

Semiannual Financial Report
The 41st Fiscal Period
(From December 1, 2021 to May 31, 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 41st 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. 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 41st 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 current 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. in June 2021. As a result, total investment units outstanding were 1,055,733 and unitholders’ capital was 90,063 million yen as of the end of the 41st fiscal period (May 2022).

(ii) Operating environment

There was a trend toward the recovery of economic activity in Japan in the current fiscal period, due to progress in adjusting to endemic COVID-19 despite the recurring waves of COVID-19 infections. However, there have been large roadblocks in the path of the economic recovery due to the implementation of quasi-state of emergency measures to prevent the spread of the Omicron variant of COVID-19, supply constraints and rising prices such as the soaring price of crude oil due to the economic sanctioning of Russia triggered by the Ukrainian crisis. Overseas trends also appear to require attention, given lingering uncertainty about overseas economies due to the prolonged stagnation of economic activities connected with U.S.-China trade friction and COVID-19’s spread.

In this environment, the TSE REIT index temporarily fell under 2,000 points, from 2,002.58 points at the end of the previous fiscal period (November 30, 2021), but recovered to surpass 2,000 points, rising to 2,006.03 points at the end of the current fiscal period (May 31, 2022).

(a) Office building leasing market

According to the latest office building market data from Miki Shoji Co., Ltd., the rise in the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) slowed, reflecting observed moves to conclude contracts for purposes including office expansion and relocation, offsetting tenant contract cancellations as well as office downsizing and consolidation. The average office building vacancy rate leveled off from 6.35% at the end of the previous fiscal period (November 30, 2021) to 6.37% at the end of the current fiscal period (May 31, 2022). Meanwhile, the average rent fell for 22 consecutive months from August 2020, plunging from 20,686 yen/tsubo at the end of the previous fiscal period, to 20,319 yen/tsubo at the end of the current fiscal period.

The impact of COVID-19 on the office building market is still significant. However, with vacancy rates trending down since last autumn 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 May 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 m² to over 70 m² in the metropolis of Tokyo outside the 23 wards, Saitama Prefecture, Chiba Prefecture and Osaka City, while it continued to fall for area zones smaller than 30 m² in Tokyo’s 23 wards. In nine of these ten areas, all of them except Fukuoka City, the average condominium contract rent for area zones from 50 m² to 70 m² increased year on year. In particular, record highs since January 2015 were posted in Kanagawa Prefecture, Saitama Prefecture, Chiba Prefecture and Nagoya City. According to the Survey Report on the Statistics of

Construction Starts published in May 2022, the number of new housing starts (rental housing) increased for 15 consecutive months from March 2021. Despite the supply continuously increasing from the previous period, the supply and demand trends remained stable. However, demand for rental condominiums in Tokyo's 23 wards were somewhat weak, affected by people's changing lifestyles which includes factors such as the increase in teleworking due to the COVID-19 pandemic. The occupancy rate for residential assets in the REIT's portfolio remained stable in the current fiscal period attributable to various measures taken. The impact of deteriorating economic conditions was limited. Their effects on short-term operations are assumed to be insignificant.

(c) Real estate

According to publicly assessed land values as of January 1, 2022, which were published in March 2022, the average prices for all types of land, prices for land in residential areas, and prices for land in commercial areas in Japan's three major metropolitan areas increased for the first time in two years. Prices for land in industrial areas rose for the eight consecutive years, and the rate of increase expanded. Similarly, the average prices for all types of land, prices for land in residential areas and prices for land in commercial areas increased for the first time in two years, while prices of land in industrial areas rose for five consecutive years, and the rate of this climb increased.

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.

The effects of the COVID-19 pandemic appear to have been reduced, and a general trend toward recovery has been observed since last year, but future market trends require careful consideration.

(iii) Management performance

(a) External growth

To improve the profitability and quality of its portfolio, the REIT acquired one residence (Re-99 HF UENO IRIYA RESIDENCE [real estate, acquisition price: 900 million yen]) on December 22, 2021, one office building (Of-49 Inter Planet ESAKA Building [trust beneficiary right, acquisition price: 2,500 million yen]) on December 23, 2021 and one residence (Re-100 HF TSUJIDO RESIDENCE [real estate, acquisition price: 1,870 million yen]) on February 28, 2022, and sold three residences (Re-29 HF HAKUSAN RESIDENCE [real estate], Re-35 HF SHIBAKOEN RESIDENCE [trust beneficiary right] and Re-36 HF MITA RESIDENCE [trust beneficiary right], total acquisition price: 4,266 million yen) on May 27, 2022. Furthermore, the REIT additionally acquired one office building (Of-48 Faret East Building [real estate, acquisition price: 600 million yen]) on December 24, 2021, which resulted in a 23.06% building ownership ratio (site rights ratio).

As a result, portfolio assets as of the end of the period were 114 properties (total acquisition price: 196,394 million yen), including 36 office buildings (total acquisition price of 92,172 million yen) and 78 residential buildings (total acquisition price of 104,222 million yen).

(b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 41st 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 97.6% at the end of the current fiscal period. The REIT was able to stabilize the occupancy rate, which had reached 97.7% at the end of the previous fiscal period, at a high level throughout the current fiscal period. The average month-end occupancy rate for the period under review stood high at 97.5%.

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

(iv) Procurement of funds

The REIT took out Term Loan 56 (loan amount: 900 million yen) on December 22, 2021, Term Loan 57 (1) (loan amount: 500 million yen), Term Loan 57 (2) (loan amount: 1,000 million yen) and Term Loan 57 (3) (loan amount: 1,000 million yen) on December 23, 2021, Commitment Line (loan amount: 600 million yen) on December 24, 2021, Term Loan 59 (1) (loan amount: 700 million yen) and Term Loan 59 (2) (loan amount: 1,200 million yen) on February 28, 2022 with plans to use the funds for property acquisition and the like. In addition, the REIT took out Term Loan 58 (loan amount: 600 million yen) on February 24, 2022 to repay Commitment Line (loan balance: 600 million yen), the principal repayment of which was due on the same day, and also took out Term Loan 60 (Tranche A (loan amount:

200 billion yen), Tranche B (loan amount: 950 million yen), Tranche C (loan amount: 864 million yen), Tranche D (loan amount: 2,435 million yen) and Tranche E (loan amount: 1,400 million yen)) on May 31, 2022 to repay Term Loan 34 Tranche B (loan balance: 2,880 million yen) and Term Loan 43 Tranche A (loan amount: 2,969 million yen), the principal repayment of which was due on the same day.

As a result, the average borrowing period as of May 31 was 7.2 years, the average remaining period was 3.9 years and the average borrowing interest rate as of May 31 was 0.74%.

Taking a further step, the REIT established a commitment line with a maximum loan amount of 7,000 million yen with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd. and Resona Bank, Ltd. to secure financial creditworthiness by increasing the means of flexible and stable financing and liquidity on hand. (The original contract period was June 1, 2021 to May 31, 2022. The period was revised to June 1, 2022 to May 31, 2023 on May 26, 2022).

As a result, the total interest-bearing liabilities amount (Note) at period end was 96,757 million yen (Ratio of interest-bearing liabilities to total assets at end of period (Note): 46.12%).

(Note) Interest-bearing liabilities = Short-term debt + Investment corporation bonds due within one year + Long-term debt due within one year + Investment corporation bonds + Long-term debt

Ratio of interest-bearing liabilities to total assets at end of period = Closing amount of interest-bearing liabilities / Closing amount of total assets × 100

A rating for the REIT as of August 26, 2022 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 41st fiscal period results of 7,322 million yen in operating revenues, 3,609 million yen in operating income, after deducting interest expenses on loans, 3,193 million yen in ordinary income, and 3,193 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 current 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 made a decision to pay out 3,219,985,650 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 42,229,320 yen (40 yen per unit) to the balance excluding the internal reserve of 15,565,364 yen, from the net income of 3,193,321,694 yen for the current fiscal period. As a result, distributions per unit have come to 3,050 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	37th FP	38th FP	39th FP	40th FP	41st FP
Closing date	May 31, 2020	November 30, 2020	May 31, 2021	November 30, 2021	May 31, 2022
High	150,000	121,000	168,400	179,800	157,600
Low	66,100	96,700	115,900	150,700	131,400

(3) Distributions

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

Based on this policy, the REIT made a decision to pay out 3,219,985,650 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 42,229,320 yen (40 yen per unit) to the balance excluding the internal reserve of 15,565,364 yen, from the net income of 3,193,321,694 yen for the fiscal period under review.

As a result, distributions per unit have come to 3,050 yen.

Fiscal period		37th FP	38th FP	39th FP	40th FP	41st FP
		May 31, 2020	November 30, 2020	May 31, 2021	November 30, 2021	May 31, 2022
Unappropriated retained earnings	thousand yen	5,205,178	5,933,582	5,871,290	6,083,325	6,304,797
Provision of reserve for temporary difference adjustment	thousand yen	—	338,693	—	—	—
Reversal of reserve for temporary difference adjustment	thousand yen	40,593	39,997	39,997	79,219	42,229
Retained earnings	thousand yen	2,657,912	2,955,065	3,111,475	3,111,475	3,127,041
Total distributions	thousand yen	2,587,859	2,679,820	2,799,812	3,051,068	3,219,985
Distributions per unit (excluding distributions in excess of earnings)	yen	(2,550)	(2,680)	(2,800)	(2,890)	(3,050)
Distributions of profit	thousand yen	2,587,859	2,679,820	2,799,812	3,051,068	3,219,985
(Distributions of profit per unit)	yen	(2,550)	(2,680)	(2,800)	(2,890)	(3,050)
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. Issuance of New Investment Units

At the Board of Directors Meeting held on May 18, 2022 and May 25, 2022, the REIT resolved to issue new investment units as described below and the payment for issuance of new investment units through public offering and third-party allotment has been completed on June 1, 2022, and June 28, 2022, respectively. As a result, the amount of unitholders' capital is 97,799 million yen and the number of investment units issued is 1,113,733 as of August 26, 2022.

1. Issuance of new investment units through public offering

(1) Number of investment units issued	: 55,200 units
(2) Issue price (offer price)	: 137,913 yen per unit
(3) Total amount of the issue	: 7,612,797,600 yen
(4) Paid-in amount (issue amount)	: 133,386 yen per unit
(5) Total paid-in amount (total issue amount)	: 7,362,907,200 yen
(6) Payment date	: June 1, 2022

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

(1) Number of new investment units issued	: 2,800 units
(2) Paid-in amount (issue amount)	: 133,386 yen per unit
(3) Total paid-in amount (total issue amount)	: 373,480,800 yen
(4) Allottee	: SMBC Nikko Securities Inc.
(5) Payment date	: June 28, 2022

B. Acquisition of Assets

The REIT acquired two real estate and four real trust beneficiary rights in real estate on June 3, 2022 as described below.

Of-50 Shinsaibashi FRONT Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	April 6, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	7,300 million yen
Location (lot number)	3-5-11, Minamimemba, Chuo-ku, Osaka City, Osaka
Purpose of use	Bank, office and parking
Construction date	November 27, 1986
Structure	Steel-framed reinforced concrete, steel-framed flat roof, 1 floor below ground and 9 floors above ground
Total floor space	6,201.98 m ²
Total rentable space	4,251.76 m ²

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

Of-51 SAKAE CENTER BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	4,000 million yen
Location (lot number)	3-13-20, Sakae, Naka-ku, Nagoya City, Aichi
Purpose of use	Offices, store and residence
Construction date	March 20, 1995
Structure	Steel-framed reinforced concrete with flat roof, 1 floor below ground and 8 floors above ground
Total floor space	6,653.48 m ²
Total rentable space	5,380.05 m ²

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

Of-52 IWAMOTOCHO TWIN BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	3,380 million yen
Location (lot number)	2-5-12, Iwamotocho, Chiyoda-ku, Tokyo
Purpose of use	Office and parking
Construction date	September 30, 1986
Structure	Steel-framed reinforced concrete with flat roof, 9 floors above ground
Total floor space	3,290.36 m ²
Total rentable space	2,795.99 m ²

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

Of-53 IWAMOTOCHO TWIN SAKAE BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	400 million yen
Location (lot number)	2-5-12, Iwamotocho, Chiyoda-ku, Tokyo
Purpose of use	Office, residence and parking
Construction date	August 31, 1992
Structure	Steel-framed reinforced concrete with flat roof, 10 floors above ground
Total floor space	688.74 m ²
Total rentable space	569.88 m ²

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

Re-101 HF KAWAGUCHIEKIMAE RESIDENCE

Type of specified asset (Note 1)	Real estate
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note 2)	1,260 million yen

Location (lot number)	3-2-24, Sakae-cho, Kawaguchi City, Saitama
Purpose of use	Residential complex and store
Construction date	September 29, 2021
Structure	Reinforced concrete with flat roof, 10 floors above ground
Total floor space	2,933.22 m ²
Total rentable space	2,325.00 m ²

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

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

Re-102 HF HIGASHIOGU RESIDENCE

Type of specified asset (Note 1)	Real estate
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note 2)	1,210 million yen
Location (lot number)	8-32-5, Higashiogu, Arakawa-ku, Tokyo
Purpose of use	Residential complex
Construction date	January 13, 2022
Structure	Reinforced concrete with flat roof, 6 floors above ground
Total floor space	2,703.98 m ²
Total rentable space	2,084.96 m ²

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

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

C. Disposition of Assets

The REIT entered into a transfer agreement of real estate trust beneficiary right described below on May 18, 2022 and transferred the 50% interest of quasi co-ownership of real estate trust beneficiary right on June 3, 2022.

Of-09 GRACE BUILDING SENGAKUJIMAE (First transfer)

Type of specified asset	Trust beneficial interest
Location (lot number)	2-15-8, Takanawa, Minato-ku, Tokyo
Transfer price (Note 1)	1,109.5 million yen (50% interest of quasi co-ownership)
Book value (Note 2)	548 million yen
Agreement date	May 18, 2022
Disposition date	June 3, 2022
Transferee	Heiwa Real Estate Co., Ltd.

(Note 1) The transfer will be made in two parts, the first transfer has been executed as of June 3, 2022 and the second transfer will be executed as of December 5, 2022. “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 June 3, 2022, the date of the first transfer.

D. Borrowing of Funds

The REIT borrowed funds as described below to partly fund for acquisition of six properties acquired on June 3, 2022 (as described in *B. Acquisition of Assets* above) (total borrowing amount of 2,800 million yen) and to fund for redemption of 1st unsecured investment corporation bonds (payment amount of 1,000 million yen) due on June 30, 2022 (total borrowing amount of 1,000 million yen).

[Term Loan 61 Tranche A]

Lender	Borrowing amount	Borrowing date	Maturity date	Repayment method	Usage of fund	Collateral and guarantee
Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	2,300 million yen	June 3, 2022	May 31, 2029 (Note)	Lump sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

[Term Loan 61 Tranche B]

Lender	Borrowing amount	Borrowing date	Maturity date	Repayment method	Usage of fund	Collateral and guarantee
Development Bank of Japan Inc.	500 million yen	June 3, 2022	May 31, 2029 (Note)	Lump sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

[Term Loan 62]

Lender	Borrowing amount	Borrowing date	Maturity date	Repayment method	Usage of fund	Collateral and guarantee
Sumitomo Mitsui Banking Corporation	1,000 million yen	June 27, 2022	June 30, 2023 (Note)	Lump sum repayment	To fund for redemption of existing investment corporation bonds	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		37th FP	38th FP	39th FP	40th FP	41st FP
		May 31, 2020	November 30, 2020	May 31, 2021	November 30, 2021	May 31, 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		1,014,847	999,933	999,933	1,055,733	1,055,733
Unitholders' capital	million yen	81,370	81,370	81,370	90,063	90,063
Number of unitholders		11,797	11,699	10,906	11,034	11,206

(2) Matters concerning investment units

The following represents major unitholders as of May 31, 2022

Name	Units Owned (units)	Ownership Ratio (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	283,984	26.89
The Master Trust Bank of Japan, Ltd. (trust account)	180,049	17.05
Heiwa Real Estate Co., Ltd.	143,845	13.62
The Nomura Trust and Banking Co., Ltd. (trust account)	39,777	3.76
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	16,667	1.57
STATE STREET BANK WEST CLIENT -TREATY 505234	15,896	1.50
SMBC Nikko Securities Inc.	13,332	1.26
SSBTC CLIENT OMNIBUS ACCOUNT	11,372	1.07
JP MORGAN CHASE BANK 385781	11,171	1.05
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/SECURITIES-AIFM	10,276	0.97
Total	726,369	68.80

(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 accounting auditor in the 41st 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	—	11,660 (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 accounting auditor if necessary in consideration of various circumstances.

(Note 3) The amount includes compensation for an audit of English-language financial statements.

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

The asset management company, asset custody company and administrative service contractors at the end of 41st 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	40th Fiscal Period (As of November 30, 2021)		41st Fiscal Period (As of May 31, 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	7,577	3.7	7,554	3.6
		Metropolitan Area (Note 3)	4,483	2.2	5,098	2.4
		Other (Note 4)	2,645	1.3	2,661	1.3
	Residence	Tokyo 23 Wards	27,109	13.3	25,789	12.3
		Metropolitan Area (Note 3)	6,382	3.1	8,365	4.0
		Other (Note 4)	7,828	3.9	7,804	3.7
Subtotal			56,026	27.6	57,274	27.3
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	57,527	28.3	57,587	27.4
		Metropolitan Area (Note 3)	4,830	2.4	4,822	2.3
		Other (Note 4)	10,958	5.4	13,478	6.4
	Residence	Tokyo 23 Wards	38,865	19.1	37,075	17.7
		Metropolitan Area (Note 3)	2,906	1.4	2,898	1.4
		Other (Note 4)	16,163	8.0	16,052	7.7
Subtotal			131,252	64.6	131,915	62.9
Real estate, etc., subtotal			187,279	92.2	189,189	90.2
Deposits and other assets			15,927	7.8	20,604	9.8
Total assets			203,206	100.0	209,794	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 41st fiscal period (top ten properties in terms of book value at the end of the fiscal period).

	Property name	Book value (million yen)	Rentable area (m ²) (Note 1)	Rental area (m ²) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)	Main use
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,327	8,141.02	7,799.40	95.8	3.0	Residence
Re-25	HF GINZA RESIDENCE EAST	5,417	5,459.49	5,220.82	95.6	1.9	Residence
Of-47	OSAKI CN BUILDING	5,185	3,237.86	3,237.86	100.0	1.6	Office
Of-25	KAYABACHO HEIWA BUILDING	4,751	4,156.53	4,156.53	100.0	3.1	Office
Of-30	HF SAKURADORI BUILDING	4,380	9,934.77	9,934.77	100.0	4.8	Office
Of-38	ACROSS SHINKAWA BUILDING	3,881	3,828.92	3,828.92	100.0	2.0	Office, Residence
Of-45	KABUTO-CHO UNI-SQUARE	3,628	2,737.77	2,737.77	100.0	1.6	Office
Re-20	HF SHIROKANETAKANAWA RESIDENCE	3,568	4,457.76	4,216.67	94.6	1.8	Residence
Of-20	FUNABASHI FACE BUILDING	3,446	2,520.22	2,520.22	100.0	1.8	Office
Of-33	HF UENO BUILDING	3,425	4,168.79	4,168.79	100.0	2.0	Office
	Total	44,012	48,643.13	47,821.75	98.3	23.4	

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

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

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

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

(3) Summary of portfolio properties

The table below is a statement of real estate owned by the REIT at the end of the 41st 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	1,765	1,368
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	2,860	2,248
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	1,920	1,503
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,200	2,740
Of-09	GRACE BUILDING SENGAKUJIMAE	2-15-8 Takanawa, Minato-ku, Tokyo	Trust beneficial interest	2,219	1,097
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,320	2,157
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,810	3,020
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,090	1,083
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,102	3,391
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,430	3,446
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	1,273
Of-24	HF Yushima Building	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,730	1,581
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	7,010	4,751
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho, Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,490	2,535
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,340	1,466
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	6,590	4,380
Of-31	HF NIHONBASHI HAMACHO BUILDING	1-2-1 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	2,640	1,973
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,670	2,500
Of-33	HF UENO BUILDING	5-6-10 Ueno, Taito-ku, Tokyo	Trust beneficial interest	4,260	3,425
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficial interest	2,160	1,353
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami, Chiyoda-ku, Tokyo	Trust beneficial interest	3,300	2,778
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachi, Chiyoda-ku, Tokyo	Trust beneficial interest	4,250	3,203
Of-37	NISSO 5 BUILDING	2-10-39 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,090	3,194
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,380	3,881
Of-39	SENJU MILDIX II	3-98 Senju, Adachi-ku, Tokyo	Trust beneficial interest	1,950	1,593
Of-40	ARK Mori Building	1-12-32 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,480	3,161

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	2,159
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi, Hachioji City, Tokyo	Trust beneficial interest	1,890	1,628
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,350	3,120
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,910	2,861
Of-45	KABUTO-CHO UNI-SQUARE	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	3,990	3,628
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,670	2,661
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	1,652
Of-49	Inter Planet ESAKA Building	1-13-48 Esakacho, Suita City, Osaka	Trust beneficial interest	2,660	2,595
Office subtotal				111,433	91,203
Re-03	HF ICHIKAWA RESIDENCE	4-8-13 Ainokawa, Ichikawa City, Chiba	Trust beneficial interest	598	367
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	802	606
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	983	571
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	5,244	3,083
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	1,985	1,386
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,605	1,284
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,160	878
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,540	869
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,830	964
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	932	570
Re-20	HF SHIROKANETAKANAWA RESIDENCE	1-2-6 Takanawa, Minato-ku, Tokyo	Real estate	5,760	3,568
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,120	962
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,260	1,064
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,110	824
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,320	1,061
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	5,860	5,417
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	2,980	2,884
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,490	1,451
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,390	1,570

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,280	970
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	811	865
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	995	695
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,910	1,330
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,370	1,701
Re-41	HF HATCHOBORI RESIDENCE III	2-17-8 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	1,110	682
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,350	798
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	8,040	6,327
Re-45	HF NAKANOSHIMA RESIDENCE	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka	Trust beneficial interest	546	410
Re-46	HF AWAZA RESIDENCE	4-6-12 Itachibori, Nishi-ku, Osaka City, Osaka	Trust beneficial interest	735	476
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	761	488
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,280	1,504
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	620	474
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,490	1,604
Re-54	La Residence de Sendagi	2-23-3 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,050	752
Re-55	HF SENDAGI RESIDENCE	2-6-6 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,110	790
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	748	580
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,210	775
Re-58	HF KOKUBUNJI RESIDENCE	3-18-7 Minami-cho, Kokubunji City, Tokyo	Trust beneficial interest	1,130	798
Re-59	HF HISAYAODORI RESIDENCE	1-12-1 Izumi, Higashi-ku, Nagoya City, Aichi	Trust beneficial interest	1,300	969
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	731	505
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,800	1,919
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	8-7-11 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	1,630	1,125
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,740	1,239
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	717	514
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,180	696

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	945	565
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,070	734
Re-69	HF ICHIBANCHO RESIDENCE	2-1-7 Ichibancho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,190	731
Re-70	HF HIGASHI-NAKANO RESIDENCE	2-19-4 Higashi Nakano, Nakano-ku, Tokyo	Trust beneficial interest	1,140	861
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,800	1,943
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	813
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,750	1,153
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,020	1,492
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,490	1,273
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	938	767
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,360	1,732
Re-79	HF MEIEKI-KITA RESIDENCE	(W) 2-19-22 Kikui, (E) 2-19-27 Kikui, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	2,340	2,117
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,790	1,457
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	977	909
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	932	893
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,470	1,073
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,720	1,381
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,260	1,216
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,490	1,229
Re-87	HF MONZEN-NAKACHO RESIDENCE	1-16-4 Botan, Koto-ku, Tokyo	Real estate	1,210	956
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	7-4-9 Minamisuna, Koto-ku, Tokyo	Real estate	1,060	912
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,130	1,078
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,340	1,190
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,180	1,111
Re-92	HF OHORI RESIDENCE BAYSIDE	3-17-10 Nagahama Chuo-ku, Fukuoka City, Fukuoka	Real estate	1,310	1,198
Re-93	HF HAKATA-HIGASHI RESIDENCE II	1-9-27 Yutaka, Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,450	1,307
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamataseshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,510	1,305

Property name		Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,880	1,793
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,390	1,295
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	820	734
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,420	1,389
Re-99	HF UENO IRIYA RESIDENCE	1-12-1, Iriya, Taito-ku, Tokyo	Real estate	1,010	967
Re-100	HF TSUJIDO RESIDENCE	2-2-26 Tsujidokandai, Fujisawa City, Kanagawa	Real estate	2,010	2,009
Residence subtotal				127,155	97,986
Total				238,588	189,189

(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 May 31, 2022, after deducting the accumulated depreciation.

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

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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	100.0	58,829	0.9	5	100.0	59,093	0.9
Of-06	HF MONZENNAKA CHO BUILDING	5	100.0	94,178	1.4	5	100.0	95,729	1.4
Of-07	HF HAMAMATSU CHO BUILDING	9	100.0	56,705	0.9	9	100.0	57,849	0.8
Of-08	HF TAMEIKE BUILDING	6	98.1	83,705	1.3	6	98.1	83,893	1.2
Of-09	GRACE BUILDING SENGAKUJIMAE	9	100.0	59,894	0.9	9	100.0	64,887	0.9
Of-11	HF NIHONBASHI ODENMACHO BUILDING	7	100.0	67,427	1.0	7	100.0	66,057	1.0
Of-12	HF HATCHOBORI BUILDING	8	100.0	75,524	1.1	8	100.0	76,571	1.1
Of-17	HATCHOBORI MF BUILDING	9	100.0	32,643	0.5	9	100.0	33,336	0.5
Of-18	M2 HARAJUKU	4	85.6	67,889	1.0	5	100.0	66,124	1.0
Of-20	FUNABASHI FACE BUILDING	9	100.0	120,138	1.8	9	100.0	120,053	1.8
Of-21	ADESSO NISHIAZABU	3	79.5	7,593	0.1	4	100.0	13,880	0.2
Of-23	HF IKEBUKURO BUILDING	9	100.0	42,506	0.6	9	100.0	42,702	0.6
Of-24	HF YUSHIMA BUILDING	9	100.0	50,574	0.8	9	100.0	50,463	0.7
Of-25	KAYABACHO HEIWA BUILDING	1	100.0	208,588	3.1	1	100.0	209,571	3.1
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	38	97.9	146,670	2.2	38	100.0	146,067	2.1
Of-29	SAKAE MINAMI HEIWA BUILDING	8	100.0	89,874	1.4	8	100.0	89,956	1.3
Of-30	HF SAKURADORI BUILDING	23	100.0	326,795	4.9	23	100.0	327,145	4.8

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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-31	HF NIHONBASHI HAMACHO BUILDING	8	100.0	92,921	1.4	8	100.0	92,472	1.3
Of-32	HF SENDAI HONCHO BUILDING	40	100.0	145,297	2.2	41	100.0	149,581	2.2
Of-33	HF UENO BUILDING	7	100.0	141,318	2.1	7	100.0	139,903	2.0
Of-34	KOJIMACHI HF BUILDING	7	87.8	71,706	1.1	7	87.8	63,597	0.9
Of-35	HF KUDAN MINAMI BUILDING	3	100.0	99,147	1.5	3	100.0	98,750	1.4
Of-36	HF KANDA OGAWAMACHI BUILDING	8	100.0	110,262	1.7	8	100.0	110,675	1.6
Of-37	NISSO 5 BUILDING	1	100.0	87,218	1.3	1	100.0	87,218	1.3
Of-38	ACROSS SHINKAWA BUILDING (Note 5)	12	98.8	129,835	2.0	13	100.0	134,377	2.0
Of-39	SENJU MILDIX II	6	100.0	65,301	1.0	5	100.0	68,469	1.0
Of-40	ARK Mori Building	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.0	62,697	0.9	3	100.0	62,744	0.9
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.0	69,569	1.0	3	100.0	71,039	1.0
Of-43	HAMACHO HEIWA BUILDING	9	88.0	89,984	1.4	9	88.0	81,101	1.2
Of-44	KINSHICHO SQUARE BUILDING	10	100.0	76,929	1.2	10	97.3	75,864	1.1
Of-45	KABUTO-CHO UNI-SQUARE	8	100.0	108,495	1.6	8	100.0	108,563	1.6
Of-46	HF SENDAI ICHIBANCHO BUILDING	12	95.6	80,901	1.2	14	98.1	78,721	1.1
Of-47	OSAKI CN BUILDING(Note 5)	6	87.2	95,059	1.4	7	100.0	107,484	1.6
Of-48	Faret East Building(Note 5,6)	2	100.0	7,087	0.1	7	100.0	60,479	0.9
Of-49	Inter Planet ESAKA Building (Note 6)	—	—	—	—	6	100.0	57,459	0.8

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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)
Office subtotal		308	98.4	3,204,752	48.3	325	99.3	3,333,367	48.6
Re-03	HF ICHIKAWA RESIDENCE	36	100.0	17,298	0.3	36	100.0	17,299	0.3
Re-05	HF MEGURO RESIDENCE	20	95.8	19,390	0.3	20	93.7	18,749	0.3
Re-09	HF KASAI RESIDENCE	47	97.9	26,620	0.4	46	95.8	26,697	0.4
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	93	95.9	121,733	1.8	96	99.1	121,783	1.8
Re-12	HF HIMONYA RESIDENCE	52	98.4	44,124	0.7	53	100.0	45,932	0.7
Re-14	HF MINAMIAZABU RESIDENCE	58	96.7	36,489	0.6	57	95.0	35,539	0.5
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	26	95.8	27,098	0.4	27	100.0	27,563	0.4
Re-17	HF HIGASHIKANDA RESIDENCE	62	96.9	36,424	0.5	60	93.8	37,457	0.5
Re-18	HF HIGASHINIHONBASHI RESIDENCE	66	100.0	42,500	0.6	63	95.0	43,372	0.6
Re-19	HF NERIMA RESIDENCE	50	98.1	24,240	0.4	50	98.1	25,841	0.4
Re-20	HF SHIROKANETA KANAWA RESIDENCE	65	99.3	123,524	1.9	62	94.6	122,254	1.8
Re-21	HF MEIDAIMAE RESIDENCE	52	97.9	28,665	0.4	50	94.2	28,506	0.4
Re-22	HF NIHONBASHI RESIDENCE	47	97.0	33,071	0.5	44	90.4	33,934	0.5
Re-23	HF KAMISHAKUJII RESIDENCE	62	97.1	31,762	0.5	63	98.6	32,013	0.5
Re-24	HF KINSHICHO RESIDENCE	55	98.2	33,290	0.5	56	100.0	32,728	0.5
Re-25	HF GINZA RESIDENCE EAST	101	96.8	129,411	2.0	101	95.6	133,471	1.9
Re-26	HF SHIN-YOKOHAMA RESIDENCE	109	96.8	84,093	1.3	108	95.4	86,363	1.3

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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-29	HF HAKUSAN RESIDENCE (Note 6)	50	98.5	56,338	0.8	—	—	60,180	0.9
Re-30	HF MAGOME RESIDENCE	29	97.4	46,172	0.7	29	94.3	45,579	0.7
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	22	100.0	35,902	0.5	22	100.0	35,338	0.5
Re-33	HF KAMEIDO RESIDENCE	60	98.4	32,150	0.5	60	98.4	32,239	0.5
Re-34	HF TANASHI RESIDENCE	35	100.0	30,930	0.5	35	100.0	32,929	0.5
Re-35	HF SHIBA-KOEN RESIDENCE (Note 6)	29	96.0	23,715	0.4	—	—	23,812	0.3
Re-36	HF MITA RESIDENCE (Note 6)	47	100.0	34,583	0.5	—	—	34,128	0.5
Re-38	La Residence de Shirokanedai	27	96.5	25,668	0.4	26	93.0	26,734	0.4
Re-39	HF GINZA RESIDENCE EAST II	71	96.1	52,434	0.8	73	98.7	49,775	0.7
Re-40	HF HATCHOBORI RESIDENCE II	80	95.6	59,532	0.9	79	93.9	59,090	0.9
Re-41	HF HATCHOBORI RESIDENCE III	37	100.0	30,041	0.5	37	100.0	31,506	0.5
Re-42	HF GINZA RESIDENCE	44	97.8	33,325	0.5	44	97.8	32,955	0.5
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	271	95.1	209,874	3.2	275	95.8	204,939	3.0
Re-45	HF NAKANOSHIMA RESIDENCE	38	100.0	18,437	0.3	35	93.9	19,189	0.3
Re-46	HF AWAZA RESIDENCE	60	95.4	22,339	0.3	63	100.0	23,436	0.3
Re-47	HF MARUNOUCHI RESIDENCE	70	97.2	26,917	0.4	70	97.2	26,795	0.4
Re-48	HF HIRAO RESIDENCE	192	95.6	79,265	1.2	192	95.9	81,984	1.2

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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-49	HF KAWARAMACHI NIJO RESIDENCE	49	98.1	19,021	0.3	49	98.1	19,327	0.3
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	127	96.9	72,861	1.1	127	96.3	74,919	1.1
Re-54	La Residence de Sendagi	49	98.2	28,291	0.4	48	94.4	32,272	0.5
Re-55	HF SENDAGI RESIDENCE	49	100.0	31,812	0.5	47	94.0	35,675	0.5
Re-56	HF KOMAZAWA-KOEN RESIDENCE	35	97.2	20,508	0.3	35	97.2	20,053	0.3
Re-57	HF MUSASHIKOYAMA RESIDENCE	52	100.0	31,206	0.5	50	96.4	31,625	0.5
Re-58	HF KOKUBUNJI RESIDENCE	45	96.3	30,916	0.5	47	100.0	30,929	0.5
Re-59	HF HISAYAODORI RESIDENCE	97	99.0	42,001	0.6	96	98.0	41,998	0.6
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	41	100.0	22,224	0.3	40	98.0	22,856	0.3
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	72	93.7	69,988	1.1	74	95.9	68,672	1.0
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	46	96.0	42,916	0.6	40	82.9	41,638	0.6
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	66	97.2	45,887	0.7	65	95.7	44,105	0.6
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	38	100.0	21,841	0.3	35	92.2	21,047	0.3
Re-65	HF KITA-YOBANCHO RESIDENCE	88	97.8	38,904	0.6	87	96.7	38,456	0.6
Re-66	HF ATAGOBASHI RESIDENCE	78	98.7	32,829	0.5	77	97.5	33,262	0.5
Re-67	HF KYUDAIBYOIN MAE RESIDENCE (NOTE 5)	—	—	17,728	0.3	—	—	—	—

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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-68	HF ASAKUSABASHI RESIDENCE	38	97.4	27,481	0.4	38	97.4	26,558	0.4
Re-69	HF ICHIBANCHO RESIDENCE	77	98.8	38,815	0.6	76	97.0	41,110	0.6
Re-70	HF HIGASHI-NAKANO RESIDENCE	47	95.4	31,950	0.5	46	93.8	31,222	0.5
Re-72	HF WASEDA RESIDENCE	114	94.5	75,737	1.1	115	95.3	77,252	1.1
Re-73	HF WASEDA RESIDENCE II	47	91.1	29,271	0.4	50	98.3	30,001	0.4
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	32	96.3	40,536	0.6	31	94.6	43,303	0.6
Re-75	HF SENDAI RESIDENCE EAST	145	97.0	67,573	1.0	149	99.4	68,975	1.0
Re-76	HF NISHI-KOEN RESIDENCE	101	99.0	43,768	0.7	98	96.1	44,912	0.7
Re-77	HF BANSUI-DORI RESIDENCE	66	100.0	28,209	0.4	63	95.5	27,512	0.4
Re-78	HF KANNAI RESIDENCE	116	99.1	64,163	1.0	114	97.4	64,635	0.9
Re-79	HF MEIEKI-KITA RESIDENCE	111	98.3	62,518	0.9	107	94.5	62,474	0.9
Re-80	HF HIGASHI-SAPPORO RESIDENCE	149	98.9	57,873	0.9	150	99.5	58,737	0.9
Re-81	HF HAKATA-HIGASHI RESIDENCE	78	100.0	29,830	0.4	76	97.4	30,138	0.4
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	53	96.4	26,331	0.4	53	96.4	26,714	0.4
Re-83	HF TABATA RESIDENCE	53	95.8	41,654	0.6	55	98.6	45,548	0.7
Re-84	HF RYOGOKU RESIDENCE	65	98.8	51,099	0.8	63	94.5	50,179	0.7
Re-85	HF HACHIOJI RESIDENCE	48	94.8	33,226	0.5	50	97.8	35,606	0.5
Re-86	HF MITA RESIDENCE II	39	97.5	30,551	0.5	38	95.2	30,975	0.5
Re-87	HF MONZEN-NAKACHO RESIDENCE	44	100.0	26,882	0.4	42	95.5	28,508	0.4

Property name		40th Fiscal Period (As of November 30, 2021)				41st Fiscal Period (As of May 31, 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-88	HF MINAMI-SUNAMACHI RESIDENCE	48	100.0	30,125	0.5	45	93.8	27,264	0.4
Re-89	HF SENDAI NAGAMACHI RESIDENCE	68	98.4	33,891	0.5	67	96.9	34,933	0.5
Re-90	HF SHOKOJI AKABANE RESIDENCE	46	95.5	36,748	0.6	49	100.0	35,920	0.5
Re-91	HF SENDAI HONCHO RESIDENCE	68	98.6	33,151	0.5	67	97.1	33,874	0.5
Re-92	HF OHORI RESIDENCE BAYSIDE	65	97.2	34,990	0.5	65	97.2	34,690	0.5
Re-93	HF HAKATA-HIGASHI RESIDENCE II	105	95.8	40,773	0.6	106	97.0	41,639	0.6
Re-94	HF FUKUOKA RESIDENCE EAST	116	97.1	45,830	0.7	116	97.3	45,435	0.7
Re-95	HF SHOKOJI AKABANE RESIDENCE II (Note 5)	68	97.9	52,889	0.8	69	97.7	57,792	0.8
Re-96	HF YAHIRO RESIDENCE (Note 5)	64	100.0	37,497	0.6	62	97.4	39,749	0.6
Re-97	HF SETAGAYAKAM IMACHI RESIDENCE (Note 5)	29	96.7	14,654	0.2	28	93.3	19,838	0.3
Re-98	HF SOKA RESIDENCE (Note 5)	88	88.0	13,043	0.2	94	95.0	38,042	0.6
Re-99	HF UENO IRIYA RESIDENCE (Note 6)	—	—	—	—	32	97.5	20,740	0.3
Re-100	HF TSUJIDO RESIDENCE (Note 6)	—	—	—	—	38	97.5	25,153	0.4
Residence subtotal		5,283	97.3	3,427,387	51.7	5,201	96.6	3,526,409	51.4
Total		5,591	97.7	6,632,139	100.0	5,526	97.6	6,859,776	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) Of-47 OSAKI CN BUILDING, Re-95 HF SHOKOJI AKABANE RESIDENCE II, Re-96 HF YAHIRO RESIDENCE and Re-97 HF SETAGAYAKAMIMACHI RESIDENCE were acquired on June 4, 2021, Re-98 HF SOKA RESIDENCE was acquired on September 29, 2021, Of-48 Faret East Building was acquired on October 29, 2021. In addition, Re-67 HF KYUDAIBYOINMAE RESIDENCE was transferred on November 29, 2021.

(Note 6) Re-99 HF UENO IRIYA RESIDENCE was acquired on December 22, 2021, Of-49 Inter Planet ESAKA Building was acquired on December 23, 2021, Re-100 HF TSUJIDO RESIDENCE was acquired on February 28, 2022. Of-48 Faret East Building was additionally acquired on December 24, 2021. In addition, Re-29 HF HAKUSAN RESIDENCE, Re-35 HF SHIBA-KOEN RESIDENCE and Re-36 HF MITA RESIDENCE were transferred on May 27, 2022.

(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	67,298,200	57,598,200	217,677
Total		67,298,200	57,598,200	217,677

(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 MONZENNAKACHO BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From June 2022 To November 2022	32,700	—	—
			OA floor replacement	From June 2022 To November 2022	11,280	—	—
			Transformer equipment replacement	From June 2022 To November 2022	14,700	—	—
Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Transformer equipment replacement	From June 2022 To November 2022	11,300	—	—
Of-30	HF SAKURADORI BUILDING	Nagoya City, Aichi	Repair of outer walls	From June 2022 To November 2022	16,100	—	—
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Repair of elevators	From June 2022 To November 2022	35,700	—	—
			Air conditioning equipment replacement	From June 2022 To November 2022	13,000	—	—
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Air conditioning equipment replacement	From June 2022 To November 2022	15,000	—	—
			Repair of elevators	From June 2022 To November 2022	24,600	—	—
			OA floor replacement	From June 2022 To November 2022	11,500	—	—
Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From June 2022 To November 2022	11,500	—	—
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Transformer equipment replacement	From June 2022 To November 2022	17,000	—	—
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Air conditioning equipment replacement	From June 2022 To November 2022	15,000	—	—
Of-46	HF SENDAI ICHIBANCHO BUILDING	Sendai City, Miyagi	Renovation of common-area	From June 2022 To November 2022	12,880	—	—
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	Intercom equipment replacement	From June 2022 To November 2022	12,610	—	—
			Repair of elevators	From June 2022 To November 2022	23,800	—	—
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	Intercom equipment replacement	From June 2022 To November 2022	13,900	—	—

Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Repair of mechanical parking facilities	From June 2022 To November 2022	10,030	—	—
Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	Comprehensive repair of outer walls	From June 2022 To November 2022	41,000	—	—

(2) Capital expenditures in the 41st fiscal period

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 41st fiscal period.

Capital expenditures in the fiscal period stood at 604,970 thousand yen. Expenses for repairs, etc. were 911,896 thousand yen, including repair expenses of 306,925 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-05	SUITENGU HEIWA BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	April 2022	8,700
Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From March 2022 To April 2022	29,000
Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	Transformer equipment replacement	May 2022	6,500
Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	Air conditioning equipment replacement	December 2021	5,700
Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Repair of elevators	From April 2022 To May 2022	39,900
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	emergency generator replacement	From March 2022 To May 2022	7,590
			Repair of mechanical parking facilities	May 2022	6,700
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From January 2022 To April 2022	12,900
			Repair of mechanical parking facilities	May 2022	15,570
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Comprehensive repair of outer walls	From January 2022 To May 2022	28,330
			Air conditioning equipment replacement	May 2022	17,000
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Air conditioning equipment replacement	April 2022	6,190
Of-40	ARK Mori Building	Minato-ku, Tokyo	Renovation of tenant-area	From August 2021 To February 2022	22,154
			fire sprinkler replacement	From August 2021 To February 2022	6,450
Of-41	Nihonbashi Horidomecho First	Chuo-ku, Tokyo	Renovation of common-area	From February 2022 To March 2022	5,353
Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	May 2022	8,330
Of-45	KABUTO-CHO UNI-SQUARE	Chuo-ku, Tokyo	Repair of mechanical parking facilities	May 2022	8,980
Of-46	HF SENDAI ICHIBANCHO BUILDING	Sendai City, Miyagi	Renovation of common-area	From April 2022 To May 2022	24,253
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Comprehensive repair of outer walls	From January 2022 To May 2022	37,050
Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	Comprehensive repair of outer walls	From September 2021 To February 2022	30,009
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Intercom equipment replacement	From April 2022 To May 2022	29,284

Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Comprehensive repair of outer walls	From December 2021 To April 2022	31,910
Re-78	HF KANNAI RESIDENCE	Yokohama City, Kanagawa	Renovation of common-area corridors	May 2022	8,625
Re-94	HF FUKUOKA RESIDENCE EAST	Fukuoka City, Fukuoka	Switchover to LED lamps In common-area	April 2022	5,090
	Others			From December 2021 To May 2022	203,398
Total					604,970

(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	37th FP May 31, 2020	38th FP November 30, 2020	39th FP May 31, 2021	40th FP November 30, 2021	41st FP May 31, 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 478,127 thousand yen at the end of the 41st 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	40th Fiscal Period (As of November 30, 2021)	41st Fiscal Period (As of May 31, 2022)
(a) Asset management fee (Note)	617,975	648,938
(b) Asset custody fee	11,979	12,668
(c) Administrative service fee	29,968	28,929
(d) Directors' compensation	6,102	6,102
(e) Audit fee	11,660	11,660
(f) Other operating expenses	139,167	173,173
Total	816,853	881,471

(Note) In addition to the asset management fee above, management fees related to property acquisitions of 66,950 thousand yen (40th period) and 58,700 thousand yen (41st period) were recorded. Management fees related to property transfers of 6,410 thousand yen (40th period) and 45,080 thousand yen (41st period) were also recorded.

(2) Status of borrowings

Below is the status of borrowings from each financial institution at the end of the 41st 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	0.27182	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Subtotal		—	200,000					
Long-term loans payable Due within One Year	Aozora Bank, Ltd.	October 31, 2014	420,000	420,000	0.99925	October 31, 2022	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	December 4, 2014	900,000	900,000	1.24348	October 31, 2022	Lump-sum repayment		
	Resona Bank, Limited.	May 29, 2015	—	480,000	1.02175	May 31, 2023	Lump-sum repayment		
	MUFG Bank, Ltd.		—	1,400,000					
	Shinsei Bank, Limited		—	200,000					
	Mizuho Bank, Ltd.		—	800,000					
	Aozora Bank, Ltd.	May 31, 2016	1,000,000	1,000,000	0.65900	October 31, 2022	Lump-sum repayment		
	Aozora Bank, Ltd.	October 31, 2017	1,250,000	—	0.47700	May 31, 2022	Lump-sum repayment		
	Resona Bank, Limited.		950,000	—					
	Sumitomo Mitsui Banking Corporation		500,000	—					
	MUFG Bank, Ltd.		180,000	—					
	Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	—	0.26700	May 31, 2022	Lump-sum repayment		
	MUFG Bank, Ltd.		215,000	—					
	The Bank of Fukuoka, Ltd.		200,000	—					
	ORIX Bank Corporation		200,000	—					
	The Nomura Trust and Banking Co., Ltd.		985,000	—					
	The Norinchukin Bank		600,000	—					

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
Long-term loans payable Due within One Year	Sompo Japan Insurance Inc.		469,000	—				(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	October 31, 2019	—	1,000,000	0.32500	May 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		—	700,000					
	Sumitomo Mitsui Trust Bank, Limited.		—	500,000					
	The Nomura Trust and Banking Co., Ltd.		—	300,000					
	Shinsei Bank, Limited		—	200,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	500,000	0.34892	October 31, 2022	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	October 29, 2021	480,000	480,000	0.27873	October 31, 2022	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	December 23, 2021	—	500,000	0.27879	December 30, 2022	Lump-sum repayment		
	Subtotal			11,149,000	11,380,000				
Long-term loans payable Long-term loans payable	Resona Bank, Limited.	May 29, 2015	480,000	—	1.02175	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	MUFG Bank, Ltd.		1,400,000	—					
	Shinsei Bank, Limited		200,000	—					
	Mizuho Bank, Ltd.		800,000	—					
	Sumitomo Mitsui Banking Corporation	October 29, 2015	1,100,000	1,100,000	1.08010	October 31, 2023	Lump-sum repayment		
	Aozora Bank, Ltd.		200,000	200,000					
	Resona Bank, Limited.		500,000	500,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Mizuho Trust & Banking Co., Ltd.		500,000	500,000					

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks	
	Lender									
Long-term loans payable	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					(Note 2)	Unsecured and Unguaranteed
	Mizuho Bank, Ltd.		200,000	200,000						
	Sumitomo Mitsui Banking Corporation	October 30, 2015	2,440,000	2,440,000	1.20800	May 31, 2024	Lump-sum repayment			
	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			
	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		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						

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
Long-term loans payable	Mizuho Bank, Ltd.	December 15, 2017	800,000	800,000	0.68740	October 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	March 28, 2018	900,000	900,000	0.78630	May 31, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2018	1,100,000	1,100,000	0.74700	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					
	Resona Bank, Limited.		700,000	700,000					
	Aozora Bank, Ltd.		700,000	700,000					
	MUFG Bank, Ltd.		200,000	200,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	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			

(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, 2019	300,000	300,000	0.60000	May 31, 2026	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Aozora Bank, Ltd.		200,000	200,000					
	MUFG Bank, Ltd.		300,000	300,000					
	The Bank of Fukuoka, Ltd.		285,000	285,000					
	ORIX Bank Corporation		600,000	600,000					
	The Norinchukin Bank		877,000	877,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	1,000,000	—	0.32500	May 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		700,000	—					
	Sumitomo Mitsui Trust Bank, Limited.		500,000	—					
	The Nomura Trust and Banking Co., Ltd.		300,000	—					
	Shinsei Bank, Limited		200,000	—					
	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	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	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	500,000	0.47100	October 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	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	200,000	0.38200	October 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		200,000	200,000					
	MUFG Bank, Ltd.		1,150,000	1,150,000					
	Mizuho Trust & Banking Co., Ltd.		230,000	230,000					
	Sumitomo Mitsui Banking Corporation	October 30, 2020	1,000,000	1,000,000	0.66900	October 29, 2027	Lump-sum repayment		
	Resona Bank, Limited.		1,000,000	1,000,000					
	Aozora Bank, Ltd.		950,000	950,000					
	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000					
	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	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		

(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, 2021	631,700	631,700	0.65800	May 31, 2028	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	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	0.56392	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.	October 29, 2021	1,000,000	1,000,000	0.68392	November 30, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	October 29, 2021	580,000	580,000	0.37392	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	0.51392	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 29, 2021	1,690,000	1,690,000	0.66392	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	100,000		100,000						

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
	Mizuho Trust & Banking Co., Ltd.	December 22, 2021	—	900,000	0.57093	May 31, 2029	Lump-sum repayment		
Long-term loans payable	Nippon Life Insurance Company	December 23, 2021	—	1,000,000	0.70000	December 22, 2028	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited.	December 23, 2021	—	1,000,000	0.72087	November 29, 2030	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 24, 2022	—	600,000	0.59454	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	February 28, 2022	—	700,000	0.62008	May 31, 2029	Lump-sum repayment		
	Shinsei Bank, Limited	February 28, 2022	—	1,200,000	0.59008	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	May 31, 2022	—	550,000	0.37970	May 30, 2025	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		—	400,000					
	MUFG Bank, Ltd.	May 31, 2022	—	395,000	0.41470	November 28, 2025	Lump-sum repayment		
	Sompo Japan Insurance Inc.		—	469,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	—	400,000	0.51970	May 31, 2027	Lump-sum repayment		
	Resona Bank, Limited.		—	400,000					
	Aozora Bank, Ltd.		—	850,000					
	The Bank of Fukuoka, Ltd.		—	200,000					
	The Nomura Trust and Banking Co., Ltd.		—	585,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	—	400,000	0.58970	May 31, 2028	Lump-sum repayment		
	Aozora Bank, Ltd.		—	400,000					
	The Norinchukin Bank		—	600,000					
Subtotal			71,808,200	77,277,200					
Total			82,957,200	88,857,200					

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

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

(3) Investment corporation bonds

Below is the status of investment corporation bonds issued at the end of the 41st 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	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	7,900,000					

(4) Short-term investment corporation bonds

Not applicable

(5) Investment unit subscription rights

Not applicable

6. Status of purchases and sales in the fiscal period

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

Property name		Acquisition		Disposition			
		Date of acquisition	Acquisition price (Note 1) (million yen)	Date of transfer	Transfer price (Note 1) (million yen)	Book value (million yen)	Profit/loss on sale (Note 2) (million yen)
Of-48	Faret East Building (Additional acquisition)	December 24, 2021	600	—	—	—	—
Of-49	Inter Planet ESAKA Building	December 23, 2021	2,500	—	—	—	—
Re-99	HF UENO IRIYA RESIDENCE	December 22, 2021	900	—	—	—	—
Re-100	HF TSUJIDO RESIDENCE	February 28, 2022	1,870	—	—	—	—
Re-29	HF HAKUSAN RESIDENCE	—	—	May 27, 2022	4,508 (Note 3)	2,193	462 (Note 3)
Re-35	HF SHIBA-KOEN RESIDENCE	—	—	May 27, 2022		782	
Re-36	HF MITA RESIDENCE	—	—	May 27, 2022		1,000	
Total		—	5,870	—	4,508	3,976	462

(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.

(Note 3) Refraining from disclosing the transfer prices of HF HAKUSAN RESIDENCE, HF SHIBA-KOEN RESIDENCE and HF MITA RESIDENCE is an essential transfer condition requested by the transferee. Therefore, only the total amount of the respective properties' transfer prices is stated and the transfer prices of the individual properties are treated as undisclosed. Even so, the transfer prices of the properties are those that the asset management company of the REIT considers reasonable after taking the appraisal value of the respective properties, among other factors, into account.

(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	Real estate	Of-48	Faret East Building (Additional acquisition)	December 24, 2021	600	805	Daiwa Real Estate Appraisal Co., Ltd	December 1, 2021
Acquisition	Trust beneficial interest	Of-49	Inter Planet ESAKA Building	December 23, 2021	2,500	2,660	Japan Real Estate Institute	November 1, 2021
Acquisition	Real estate	Re-99	HF UENO IRIYA RESIDENCE	December 22, 2021	900	989	Tanizawa Sogo Appraisal Co., Ltd.	November 1, 2021
Acquisition	Real estate	Re-100	HF TSUJIDO RESIDENCE	February 28, 2022	1,870	2,010	Daiwa Real Estate Appraisal Co., Ltd	December 31, 2021
Disposition	Real estate	Re-29	HF HAKUSAN RESIDENCE	May 27, 2022	4,508 (Note 2)	2,150	Daiwa Real Estate Appraisal Co., Ltd	November 30, 2021

Disposition	Trust beneficial interest	Re-35	HF SHIBA- KOEN RESIDENCE	May 27, 2022		928	Chuo Real Estate Appraisal Co., Ltd.	November 30, 2021
Disposition	Trust beneficial interest	Re-36	HF MITA RESIDENCE	May 27, 2022		1,330	Chuo Real Estate Appraisal 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) Refraining from disclosing the transfer prices of HF HAKUSAN RESIDENCE, HF SHIBA-KOEN RESIDENCE and HF MITA RESIDENCE is an essential transfer condition requested by the transferee. Therefore, only the total amount of the respective properties' transfer prices is stated and the transfer prices of the individual properties are treated as undisclosed. Even so, the transfer prices of the properties are those that the asset management company of the REIT considers reasonable after taking the appraisal value of the respective properties, among other factors, into account.

(ii) Other

Not applicable

(4) Transactions with interested parties

(i) Status of transactions

(Unit: thousand yen)

Classification	Trading value, etc. (Note 2)	
	Purchase amount, etc.	Sales amount, etc.
Total	5,870,000	4,508,000
Breakdown of transactions with interested parties, etc. (Note 1)		
Heiwa Real Estate Co., Ltd.	— (—%)	— (—%)
Total	— (—%)	— (—%)

(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:	713,736	Heiwa Real Estate Co., Ltd.	(Note 4) 8,834	1.2%
		Heiwa Real Estate Property Management Co., Ltd.	(Note 5) 223,920	31.4%
Brokerage fee	197,870	Heiwa Real Estate Co., Ltd.	21,650	10.9%
Non-life insurance premiums	9,159	Heiwa Real Estate Property Management Co., Ltd.	8,871	96.9%

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

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

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

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

Heiwa Real Estate Property Management Co., Ltd. 5,219 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. 42,108 thousand yen

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 41st fiscal period are as stated below.

Heiwa Real Estate Property Management Co., Ltd. 40,890 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 (%)
32nd FP November 30, 2017	3,334	337	0.3
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

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

8. Other

(1) Notice

The REIT held Board of Directors meetings in the 41st fiscal period. Summaries of the major agenda items resolved by the Board of Directors are as follows.

Date of approval	Item	Summary
May 18, 2022	Conclusion of underwriting agreement	In association with the issuance of new investment units, administrative services related to the public offering of investment units were entrusted to SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., IwaiCosmo Securities Co., Ltd., Tokai Tokyo Securities Co., Ltd..

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

Not applicable.

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

Not applicable.

(4) Rounding of amounts and percentages

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

9. Sustainability Initiatives

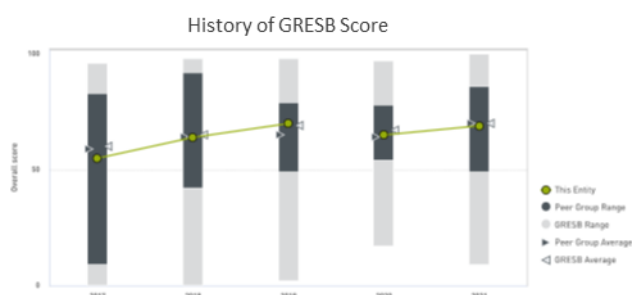
(1) Sustainability

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 REIT received for the fifth 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 2020 when the evaluation standard was significantly changed.

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.

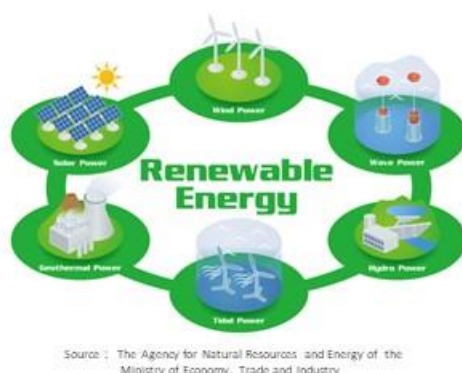
(<https://www.heiwa-re.co.jp/assets/sustainability/en/disclosures/report/esg-report-2022.pdf>)



(2) Environment

Renewable Energy

The REIT 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 107 properties subject to the shift by the end of the current fiscal period. The shift is expected to result in the reduction of GHG emissions by 8,583 tons (down 97.4%) compared to the level in 2019. The REIT 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

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The TCFD was established by the Financial Stability Board as a private-sector taskforce on the disclosure of financial information related to climate in response to the request of government leaders at the 2015 G20 summit. TCFD proposes recommendations to companies and other organizations for the disclosure of their governance, strategy, risk management, and metrics and targets concerning climate change-related risks and opportunities.

The Investment Corporation and the Asset Management Company understand that climate change is an important issue that brings about drastic changes to natural environmental conditions and social structures, seriously affecting the Company's operations as well as businesses overall. Based on this understanding, the Company will respond to climate change-related risks and opportunities and increase the resilience of its businesses and strategies against climate-related issues. To this end, it announced its support for the TCFD recommendations.

Heiwa Real Estate Asset Management Co., Ltd., Asset Management Company of the REIT, announced its support for the proposals of the TCFD and joined the TCFD Consortium in December 2021. The REIT announced its planned efforts to help realize a low-carbon society in its medium- to long-term management targets, NEXT VISION, and is promoting environmentally friendly business operation.

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 113 properties of all 114 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.



OSAKI CN BUILD



KOJIMACHI HF BUILDING

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.

















Source : FSC Japan



Source : Japan Printing Ink Makers Association

Environmental Certificates - Total floor area ratio 20.9% (overlaps eliminated as of May 31, 2022) (21.3% as of June 3, 2022)

<p>HF SAKURADORI BUILDING</p>   <p>DBJ Green Building 2021 ∞</p>	<p>KAYABACHO HEIWA BUILDING</p>   <p>DBJ Green Building 2020 ∞</p>	<p>HF TABATA RESIDENCE</p>   <p>この建物のエネルギー消費率4%削減 2019年8月1日の認定。認定後、消費率を削減し、2021年3月に再認定。</p>	
<p>HF KOMAZAWA-KOEN RESIDENCE TOWER</p>   <p>DBJ Green Building 2020 ∞</p>	<p>HF SENDAI HONCHO BUILDING</p>   <p>DBJ Green Building 2020 ∞</p>	<p>KOBE KYUKYORYUCHI HEIWA BUILDING</p>   <p>この建物のエネルギー消費率14%削減 2019年8月1日の認定。認定後、消費率を削減し、2021年3月に再認定。</p>	
<p>HF SHIROKANE TAKANAWA RESIDENCE</p>   <p>DBJ Green Building 2020 ∞</p>	<p>DBJ Green Building: Total floor ratio 12.2% (11.5% as of June 3, 2022)</p>		<p>BELS: Total floor ratio 2.8% (2.6% as of June 3, 2022)</p>

<p>ARK Mori Building</p>   <p>CASBEE 不動産 2019 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>	<p>KABUTO-CHO UNI-SQUARE</p>   <p>CASBEE 不動産 2021 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>	<p>Inter Planet ESAKA Building</p>   <p>CASBEE 不動産 2022 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>
<p>HF SAKURADORI BUILDING</p>   <p>CASBEE 不動産 2020 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>	<p>HF NIHONBASHI HAMACHO BUILDING</p>   <p>CASBEE 不動産 2020 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>	<p>Shinsaibashi FRONT Building</p>   <p>CASBEE 不動産 2021 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>
<p>HF SENDAI HONCHO BUILDING</p>   <p>CASBEE 不動産 2020 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>	<p>HF UENO BUILDING</p>   <p>CASBEE 不動産 2020 エネルギー消費率削減 認定後、消費率を削減し、2021年3月に再認定。</p>	
<p>CASBEE: Total floor ratio 11.9% (12.9% as of June 3, 2022)</p>		

(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.

Supporting local restaurants

As the COVID-19 pandemic is prolonged, declines in the performance of restaurants, in particular, are getting more and more serious. In this environment, the Heiwa Real Estate Group supports restaurants in the Nihonbashi-kabutocho area, where Heiwa Real Estate is based. The Group pays half of the prices of lunches and take-out meals on business days for officers and employees, thereby encouraging them to use local restaurants and aiming to contribute to maintaining local business performance.



Community Involvement



Sponsoring a jazz event

A jazz event was held at the Tokyo Stock Exchange (TSE Hall) on December 15, 2021. 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	
Lawyer	2
Certified public accountant	1
Asset Management Company (incl. duplication)	
Real estate notary	23
ARES Certified Master	19
Certified Building Administrator	17
CMA	3
Certified real estate consulting master	2
Class-1 Architect	1
Tax accountant	1
Real estate appraiser (incl. external committee member)	1
Lawyer (incl. external committee member)	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	○	○	○	Caregiving leave	○	○	○
Child nursing care leave	○	○	○	Reserved paid leave	○	○	○
Short working hour system	○	○	○	Hourly paid leave	○	○	○
Maternity leave	○	○	○	Summer vacation system	○	○	○
Plus one leave system	○	○	○	Flextime	○	○	○
Telecommuti ng	○	○	○	Financial aid for regular medical checkups and health screening	○	○	○
Financial aid for medical checkups and PET scan of dependent spouse	○	○	○	Occupational health physician	○	○	○
Stress checks	○	○	○	Defined contribution pension plan	○	○	
Cafeteria plan	○	○	○	Cumulative investment unit investment program	○	○	○

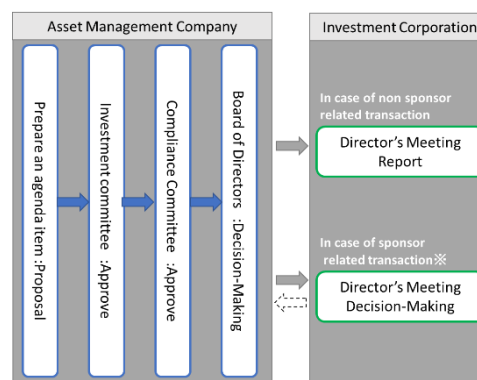
(4) Governance

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.

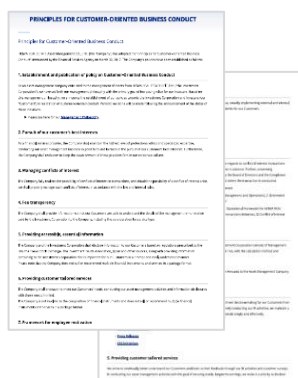
- Process for making decisions regarding acquisition or sale of assets
For certain transactions with interested parties as set forth in the regulations of the REIT, it is necessary for the board of directors to make a resolution followed by a discussion and a final decision by the director's meeting 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 May 31, 2022 and November 30, 2021, the statements of income and retained earnings, changes in net assets and cash flows for each of the six-month periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HEIWA REAL ESTATE REIT as at May 31, 2022 and November 30, 2021, 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 issuance of new investment units, acquisition of assets, disposition of assets and borrowing of funds. We also draw attention to Note 22 to the financial statements, which states execution of an asset transfer agreement. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

misstated.

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

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Namiko Kuramochi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 26, 2022

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS

As of May 31, 2022 and November 30, 2021

	As of	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Assets		
Current Assets:		
Cash and deposits (Note 3)	¥ 15,571,779	¥ 11,223,174
Cash and deposits in trust (Note 3)	3,725,431	3,679,559
Tenant receivables	71,359	49,214
Prepaid expenses	133,948	133,505
Other current assets	11,302	2,291
Allowance for doubtful accounts	(117)	—
Total Current Assets	19,513,703	15,087,745
Investment Properties (Notes 5 and 6):		
Land	37,326,134	37,030,448
Buildings	19,729,530	19,561,237
Structures	90,212	93,449
Machinery and equipment	294,287	309,926
Tools, furniture and fixtures	285,911	304,341
Land in trust	93,387,652	92,536,504
Buildings in trust	47,830,585	47,674,408
Structures in trust	242,525	256,542
Machinery and equipment in trust	683,564	654,281
Tools, furniture and fixtures in trust	1,226,971	1,195,765
Less: accumulated depreciation	(20,256,387)	(19,963,343)
Leasehold rights	5,033,146	4,310,194
Leasehold rights in trust	3,315,665	3,315,665
Total Investment Properties, Net	189,189,799	187,279,421
Other Assets:		
Software	4,033	5,054
Lease and guarantee deposits	19,617	19,617
Long-term prepaid expenses	241,223	244,361
Derivative assets (Note 4)	276,237	77,088
Deferred investment units issuance costs	33,456	41,820
Deferred investment corporation bond issuance costs	38,251	42,355
Others	478,354	409,161
Total Other Assets	1,091,174	839,460
Total Assets	¥ 209,794,677	¥ 203,206,627

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

HEIWA REAL ESTATE REIT, Inc.

BALANCE SHEETS, CONTINUED

As of May 31, 2022 and November 30, 2021

	As of	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Liabilities		
Current Liabilities:		
Operating accounts payable	¥ 667,082	¥ 575,667
Investment corporation bonds due within one year (Notes 4 and 8)	1,000,000	1,000,000
Short-term debt (Notes 4 and 7)	200,000	—
Long-term debt due within one year (Notes 4 and 7)	11,380,000	11,149,000
Accrued expenses	831,238	749,663
Income taxes payable	595	275
Accrued consumption taxes	69,780	76,297
Advances received	1,153,143	1,152,702
Other current liabilities	28,811	36,119
Total Current Liabilities	15,330,651	14,739,726
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	6,900,000	6,900,000
Long-term debt (Notes 4 and 7)	77,277,200	71,808,200
Tenant security deposits	939,402	898,601
Tenant security deposits in trust	4,710,548	4,557,342
Derivative liabilities (Note 4)	18,538	110,052
Total Long-Term Liabilities	89,845,689	84,274,196
Total Liabilities	105,176,340	99,013,923
Net Assets (Notes 9)		
Unitholders' Equity:		
Unitholders' capital	90,063,406	90,063,406
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,055,733 units as of May 31, 2022 and November 30, 2021		
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)	1,883,482	1,962,702
Retained earnings	6,304,797	6,083,325
Total Unitholders' Equity	104,374,031	104,231,778
Valuation and translation adjustments:		
Deferred gains or losses on hedges	244,304	(39,074)
Total valuation and translation adjustments	244,304	(39,074)
Total Net Assets	104,618,336	104,192,703
Total Liabilities and Net Assets	¥ 209,794,677	¥ 203,206,627

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

HEIWA REAL ESTATE REIT, Inc.

STATEMENTS OF INCOME AND RETAINED EARNINGS

For the six months ended May 31, 2022 and November 30, 2021

	For the six months ended	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Operating Revenues (Note 11):		
Rental revenues (Note 12)	¥ 6,293,129	¥ 6,132,363
Other revenues related to property leasing (Note 12)	566,647	499,776
Gain on sales of investment properties (Notes 13 and 19)	462,979	244,114
Total Operating Revenues	7,322,756	6,876,253
Operating Expenses:		
Property-related expenses (Notes 12 and 19)	2,831,691	2,697,443
Asset management fees	648,938	617,975
Asset custody fees	12,668	11,979
Administrative service fees	28,929	29,968
Directors' compensation	6,102	6,102
Independent auditors' fees	11,660	11,660
Other operating expenses	173,173	139,167
Total Operating Expenses	3,713,163	3,514,297
Operating Income	3,609,593	3,361,956
Non-Operating Revenues:		
Interest income	311	928
Reversal of distributions payable	519	425
Insurance income	1,501	9,601
Other non-operating revenues	1,551	809
Total Non-Operating Revenues	3,883	11,764
Non-Operating Expenses:		
Interest expenses	326,214	309,550
Borrowing related expenses	49,800	49,462
Interest expenses on investment corporation bonds	25,085	25,085
Amortization of deferred investment corporation bond issuance costs	4,104	4,104
Amortization of deferred investment units issuance costs	8,364	8,364
Other non-operating expenses	5,980	4,700
Total Non-Operating Expenses	419,549	401,266
Ordinary Income	3,193,926	2,972,454
Income Before Income Taxes	3,193,926	2,972,454
Income taxes – current	605	605
Income Taxes (Note 15)	605	605
Net Income	3,193,321	2,971,849
Retained Earnings Brought Forward	3,111,475	3,111,475
Retained Earnings at End of Period	¥ 6,304,797	¥ 6,083,325

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

HEIWA REAL ESTATE REIT, Inc.

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended May 31, 2022 and November 30, 2021

	Unitholders' Equity						
	Number of Units	Unitholders' Capital	Capital Surplus	Deduction from Capital Surplus	Reserve for Reduction Entry	Reserve for Temporary Difference Adjustment	Retained Earnings
	(Units)	(Thousands of Yen)					
Balance as of May 31, 2021	999,933	¥ 81,370,715	¥7,406,652	¥ (1,699,990)	¥ 415,683	¥2,002,699	¥ 5,871,290
Cash distributions declared	—	—	—	—	—	—	(2,799,812)
Net income	—	—	—	—	—	—	2,971,849
Issuance of new investment units	55,800	8,692,691	—	—	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(39,997)	39,997
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of November 30, 2021	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	—	—	—	—	—	—	—
Balance as of May 31, 2022	1,055,733	¥ 90,063,406	¥7,406,652	¥ (1,699,990)	¥ 415,683	¥1,883,482	¥ 6,304,797

Valuation and Translation Adjustments		
Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets
(Thousands of Yen)		
Balance as of May 31, 2021	¥ (183,615)	¥ (183,615)
Cash distributions declared	—	—
Net income	—	—
Issuance of new investment units	—	—
Reversal of reserve for temporary difference adjustment	—	—
Net changes of items other than unitholders' equity	144,540	144,540
Balance as of November 30, 2021	¥ (39,074)	¥ (39,074)
Cash distributions declared	—	—
Net income	—	—
Reversal of reserve for temporary difference adjustment	—	—
Net changes of items other than unitholders' equity	283,379	283,379
Balance as of May 31, 2022	¥ 244,304	¥ 244,304

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

HEIWA REAL ESTATE REIT, Inc.

STATEMENTS OF CASH FLOWS

For the six months ended May 31, 2022 and November 30, 2021

	For the six months ended	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 3,193,926	¥ 2,972,454
Depreciation and amortization	954,944	970,080
Increase (decrease) in allowance for doubtful accounts	117	(65)
Amortization of deferred investment corporation bond issuance costs	4,104	4,104
Amortization of deferred investment units issuance costs	8,364	8,364
Interest income	(311)	(928)
Interest expenses	351,299	334,635
Increase in tenant receivables	(21,668)	(4,850)
Decrease in consumption taxes receivable	—	23,524
(Decrease) increase in accrued consumption taxes	(6,517)	76,297
Decrease (increase) in long-term prepaid expenses	3,137	(15,211)
(Decrease) increase in operating accounts payable	(20,337)	95,517
Increase in accrued expenses	76,284	25,252
Increase in advances received	440	47,929
(Decrease) increase in deposits received	(7,227)	7,288
Decrease due to sale of investment properties	2,193,279	—
Decrease due to sale of investment properties in trust	1,783,181	364,157
Other, net	(78,240)	(21,130)
Interest income received	61	2,151
Interest expenses paid	(346,009)	(325,846)
Income taxes paid	(285)	(924)
Net Cash Provided by Operating Activities	8,088,544	4,562,800
Cash Flows from Investing Activities:		
Proceeds from withdrawals of time deposits	—	3,000,000
Payment for deposits of time deposits	—	(1,000,000)
Payment for purchases of investment properties other than intangible assets	(3,029,361)	(3,964,151)
Payment for purchases of investment properties in trust	(2,983,153)	(5,502,363)
Payment for purchases of intangible assets	(722,951)	(2,400,386)
Proceeds from tenant security deposits	97,232	116,845
Refunds of tenant security deposits	(54,691)	(41,404)
Proceeds from tenant security deposits in trust	281,957	229,401
Refunds of tenant security deposits in trust	(128,752)	(186,812)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	12,158	5,852
Deposit of trust deposits corresponding to tenant security deposits in trust	(58,300)	(130,548)
Payment for deposit of lease and guarantee deposits	—	(5,000)
Net Cash Used in Investing Activities	(6,585,861)	(9,878,568)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	800,000	—
Repayments of short-term debt	(600,000)	—
Proceeds from long-term debt	11,549,000	8,810,000
Repayments of long-term debt	(5,849,000)	(6,020,000)
Proceeds from issuance of investment corporation bonds	—	8,692,691
Payment for acquisition of treasury investment units	—	(50,184)
Distributions paid	(3,054,348)	(2,798,147)
Net Cash Provided by Financing Activities	2,845,651	8,634,359
Net Change in Cash and Cash Equivalents	4,348,334	3,318,591
Cash and Cash Equivalents at Beginning of Period	13,276,131	9,957,540
Cash and Cash Equivalents at End of Period (Note 3)	¥ 17,624,466	¥ 13,276,131

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

HEIWA REAL ESTATE REIT, Inc.

Notes to Financial Statements

For the six months ended May 31, 2022 and November 30, 2021

Note 1 – Organization and Basis of Presentation

(a) Organization

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

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

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

As of May 31, 2022, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 114 properties with approximately 276,861.63 square meters of rentable space and has leased space to 5,526 tenants. The occupancy rate for the properties is approximately 97.59%.

(b) Basis of Presentation

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

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

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

(c) *Significant Accounting Estimates*

Impairment loss on investment properties

(1) Carrying amount on the accompanying financial statements

	As of	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Investment properties	¥ 189,189,799	¥ 187,279,421

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

(a) *Cash and Cash Equivalents*

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

(b) *Allowance for Doubtful Accounts*

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

(c) *Investment Properties*

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

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

(d) *Software*

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

(e) *Long-Term Prepaid Expenses*

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

(f) *Deferred Investment Units Issuance Costs*

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

(g) *Deferred Investment Corporation Bond Issuance Costs*

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

(h) *Income Taxes*

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

(i) *Real Estate Taxes*

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

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

The following is a summary of capitalized real estate taxes.

	For the six-month periods ended			
	May 31, 2022		November 30, 2021	
	(Thousands of Yen)			
Capitalized real estate taxes	¥	5,949	¥	18,581

(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	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Cash and deposits	¥ 15,571,779	¥ 11,223,174
Cash and deposits in trust	3,725,431	3,679,559
Trust deposits retained for repayment of tenant security deposits	(672,743)	(626,602)
Time deposits with maturities exceeding three months	(1,000,000)	(1,000,000)
Cash and cash equivalents	¥ 17,624,466	¥ 13,276,131

Note 4 – Financial Instruments

(a) Qualitative Information for Financial Instruments

Policy for Financial Instrument Transactions

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

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

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

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

Supplemental Explanation Regarding Fair Value of Financial Instruments

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

(b) Estimated Fair Value of Financial Instruments

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

	As of May 31, 2022			As of November 30, 2021		
	(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)	¥ 1,000,000	¥ 998,600	¥ (1,400)
Long-term debt due within one year	11,380,000	11,387,448	7,448	11,149,000	11,160,797	11,797
Investment corporation bonds	6,900,000	6,803,300	(96,700)	6,900,000	6,864,280	(35,720)
Long-term debt	77,277,200	77,246,541	(30,658)	71,808,200	71,800,687	(7,512)
Liabilities total	¥ 96,557,200	¥ 96,436,990	¥ (120,209)	¥ 90,857,200	¥ 90,824,365	¥ (32,834)
Derivatives (*)	¥ 244,304	¥ 217,677	¥ (26,626)	¥ (39,074)	¥ (80,433)	¥ (41,359)

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

Note:

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

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

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

Derivatives:

There are no derivatives to which hedge accounting is not applied as of May 31, 2022 and November 30, 2021.

Derivatives to which hedge accounting is applied are as follows:

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		(26,626)	
			¥ 67,298,200	¥ 57,598,200	¥ 217,677	
Hedge accounting method	Type	Hedged item	As of November 30, 2021			
			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	¥ 68,267,200	¥ 59,018,200	¥ (39,074)	
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000		(41,359)	
			¥ 73,147,200	¥ 63,898,200	¥ (80,433)	

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

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

As of May 31, 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
Total	¥ 12,580,000	¥ 12,285,000	¥ 13,737,000	¥ 13,341,000	¥ 14,055,000	¥ 30,759,200

As of November 30, 2021	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	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt due within one year	11,149,000	—	—	—	—	—
Investment corporation bonds	—	—	1,000,000	—	—	5,900,000
Long-term debt	—	11,760,000	11,935,000	12,172,000	13,262,000	22,679,200
Total	¥ 12,149,000	¥ 11,760,000	¥ 12,935,000	¥ 12,172,000	¥ 13,262,000	¥ 28,579,200

Note 5 – Investment Properties

Investment properties consist of the following:

	As of May 31, 2022			As of November 30, 2021		
	(Thousands of Yen)			(Thousands of Yen)		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 37,326,134	¥ —	¥ 37,326,134	¥ 37,030,448	¥ —	¥ 37,030,448
Buildings	19,729,530	(5,058,779)	14,670,751	19,561,237	(5,127,067)	14,434,170
Structures	90,212	(45,042)	45,169	93,449	(48,145)	45,303
Machinery and equipment	294,287	(224,884)	69,402	309,926	(232,000)	77,926
Tools, furniture and fixtures	285,911	(155,774)	130,137	304,341	(175,785)	128,555
Land in trust	93,387,652	—	93,387,652	92,536,504	—	92,536,504
Buildings in trust	47,830,585	(13,523,339)	34,307,245	47,674,408	(13,149,047)	34,525,360
Structures in trust	242,525	(105,882)	136,642	256,542	(105,443)	151,098
Machinery and equipment in trust	683,564	(326,514)	357,049	654,281	(316,852)	337,428
Tools, furniture and fixtures in trust	1,226,971	(816,169)	410,801	1,195,765	(809,000)	386,764
Leasehold rights	5,033,146	—	5,033,146	4,310,194	—	4,310,194
Leasehold rights in trust	3,315,665	—	3,315,665	3,315,665	—	3,315,665
Total	¥ 209,446,186	¥(20,256,387)	¥ 189,189,799	¥ 207,242,764	¥ (19,963,343)	¥ 187,279,421

Note 6 – Fair Value of Investment and Rental Properties

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

	As of	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Book value:		
Balance at beginning of period	¥ 187,279,421	¥ 176,621,154
Change during the period	1,910,377	10,658,267
Balance at end of period	¥ 189,189,799	¥ 187,279,421
Fair value	¥ 238,588,000	¥ 232,826,000

Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. For the six months ended May 31, 2022, the increases are primarily due to acquisition of Inter Planet 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). For the six months ended November 30, 2021, the increases are primarily due to acquisition of OSAKI CN BUILDING and five other properties (¥11,476,323 thousand), and the decreases are primarily due to disposal of HF KYUDAIBYOINMAE RESIDENCE (¥364,157 thousand) and depreciation (¥970,080 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	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Short-term debt		
0.27% unsecured loans due 2023 (Notes 1 and 2)	¥ 200,000	¥ —
Total short-term debt	¥ 200,000	¥ —
Long-term debt		
0.28% - 1.24% unsecured loans due 2022 (Notes 1 and 2)	¥ 5,800,000	¥ 11,149,000
0.33% - 1.08% unsecured loans due 2023 (Notes 1 and 2)	11,760,000	9,060,000
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	14,872,000
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	8,870,000
0.56% - 0.70% unsecured loans due 2028 (Notes 1 and 2)	14,209,200	11,809,200
0.57% - 0.69% unsecured loans due 2029 (Notes 1 and 2)	5,400,000	2,000,000
0.72% unsecured loan due 2030 (Notes 1 and 2)	1,000,000	—
Less: amount due within one year	(11,380,000)	(11,149,000)
Total long-term debt due after one year	¥ 77,277,200	¥ 71,808,200

Notes:

1. Interest rates presented are average interest rates applicable to individual loans during the period ended May 31, 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.
2. Funds are used for the acquisition of real estate, and refinancing of borrowings.

HEIWA REAL ESTATE REIT maintains commitment line contracts with four financial institutions. The amounts of unused commitments on loans as of May 31, 2022 and November 30, 2021 are as follows:

	As of	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Total amounts of borrowing commitment lines	¥ 7,000,000	¥ 7,000,000
Borrowing execution balances	—	—
Net unused balance	¥ 7,000,000	¥ 7,000,000

Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

				As of			
				May 31, 2022		November 30, 2021	
	Issued date	Maturity date	Interest rate	(Thousands of Yen)			
1st unsecured bonds	June 30, 2017	June 30, 2022	0.30%	¥	1,000,000	¥	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
Total				¥	7,900,000	¥	7,900,000

Note 9 – Net Assets

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

The following table shows the cumulative number and amount of treasury investment units cancelled as of a May 31, 2022 and November 30, 2021, respectively.

	As of			
	May 31, 2022		November 30, 2021	
Cumulative number of treasury investment units cancelled	14,914		14,914	
	(Thousands of Yen)			
Cumulative amount of treasury investment units cancelled	¥	1,699,990	¥	1,699,990

Note 10 – Reserve for Temporary Difference Adjustment

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

For the six months ended May 31, 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 and is scheduled to be reversed every period by an amount equal to or more than the initial amount divided by 50 years from the following period of its provision.

For the six months ended November 30, 2021	Original amount	Balance as of June 1, 2021	Provision during the period	Reversal during the period	Balance as of November 30, 2021	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,664,005	¥ —	¥ (36,610)	¥ 1,627,395	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 338,693	¥ —	¥ (3,386)	¥ 335,306	Allocation for distributions

Notes:

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

Note 11 – Revenue Recognition

Disaggregation of revenue from contracts with customers

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

Note 12 – Operating Revenues and Expenses

Details of rental revenues and expenses are as follows:

	For the six months ended	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Revenues from property leasing:		
Rental revenues:		
Base rents	¥ 5,581,229	¥ 5,450,274
Common area charges	711,899	682,088
Total rental revenues	6,293,129	6,132,363
Other revenues related to property leasing:		
Parking space rental revenues	168,292	162,415
Utility charge revenues	213,469	191,614
Incidental income	162,780	127,676
Cancellation penalty income	4,695	3,558
Others	17,409	14,510
Total other revenues related to property leasing	566,647	499,776
Total revenues from property leasing	6,859,776	6,632,139
Property-related expenses:		
Rental expenses:		
Property management expenses	713,736	676,617
Taxes and dues	431,640	413,747
Utilities expenses	241,795	205,687
Repair expenses	306,925	247,833
Insurance expenses	9,159	8,627
Trust fees	32,054	32,252
Depreciation	954,944	970,080
Others	141,435	142,597
Total property-related expenses	2,831,691	2,697,443
Operating income from property leasing	¥ 4,028,085	¥ 3,934,696

Note 13 – Gain on Sales of Investment Properties

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

For the six months ended May 31, 2022

	(Thousands of Yen)	
HF HAKUSAN RESIDENCE, HF SHIBA-KOEN RESIDENCE and HF MITA RESIDENCE:		
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.

For the six months ended November 30, 2021

	(Thousands of Yen)	
HF KYUDAIBYOINMAE RESIDENCE:		
Proceeds from sales of investment properties	¥	641,000
Cost of sales of investment properties		364,157
Other expenses related to sales		32,727
Gain on sales of investment properties	¥	244,114

Note 14 – Leases

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

	As of			
	May 31, 2022		November 30, 2021	
	(Thousands of Yen)			
Due within one year	¥	174,436	¥	174,436
Due after one year		29,072		116,290
Total	¥	203,508	¥	290,726

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	
	May 31, 2022	November 30, 2021
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(28.97)	(30.48)
Changes in valuation allowance	(2.49)	(0.98)
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

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

	As of	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Deferred tax assets:		
Allowance for doubtful accounts	¥ 36	¥ —
Deferred gains or losses on hedges	—	12,292
Valuation differences due to merger	1,960,395	2,038,552
Total deferred tax assets	1,960,432	2,050,845
Valuation allowance	(1,960,432)	(2,050,845)
Net deferred tax assets	¥ —	¥ —

Note 16 – Distribution Information

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

	For the six months ended	
	May 31, 2022	November 30, 2021
	(Yen)	
Unappropriated retained earnings	¥ 6,304,797,488	¥ 6,083,325,127
Reversal of reserve for temporary difference adjustment (Note)	42,229,320	79,219,037
Cash distributions declared	3,219,985,650	3,051,068,370
(Cash distributions per unit)	(3,050)	(2,890)
Retained earnings carried forward	¥ 3,127,041,158	¥ 3,111,475,794

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 ¥38,842,385 and ¥75,832,102 for the six months ended May 31, 2022 and November 30, 2021, respectively.

In addition, HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥338,693,498, which was a part of differences between tax and accounting due to gain on sales of investment properties for the six months ended November 30, 2020. The provided amount is reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2021. HEIWA REAL ESTATE REIT reversed ¥3,386,935 for the six months ended May 31, 2022 and November 31, 2021, 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 ¥3,219,985,650 and ¥3,051,068,370 for the six months ended May 31, 2022 and November 30, 2021, respectively, which are 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 and the amount calculated by adding reversal of reserve for temporary difference adjustment of ¥ 79,219,037 to net income of ¥ 2,971,849,333 for the six months ended November 30, 2021, 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			
	May 31, 2022		November 30, 2021	
	(Yen)			
Net income per unit	¥	3,024	¥	2,816
Weighted average number of units outstanding (units)		1,055,733		1,055,319
Net assets per unit	As of			
	May 31, 2022		November 30, 2021	
	(Yen)			
Net assets per unit	¥	99,095	¥	98,692

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 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.

For the six months ended November 30, 2021

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 (Notes 2 and 3)	¥ 143,920	Operating accounts payable	¥ 789
							Purchase of trust beneficiary interests in real estate (Note 4)	5,168,983	–	–
							Purchase of real estate (Note 5)	3,617,490	–	–
							Payment of brokerage fees	19,230	–	–
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 2)	83,352	Operating accounts payable	35,990
							Payment of insurance premium	8,413	–	–
							Payment of repair work	31,403	Operating accounts payable	24,648
	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	691,335 (Note 7)	Accrued expenses	686,824

Notes:

1. Terms and conditions of transactions are determined based on market price.
2. In association with the reorganization of Heiwa Real Estate Group, the contractual status of the property management services for 22 properties out of 23 office properties for which the property management services were entrusted have been transferred from HEIWA REAL ESTATE to HEIWA REAL ESTATE Property Management Co., Ltd.
3. The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractors.

HEIWA REAL ESTATE Property Management Co., Ltd.	¥77,079 thousand
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd.	¥34,489 thousand
4. The purchase of trust beneficiary interests in real estate is related to OSAKI CN 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.
5. The purchase of real estate is related to HF SHOKOJI AKABANE RESIDENCE, HF YAHIRO RESIDENCE and HF SETAGAYAKAMIMACHI 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.
6. The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
7. The asset management fees include acquisition fees and transfer fees of ¥73,360 thousand.

Note 19 – Transactions with Major Unitholders

Amounts of transactions with major unitholders are as follows:

	For the six months ended	
	May 31, 2022	November 30, 2021
	(Thousands of Yen)	
Gain on sales of investment properties (Other expenses related to sales)	¥ (21,650)	¥ (19,230)
Property-related expenses	8,834	143,920

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. Issuance of new investment units

At the Board of Directors Meeting held on May 18, 2022 and May 25, 2022, HEIWA REAL ESTATE REIT resolved to issue new investment units as described below and the payment for issuance of new investment units through public offering and third-party allotment has been completed on June 1, 2022, and June 28, 2022, respectively. As a result, the amount of unitholders' capital is ¥97,799,794 thousand and the number of investment units issued is 1,113,733 as of August 26, 2022.

1. Issuance of new investment units through public offering
 - (1) Number of investment units issued 55,200 units
 - (2) Issue price (offer price) ¥137,913 per unit
 - (3) Total amount of the issue ¥7,612,797,600
 - (4) Paid-in amount (issue amount) ¥133,386 per unit
 - (5) Total paid-in amount (total issue amount) ¥7,362,907,200
 - (6) Payment date June 1, 2022
2. Issuance of new investment units through third-party allotment
 - (1) Number of investment units issued 2,800 units
 - (2) Paid-in amount (issue amount) ¥133,386 per unit
 - (3) Total paid-in amount (total issue amount) ¥373,480,800
 - (4) Allottee SMBC Nikko Securities Inc.
 - (5) Payment date June 28, 2022

B. Acquisition of Assets

HEIWA REAL ESTATE REIT acquired two real estate and four real trust beneficiary rights in real estate on June 3, 2022 as described below.

Of-50 Shinsaibashi FRONT Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	April 6, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	¥7,300,000 thousand
Location (lot number)	3-5-11, Minamisenba, Chuo-ku, Osaka City, Osaka
Purpose of use	Bank, office and parking
Construction date	November 27, 1986
Structure	Steel-framed reinforced concrete, steel-framed flat roof, 1 floor below ground and 9 floors above ground
Total floor space	6,201.98m ²
Total rentable space	4,251.76m ²

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

Of-51 SAKAE CENTER BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	¥4,000,000 thousand
Location (lot number)	3-13-20 Sakae, Naka-ku, Nagoya City, Aichi
Purpose of use	Office, store and residence
Construction date	March 20, 1995
Structure	Steel-framed reinforced concrete with flat roof, 1 floor below ground and 8 floors above ground
Total floor space	6,653.48m ²
Total rentable space	5,380.05m ²

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

Of-52 IWAMOTOCHO TWIN BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	¥3,380,000 thousand
Location (lot number)	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo
Purpose of use	Office and parking
Construction date	September 30, 1986
Structure	Steel-framed reinforced concrete with flat roof, 9 floors above ground
Total floor space	3,290.36m ²
Total rentable space	2,795.99m ²

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

Of-53 IWAMOTOCHO TWIN SAKAE BUILDING

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note)	¥400,000 thousand
Location (lot number)	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo
Purpose of use	Office, residence and parking
Construction date	August 31, 1992
Structure	Steel-framed reinforced concrete with flat roof, 10 floors above ground
Total floor space	688.74m ²
Total rentable space	569.88m ²

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

Re-101 HF KAWAGUCHIEKIMAE RESIDENCE

Type of specified asset (Note1)	Real estate
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note2)	¥1,260,000 thousand
Location (lot number)	3-2-24 Sakaecho, Kawaguchi City, Saitama
Purpose of use	Residential complex and store
Construction date	September 29, 2021
Structure	Reinforced concrete with flat roof, 10 floors above ground
Total floor space	2,933.22m ²
Total rentable space	2,325.00m ²

Notes:

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

Re-102 HF HIGASHIOGU RESIDENCE

Type of specified asset (Note1)	Real estate
Agreement date	May 18, 2022
Acquisition date	June 3, 2022
Acquisition price (Note2)	¥1,210,000 thousand
Location (lot number)	8-32-5 Higashiogu, Arakawa-ku, Tokyo
Purpose of use	Residential complex
Construction date	January 13, 2022
Structure	Reinforced concrete with flat roof, 6 floors above ground
Total floor space	2,703.98m ²
Total rentable space	2,084.96m ²

Notes:

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

C. Disposition of Assets

HEIWA REAL ESTATE REIT entered into a transfer agreement of real estate trust beneficiary right described below on May 18, 2022 and transferred the 50% interest of quasi co-ownership of real estate trust beneficiary right on June 3, 2022.

Of-09 GRACE BUILDING SENGAKUJIMAE (First 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)	¥548,147 thousand
Agreement date	May 18, 2022
Disposition date	June 3, 2022
Transferee	HEIWA REAL ESTATE CO., LTD.

Notes:

1. The transfer will be made in two parts, the first transfer has been executed as of June 3, 2022 and the second transfer will be executed as of December 5, 2022. “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 June 3, 2022, the date of the first transfer.

D. Borrowing of Funds

HEIWA REAL ESTATE REIT borrowed funds as described below to partly fund for acquisition of six properties acquired on June 3, 2022 (as described in *B. Acquisition of Assets* above) (total borrowing amount of ¥2,800,000 thousand) and to fund for redemption of 1st unsecured investment corporation bonds (payment amount of ¥1,000,000 thousand) due on June 30, 2022 (total borrowing amount of ¥1,000,000 thousand).

Term loan-61 Tranche A

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	¥2,300,000	June 3, 2022	May 31, 2029 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

Term loan-61 Tranche B

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Development Bank of Japan	¥500,000	June 3, 2022	May 31, 2029 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

Term loan-62

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Sumitomo Mitsui Banking Corporation	¥1,000,000	June 27, 2022	June 30, 2023 (Note)	Lump-sum repayment	To fund for redemption of existing investment corporation bonds	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.

Note 22 – Additional information

Disposition of Assets

HEIWA REAL ESTATE REIT entered into a transfer agreement of real estate trust beneficiary right described below on May 18, 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
Scheduled transfer price (Note 1)	¥1,109,500 thousand (50% interest of quasi co-ownership)
Estimated book value (Note 2)	¥545,250 thousand
Agreement date	May 18, 2022
Scheduled disposition date	December 5, 2022
Transferee	HEIWA REAL ESTATE CO., LTD.

Notes:

1. The transfer will be made in two parts, the first transfer has been executed as of June 3, 2022 and the second transfer will be executed as of December 5, 2022. “Transfer value” is the price described in the real estate trust beneficiary right transaction agreement (hereinafter called the “Agreement” under Note 22) (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
2. “Book value” represents the estimated book value of 50% interest of quasi co-ownership as of December 5, 2022, the date of the second transfer.
3. The Agreement falls under a forward commitment, etc. 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 transaction price of the quasi co-ownership of the real estate trust beneficiary right subject to the sale and purchase.