which includes the 884-million-yen reversal of reserve for temporary difference adjustments (the expected reserve reversal of ¥769 per unit) allocated to the expected profit of ¥2,968 million. Distributions per unit (excluding distributions in excess of earnings) may change because of various factors, including changes in leasing income attributable to changes of assets under management or changes in tenants or to unexpected maintenance and repair work.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> We do not expect any distributions in excess of earnings at this time.
Other	<ul style="list-style-type: none"> We assume no amendments to laws, the tax system, accounting standards, TSE rules, or The Investment

Item	Assumptions
	<p>Trusts Association, Japan rules, etc., that would affect the above forecast figures.</p> <ul style="list-style-type: none"> • We assume that no major unforeseen changes will occur in the general economic trends, real estate market conditions, etc.

(2) Investment Risks

No disclosure necessary, since there have been no material changes from “Investment risks” in the most recent Annual Securities Report (submitted August 29, 2023).

2. Financial Statements

(1) Balance Sheet

(Unit: Thousands of yen)

	43rd fiscal period (As of May 31, 2023)	44th fiscal period (As of November 30, 2023)
Assets		
Current assets		
Cash and deposits	12,502,167	12,873,216
Cash and deposits in trust	3,829,697	4,341,127
Operating accounts receivable	143,222	124,285
Prepaid expenses	134,783	147,966
Consumption taxes refund receivable	–	47,490
Other	6,076	7,822
Allowance for doubtful accounts	(22)	(22)
Total current assets	16,615,924	17,541,885
Non-current assets		
Property, plant and equipment		
Buildings	22,596,022	22,790,521
Accumulated depreciation	(5,594,985)	(5,878,003)
Buildings, net	17,001,036	16,912,518
Structures	104,048	109,390
Accumulated depreciation	(50,761)	(53,796)
Structures, net	53,286	55,593
Machinery and equipment	303,216	307,109
Accumulated depreciation	(236,759)	(242,127)
Machinery and equipment, net	66,456	64,981
Tools, furniture and fixtures	333,684	354,283
Accumulated depreciation	(184,234)	(200,186)
Tools, furniture and fixtures, net	149,450	154,097
Land	42,299,997	42,318,429
Buildings in trust	49,349,356	50,738,120
Accumulated depreciation	(14,475,437)	(14,796,348)
Buildings in trust, net	34,873,919	35,941,772
Structures in trust	252,891	251,263
Accumulated depreciation	(115,208)	(119,128)
Structures in trust, net	137,683	132,135
Machinery and equipment in trust	700,559	751,836
Accumulated depreciation	(358,050)	(374,774)
Machinery and equipment in trust, net	342,509	377,061
Tools, furniture and fixtures in trust	1,374,570	1,396,116
Accumulated depreciation	(917,131)	(933,660)
Tools, furniture and fixtures in trust, net	457,439	462,455
Land in trust	107,448,883	114,179,658
Total property, plant and equipment	202,830,662	210,598,704
Intangible assets		
Leasehold interests in land	8,855,074	8,855,074
Land leasehold interests in trust	2,472,255	2,472,255
Software	1,990	1,419
Other	227	227
Total intangible assets	11,329,546	11,328,976

(Unit: Thousands of yen)

	43rd fiscal period (As of May 31, 2023)	44th fiscal period (As of November 30, 2023)
Investments and other assets		
Guarantee deposits	19,617	24,589
Long-term prepaid expenses	277,800	340,905
Derivatives	341,977	419,131
Other	485,132	512,792
Total investments and other assets	1,124,528	1,297,419
Total non-current assets	215,284,737	223,225,099
Deferred assets		
Investment unit issuance expenses	47,765	65,016
Investment corporation bond issuance costs	46,282	42,124
Total deferred assets	94,047	107,141
Total assets	231,994,709	240,874,126
Liabilities		
Current liabilities		
Operating accounts payable	805,257	863,221
Current portion of investment corporation bonds	1,000,000	1,000,000
Short-term borrowings	1,380,000	1,000,000
Current portion of long-term borrowings	11,285,000	11,935,000
Accrued expenses	864,889	911,723
Income taxes payable	594	593
Accrued consumption taxes	122,813	—
Advances received	1,265,390	1,291,566
Other	21,758	37,233
Total current liabilities	16,745,704	17,039,338
Non-current liabilities		
Investment corporation bonds	7,900,000	7,900,000
Long-term borrowings	88,252,200	90,702,200
Leasehold and guarantee deposits received	1,048,937	1,063,448
Leasehold and guarantee deposits received in trust	5,183,977	5,548,891
Derivative liabilities	52,346	87,775
Total non-current liabilities	102,437,461	105,302,315
Total liabilities	119,183,166	122,341,654
Net assets		
Unitholders' equity		
Unitholders' capital	97,799,794	102,992,648
Surplus		
Capital surplus	7,406,652	7,406,652
Deduction from unitholders' capital surplus	*3 (1,699,990)	*3 (1,699,990)
Capital surplus, net	5,706,661	5,706,661
Voluntary retained earnings		
Reserve for tax purpose reduction entry	470,630	491,130
Reserve for temporary difference adjustments	*4 1,796,704	*4 1,752,155
Total voluntary retained earnings	2,267,335	2,243,285
Unappropriated retained earnings (undisposed loss)	6,755,071	7,254,729
Total surplus	14,729,067	15,204,675
Total unitholders' equity	112,528,862	118,197,324
Valuation and translation adjustments		
Deferred gains or losses on hedges	282,680	335,147
Total valuation and translation adjustments	282,680	335,147
Total net assets	*2 112,811,543	*2 118,532,472
Total liabilities and net assets	231,994,709	240,874,126

(2) Statement of Income

(Unit: Thousands of yen)

	43rd fiscal period (From December 01, 2022 to May 31, 2023)		44th fiscal period (From June 01, 2023 to November 30, 2023)	
Operating revenue				
Leasing business revenue	*1	6,767,593	*1	7,053,118
Other leasing business revenue	*1	729,114	*1	719,733
Gain on sale of real estate properties	*2, *3	553,243	*2	884,007
Total operating revenue		8,049,951		8,656,859
Operating expenses				
Expenses related to leasing business	*1, *3	3,106,478	*1, *3	3,198,154
Asset management fees		695,743		718,412
Asset custody fees		13,651		13,122
Administrative service fees		30,086		30,970
Remuneration for directors (and other officers)		6,102		6,102
Audit fees		12,000		12,000
Other operating expenses		170,795		182,418
Total operating expenses		4,034,856		4,161,180
Operating profit		4,015,094		4,495,679
Non-operating income				
Interest income		67		75
Reversal of distributions payable		496		638
Insurance claim income		5,594		4,824
Other		3,042		23
Total non-operating income		9,200		5,561
Non-operating expenses				
Interest expenses		350,968		383,648
Financing fees		53,980		56,011
Interest expenses on investment corporation bonds		31,864		32,385
Amortization of investment corporation bond issuance costs		4,157		4,157
Amortization of investment unit issuance expenses		16,123		22,798
Other		8,057		6,631
Total non-operating expenses		465,150		505,632
Ordinary profit		3,559,144		3,995,609
Profit before income taxes		3,559,144		3,995,609
Income taxes - current		605		605
Total income taxes		605		605
Profit		3,558,539		3,995,004
Retained earnings brought forward		3,196,531		3,259,725
Unappropriated retained earnings (undisposed loss)		6,755,071		7,254,729

(3) Statements of Unitholders' Equity
43rd fiscal period (December 1, 2022 – May 31, 2023)

(Unit: Thousands of yen)

	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus	Deduction from unitholders' capital surplus	Capital surplus, net	Voluntary retained earnings Reserve for tax purpose reduction entry
Balance at beginning of period	97,799,794	7,406,652	(1,699,990)	5,706,661	415,683
Changes during period					
Provision of reserve for tax purpose reduction entry					54,947
Reversal of reserve for temporary difference adjustments					
Dividends of surplus					
Profit					
Net changes in items other than unitholders' equity					
Total changes during period	–	–	–	–	54,947
Balance at end of period	*1 97,799,794	7,406,652	(1,699,990)	5,706,661	470,630

	Unitholders' equity				
	Surplus				Total unitholders' equity
	Voluntary retained earnings		Unappropriated retained earnings (undisposed loss)	Total surplus	
	Reserve for temporary difference adjustments	Voluntary retained earnings			
Balance at beginning of period	1,841,253	2,256,936	6,692,914	14,656,512	112,456,307
Changes during period					
Provision of reserve for tax purpose reduction entry		54,947	(54,947)	—	—
Reversal of reserve for temporary difference adjustments	(44,549)	(44,549)	44,549	—	—
Dividends of surplus			(3,485,984)	(3,485,984)	(3,485,984)
Profit			3,558,539	3,558,539	3,558,539
Net changes in items other than unitholders' equity					
Total changes during period	(44,549)	10,398	62,157	72,555	72,555
Balance at end of period	1,796,704	2,267,335	6,755,071	14,729,067	112,528,862

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	551,080	551,080	113,007,387
Changes during period			
Provision of reserve for tax purpose reduction entry			—
Reversal of reserve for temporary difference adjustments			—
Dividends of surplus			(3,485,984)
Profit			3,558,539
Net changes in items other than unitholders' equity	(268,399)	(268,399)	(268,399)
Total changes during period	(268,399)	(268,399)	(195,844)
Balance at end of period	282,680	282,680	112,811,543

44th fiscal period (June 1, 2023 – November 30, 2023)

(Unit: Thousands of yen)

	Unitholders' equity				
	Unitholders' capital	Surplus			
		Capital surplus	Deduction from unitholders' capital surplus	Capital surplus, net	Voluntary retained earnings Reserve for tax purpose reduction entry
Balance at beginning of period	97,799,794	7,406,652	(1,699,990)	5,706,661	470,630
Changes during period					
Issuance of new investment units	5,192,853				
Provision of reserve for tax purpose reduction entry					20,499
Reversal of reserve for temporary difference adjustments					
Dividends of surplus					
Profit					
Net changes in items other than unitholders' equity					
Total changes during period	5,192,853	–	–	–	20,499
Balance at end of period	*1 102,992,648	7,406,652	(1,699,990)	5,706,661	491,130

	Unitholders' equity				
	Surplus				Total unitholders' equity
	Voluntary retained earnings		Unappropriat ed retained earnings (undisposed loss)	Total surplus	
	Reserve for temporary difference adjustments	Voluntary retained earnings			
Balance at beginning of period	1,796,704	2,267,335	6,755,071	14,729,067	112,528,862
Changes during period					
Issuance of new investment units					5,192,853
Provision of reserve for tax purpose reduction entry		20,499	(20,499)	—	—
Reversal of reserve for temporary difference adjustments	(44,549)	(44,549)	44,549	—	—
Dividends of surplus			(3,519,396)	(3,519,396)	(3,519,396)
Profit			3,995,004	3,995,004	3,995,004
Net changes in items other than unitholders' equity					
Total changes during period	(44,549)	(24,049)	499,657	475,607	5,668,461
Balance at end of period	1,752,155	2,243,285	7,254,729	15,204,675	118,197,324

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	282,680	282,680	112,811,543
Changes during period			
Issuance of new investment units			5,192,853
Provision of reserve for tax purpose reduction entry			—
Reversal of reserve for temporary difference adjustments			—
Dividends of surplus			(3,519,396)
Profit			3,995,004
Net changes in items other than unitholders' equity	52,466	52,466	52,466
Total changes during period	52,466	52,466	5,720,928
Balance at end of period	335,147	335,147	118,532,472

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	43rd Fiscal Period (December 1, 2022 – May 31, 2023)	44th Fiscal Period (June 1, 2023 – November 30, 2023)
I. Unappropriated retained earnings	6,755,071,579	7,254,729,118
II. Reversal of voluntary retained earnings		
Reversal of reserve for temporary difference adjustments	*1 44,549,320	*1 45,997,320
III. Distributions	3,519,396,280	3,794,778,900
(Distributions per investment unit)	(3,160)	(3,300)
IV. Voluntary retained earnings		
Transfer of reserve for tax purpose reduction entry	20,499,584	1,602,357
V. Retained earnings brought forward	3,259,725,035	3,504,345,181
How distributions were calculated	<p>Following the policy prescribed in Article 32, paragraph 1 of the REIT's bylaws, distributions shall be not more than the amount of unappropriated retained earnings at the end of the fiscal period under review and are defined as anything in excess of 90% of the "amount of distributable earnings" stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, the REIT has made a decision to pay out ¥3,519,396,280 as distributions from earnings by appropriating the reversal of reserve for temporary difference adjustments of ¥44,549,320 (¥40 per unit) to the balance of the internal reserve of ¥83,692,918, which includes the transfer of reserve for tax purpose reduction entry of 20,499,584 yen, from the profit of ¥3,558,539,878 for the fiscal period under review, according to the "special case of taxation in case of replacement of specified properties" under Article 65-7 of the Act on Special Measures Concerning Taxation. The REIT does not distribute monies in excess of earnings as prescribed in Article 32, paragraph 2 of its bylaws.</p>	<p>Following the policy prescribed in Article 32, paragraph 1 of the REIT's bylaws, distributions shall be not more than the amount of unappropriated retained earnings at the end of the fiscal period under review and are defined as anything in excess of 90% of the "amount of distributable earnings" stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, the REIT has made a decision to pay out ¥3,794,778,900 as distributions from earnings by appropriating the reversal of reserve for temporary difference adjustments of ¥45,997,320 (¥40 per unit) to the balance of the internal reserve of ¥246,222,503, which includes the transfer of reserve for tax purpose reduction entry of ¥1,602,357, from the profit of ¥3,995,004,083 for the fiscal period under review, according to the "special case of taxation in case of replacement of specified properties" under Article 65-7 of the Act on Special Measures Concerning Taxation. The REIT does not distribute monies in excess of earnings as prescribed in Article 32, paragraph 2 of its bylaws.</p>

(5) Statement of Cash Flows

(Unit: Thousands of yen)

	43rd fiscal period From December 01, 2022 to May 31, 2023	44th fiscal period From June 01, 2023 to November 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,559,144	3,995,609
Depreciation	992,321	1,037,955
Increase (decrease) in allowance for doubtful accounts	(95)	—
Amortization of investment corporation bond issuance costs	4,157	4,157
Amortization of investment unit issuance expenses	16,123	22,798
Interest income	(67)	(75)
Interest expenses	382,832	416,033
Decrease (increase) in operating accounts receivable	(49,158)	10,692
Decrease (increase) in consumption taxes refund receivable	9,775	(47,490)
Increase (decrease) in accrued consumption taxes	122,813	(122,813)
Decrease (increase) in long-term prepaid expenses	(38,853)	(63,105)
Increase (decrease) in operating accounts payable	31,536	19,252
Increase (decrease) in accrued expenses	35,390	33,652
Increase (decrease) in advances received	6,893	26,176
Increase (decrease) in deposits received	(5,983)	5,711
Decrease in property, plant and equipment in trust due to sale	123,143	1,139,984
Decrease in intangible assets in trust due to sale	421,705	—
Other, net	(5,659)	(16,374)
Subtotal	5,606,018	6,462,164
Interest received	67	75
Interest paid	(364,082)	(402,852)
Income taxes refund (paid)	(529)	(605)
Net cash provided by (used in) operating activities	5,241,474	6,058,781
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,906,927)	(171,068)
Purchase of property, plant and equipment in trust	(410,510)	(9,707,502)
Purchase of intangible assets	(2,088,691)	—
Proceeds from leasehold and guarantee deposits received	121,112	52,746
Refund of leasehold and guarantee deposits received	(24,729)	(48,650)
Proceeds from leasehold and guarantee deposits received in trust	156,524	554,170
Refund of leasehold and guarantee deposits received in trust	(178,611)	(205,364)
Proceeds from payment of trust deposits corresponding to tenant leasehold and security deposits in trust	142	53,745
Deposits of trust deposits corresponding to tenant leasehold and security deposits in trust	(8,932)	(371,606)
Payments of guarantee deposits	—	(4,972)
Net cash provided by (used in) investing activities	(9,340,624)	(9,848,502)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,380,000	1,000,000
Repayments of short-term borrowings	(200,000)	(1,380,000)
Proceeds from long-term borrowings	14,160,000	9,280,000
Repayments of long-term borrowings	(7,080,000)	(6,180,000)
Proceeds from issuance of investment corporation bonds	1,984,311	—
Proceeds from issuance of investment units	—	5,152,803
Distributions paid	(3,485,959)	(3,518,466)
Net cash provided by (used in) financing activities	6,758,352	4,354,337
Net increase (decrease) in cash and cash equivalents	2,659,202	564,616
Cash and cash equivalents at beginning of period	13,176,466	15,835,669
Cash and cash equivalents at end of period	*1 15,835,669	*1 16,400,286

(6) Precaution about Going Concern Assumptions

Not applicable

3. Reference Information

(1) Information on Prices for Assets Under Management, Etc.

a. Investment status

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

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

(Note 2) “Ratio to total assets” represents the ratio of the value of holding by type of asset to total assets, rounded to the nearest one-tenth of one percent. The same applies hereinafter.

(Note 3) The leasehold interests in land, 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.

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

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

	43rd Fiscal Period (As of May 31, 2023)		44th Fiscal Period (As of November 30, 2023)	
	Balance sheet amount (Million yen)	Ratio to total assets (%)	Balance sheet amount (Million yen)	Ratio to total assets (%)
Liabilities	119,183	51.4	122,341	50.8
Net assets	112,811	48.6	118,532	49.2

b. Investment real estate properties

(i) Overview of portfolio assets

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Of-05	SUITENGU HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	1,815	1,376	1,550	0.68
Of-06	HF MONZEN-NAKACHO BUILDING	Koto-ku, Tokyo	Trust beneficial interest	2,960	2,304	2,500	1.09
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Trust beneficial interest	1,820	1,499	1,530	0.67
Of-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	Trust beneficial interest	3,330	2,770	2,700	1.18
Of-11	HF NIHONBASHI ODENMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,420	2,137	2,150	0.94
Of-12	HF HATCHOBORI BUILDING	Chuo-ku, Tokyo	Real estate	2,880	2,996	3,092	1.35
Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	Real estate	1,160	1,088	1,110	0.49
Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	Trust beneficial interest	5,019	3,367	3,418	1.50
Of-20	FUNABASHI FACE BUILDING	Funabashi City, Chiba	Real estate	3,550	3,422	3,900	1.71
Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	Real estate	558	591	640	0.28
Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	Real estate	1,500	1,260	1,314	0.58
Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	Real estate	1,770	1,562	1,624	0.71
Of-25	KAYABACHO HEIWA Bldg.	Chuo-ku, Tokyo	Trust beneficial interest	7,520	4,873	4,798	2.10
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	Trust beneficial interest	3,580	2,462	2,310	1.01
Of-29	SAKAE MINAMI HEIWA BUILDING	Nagoya City, Aichi	Trust beneficial interest	2,410	1,437	1,580	0.69
Of-30	HF SAKURADORI BUILDING	Nagoya City, Aichi	Trust beneficial interest	6,930	4,306	4,900	2.14
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	2,660	2,006	1,900	0.83
Of-32	HF SENDAI HONCHO BUILDING	Sendai City, Miyagi	Trust beneficial interest	3,710	2,451	2,700	1.18
Of-33	HF UENO BUILDING	Taito-ku, Tokyo	Trust beneficial interest	4,190	3,379	3,400	1.49
Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	2,170	1,356	1,350	0.59
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,270	2,857	2,720	1.19

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	4,210	3,186	3,150	1.38
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Trust beneficial interest	4,170	3,149	3,100	1.36
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	4,370	3,967	3,750	1.64
Of-39	SENJU MILDIX II BANKAN	Adachi-ku, Tokyo	Trust beneficial interest	1,940	1,586	1,650	0.72
Of-40	ARK Mori Building	Minato-ku, Tokyo	Trust beneficial interest	3,300	3,196	3,085	1.35
Of-41	Nihonbashi Horidomecho First	Chuo-ku, Tokyo	Trust beneficial interest	2,340	2,155	2,140	0.94
Of-42	SOUTHERN SKY TOWER HACHIOJI	Hachioji City, Tokyo	Trust beneficial interest	1,890	1,614	1,600	0.70
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,210	3,143	3,100	1.36
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Trust beneficial interest	2,850	2,911	2,840	1.24
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	Chuo-ku, Tokyo	Trust beneficial interest	3,910	3,667	3,580	1.57
Of-46	HF SENDAI ICHIBANCHO BUILDING	Sendai City, Miyagi	Real estate	2,700	2,687	2,501	1.09
Of-47	Osaki CN Building	Shinagawa-ku, Tokyo	Trust beneficial interest	5,470	5,194	5,160	2.26
Of-48	Faret East Building	Tachikawa City, Tokyo	Real estate	2,000	1,647	1,610	0.70
Of-49	HF ESAKA BUILDING	Suita City, Osaka	Trust beneficial interest	2,670	2,585	2,500	1.09
Of-50	Shinsaibashi FRONT Building	Osaka City, Osaka	Trust beneficial interest	7,580	7,377	7,300	3.19
Of-51	SAKAE CENTER BUILDING	Nagoya City, Aichi	Trust beneficial interest	4,390	4,025	4,000	1.75
Of-52	IWAMOTOCHO TWIN BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	3,750	3,430	3,380	1.48
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	Chiyoda-ku, Tokyo	Trust beneficial interest	548	428	400	0.18
Of-54	STAGE NISHIKI	Nagoya City, Aichi	Real estate	2,410	2,270	2,100	0.92
Of-55	Kitahama 1-Chome Heiwa Building	Osaka City, Osaka	Trust beneficial interest	3,495	3,388	3,370	1.47

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Of-56	Heiwa Real Estate Kitahama Building	Osaka City, Osaka	Trust beneficial interest	1,780	1,666	1,650	0.72
Of-57	PRIME TOWER YOKOHAMA	Yokohama City, Kanagawa	Trust beneficial interest	4,040	3,963	3,800	1.66
Office subtotal				138,245	116,752	116,952	51.18

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-03	HF ICHIKAWA RESIDENCE	Ichikawa City, Chiba	Trust beneficial interest	600	368	430	0.19
Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	853	608	660	0.29
Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	Trust beneficial interest	1,017	568	650	0.28
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	5,823	3,048	3,610	1.58
Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	2,111	1,383	1,560	0.68
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Trust beneficial interest	1,631	1,288	1,370	0.60
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	Trust beneficial interest	1,260	873	1,000	0.44
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Trust beneficial interest	1,680	848	1,100	0.48
Re-18	HF HIGASHINIHBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,960	941	1,210	0.53
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Trust beneficial interest	1,010	557	690	0.30
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	Real estate	6,620	3,556	4,030	1.76
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Real estate	1,160	980	1,070	0.47
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,310	1,054	1,130	0.49
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	Real estate	1,140	817	950	0.42
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	Real estate	1,410	1,050	1,100	0.48
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	Real estate	6,490	5,370	5,940	2.60
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama City, Kanagawa	Real estate	3,050	2,844	3,350	1.47
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	Real estate	1,600	1,447	1,630	0.71
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Trust beneficial interest	1,470	1,561	1,650	0.72
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	Real estate	1,350	954	1,050	0.46
Re-34	HF TANASHI RESIDENCE	Nishitokyo City, Tokyo	Real estate	862	837	911	0.40
Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	Trust beneficial interest	1,040	690	730	0.32

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	Trust beneficial interest	1,920	1,311	1,460	0.64
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	Trust beneficial interest	2,370	1,675	1,890	0.83
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	Trust beneficial interest	1,360	795	944	0.41
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Trust beneficial interest	8,440	6,278	6,520	2.85
Re-45	HF NAKANOSHIMA RESIDENCE (Note 5)	Osaka City, Osaka	Trust beneficial interest	551	402	453	0.20
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	762	480	624	0.27
Re-48	HF HIRAO RESIDENCE	Fukuoka City, Fukuoka	Trust beneficial interest	2,310	1,473	1,780	0.78
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	649	468	534	0.23
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	2,640	1,636	1,820	0.80
Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	Trust beneficial interest	1,110	747	820	0.36
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	Trust beneficial interest	1,170	782	870	0.38
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	Trust beneficial interest	785	573	615	0.27
Re-57	HF MUSASHI KOYAMA RESIDENCE	Shinagawa-ku, Tokyo	Trust beneficial interest	1,260	768	842	0.37
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji City, Tokyo	Trust beneficial interest	1,200	790	839	0.37
Re-59	HF HISAYADORI RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	1,310	956	1,080	0.47
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto City, Kyoto	Trust beneficial interest	773	501	572	0.25
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	Trust beneficial interest	2,950	1,900	1,990	0.87
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	Trust beneficial interest	1,720	1,114	1,170	0.51
Re-63	HF HIGASHI SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,770	1,223	1,360	0.60
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka City, Osaka	Trust beneficial interest	752	508	566	0.25

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,200	686	809	0.35
Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	960	604	684	0.30
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Trust beneficial interest	1,150	727	771	0.34
Re-69	HF ICHIBANCHO RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,210	719	834	0.36
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	Trust beneficial interest	1,230	856	942	0.41
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	2,830	1,929	2,090	0.91
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	809	872	0.38
Re-74	HF WAKAMATSUKAWADA RESIDENCE	Shinjuku-ku, Tokyo	Trust beneficial interest	1,800	1,141	1,158	0.51
Re-75	HF Sendai Residence EAST	Sendai City, Miyagi	Trust beneficial interest	2,040	1,456	1,638	0.72
Re-76	HF NISHI-KOEN RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	1,520	1,244	1,310	0.57
Re-77	HF BANSUI-DORI RESIDENCE	Sendai City, Miyagi	Trust beneficial interest	974	751	790	0.35
Re-78	HF KANNAI RESIDENCE	Yokohama City, Kanagawa	Trust beneficial interest	2,380	1,704	1,800	0.79
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya City, Aichi	Trust beneficial interest	2,400	2,097	2,160	0.95
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo City, Hokkaido	Trust beneficial interest	1,910	1,424	1,560	0.68
Re-81	HF HAKATA-HIGASHI RESIDENCE	Fukuoka City, Fukuoka	Real estate	993	896	880	0.39
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	Sendai City, Miyagi	Real estate	948	878	850	0.37
Re-83	HF TABATA RESIDENCE	Kita-ku, Tokyo	Real estate	1,470	1,051	1,100	0.48
Re-84	HF RYOGOKU RESIDENCE	Sumida-ku, Tokyo	Real estate	1,730	1,356	1,400	0.61
Re-85	HF HACHIOJI RESIDENCE	Hachioji City, Tokyo	Real estate	1,260	1,208	1,120	0.49
Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	Real estate	1,570	1,251	1,210	0.53
Re-87	HF MONZENNAKACHO RESIDENCE	Koto-ku, Tokyo	Real estate	1,280	947	945	0.41
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	Koto-ku, Tokyo	Real estate	1,120	902	900	0.39

Property no.	Property name	Address	Form of asset (Note 1)	Appraisal value (Million yen)	Balance sheet amount (Million yen) (Note 2)	Acquisition price (Million yen) (Note 3)	Percentage of investments (%) (Note 4)
Re-89	HF SENDAI NAGAMACHI RESIDENCE	Sendai City, Miyagi	Real estate	1,140	1,061	1,030	0.45
Re-90	HF SHOKOJI AKABANE RESIDENCE	Kita-ku, Tokyo	Real estate	1,350	1,170	1,150	0.50
Re-91	HF SENDAI HONCHO RESIDENCE	Sendai City, Miyagi	Real estate	1,210	1,091	1,070	0.47
Re-92	HF OHORI RESIDENCE BAYSIDE	Fukuoka City, Fukuoka	Real estate	1,320	1,186	1,150	0.50
Re-93	HF HAKATA HIGASHI RESIDENCE II	Fukuoka City, Fukuoka	Real estate	1,470	1,295	1,198	0.52
Re-94	HF FUKUOKA RESIDENCE EAST	Fukuoka City, Fukuoka	Real estate	1,520	1,330	1,180	0.52
Re-95	HF SHOKOJI AKABANE RESIDENCE II	Kita-ku, Tokyo	Real estate	1,890	1,764	1,690	0.74
Re-96	HF Yahiro Residence	Sumida-ku, Tokyo	Real estate	1,430	1,274	1,220	0.53
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	Setagaya-ku, Tokyo	Real estate	830	726	700	0.31
Re-98	HF SOKA RESIDENCE	Soka City, Saitama	Real estate	1,460	1,378	1,300	0.57
Re-99	HF UENO IRIYA RESIDENCE	Taito-ku, Tokyo	Real estate	1,030	957	900	0.39
Re-100	HF TSUJIDO RESIDENCE	Fujisawa City, Kanagawa	Real estate	2,070	1,999	1,870	0.82
Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	Kawaguchi City, Saitama	Real estate	1,570	1,368	1,260	0.55
Re-102	HF HIGASHIOGU RESIDENCE	Arakawa-ku, Tokyo	Real estate	1,440	1,260	1,210	0.53
Re-103	HF IMAIKE-MINAMI RESIDENCE	Nagoya City, Aichi	Real estate	923	938	860	0.38
Re-104	HF FUSHIMI RESIDENCE	Nagoya City, Aichi	Real estate	675	667	610	0.27
Re-105	HF NAKANO-SAKAUE RESIDENCE	Nakano-ku, Tokyo	Real estate	1,280	1,102	1,050	0.46
Re-106	HF UENO RESIDENCE EAST	Taito-ku, Tokyo	Real estate	2,890	2,629	2,500	1.09
Re-107	HF OMORIMACHI RESIDENCE	Ota-ku, Tokyo	Real estate	1,340	1,277	1,200	0.53
Residence subtotal				141,202	105,173	111,542	48.82
Total				279,447	221,926	228,494	100.00

(Note 1) The “Form of asset” column shows the REIT’s form of ownership of the asset. The form is shown as “Trust beneficial interest” if the REIT is listed as a beneficiary and as “Real estate” if the REIT is listed as the owner in the real estate registry.

(Note 2) The “Balance sheet amount” column shows the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of the end of the 44th fiscal period (November 30, 2023), after deducting the accumulated depreciation.

(Note 3) The “Acquisition price” column shows the trading value indicated in the real estate trading agreement or trust beneficial interest trading agreement of each asset (excluding amounts equal to consumption taxes, etc. and other dues and expenses for the permission to transfer the leasehold interest in land and other fees paid to the leaseholder (land owner); The same applies hereinafter). However, for properties acquired as a result of the merger (from Re-38 La Residence de Shirokanedai through Re-73 HF WASEDA RESIDENCE II), the column shows the appraisal value as of October 1, 2010, the day the merger took effect.

(Note 4) The “Percentage of investments” column shows the percentage of each property’s acquisition price to total acquisition price of all acquired assets, rounded to the nearest one-hundredth of one percent.

(Note 5) Re-45 HF NAKANOSHIMA RESIDENCE was transferred on December 22, 2023.

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