

**Semiannual Financial Report**  
**The 43<sup>rd</sup> Fiscal Period**  
(From December 1, 2022 to May 31, 2023)

**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 43rd fiscal period

The REIT is striving based on its Basic Philosophy of “Steady Growth of Assets Under Management” and “Stable Medium- to Long-Term Profits,” as well as “cooperation with and use of the Heiwa Real Estate Group” (collectively referring to Heiwa Real Estate Co., Ltd. (“Heiwa Real Estate”) and the subsidiaries of Heiwa Real Estate; the same hereinafter) to manage its assets with the purpose of maximizing investor’s value. Following is a summary of our asset management during the 43rd fiscal period.

#### (i) Brief background of the REIT

Investment units in the REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (“TSE”) since March 8, 2005 (Securities Code: 8966). Between then and the start of the current fiscal period, the REIT executed a capital increase through public offering and issuance of new investment units through private placement on several occasions, an investment unit split and investment unit issuance through a merger with Japan Single-residence REIT Inc. on October 1, 2010 (the “Merger”), a cancellation of treasury investment units in September 2020 and public offering, etc. for two consecutive years in June 2021 and June 2022. As a result, total investment units issued and outstanding were 1,113,733 and unitholders’ capital was 97,799 million yen as of the end of the 43rd fiscal period (May 31, 2023).

#### (ii) Operating environment

The Japanese economy showed signs of recovery during the current fiscal period thanks to consumer spending staying strong despite rising prices, and other developments such as inbound tourism returning to pre-pandemic levels as a result of COVID-19 being downgraded to a Class 5 disease—the same level as seasonal influenza—under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases (Act No. 114 of 1998, including subsequent amendments). Meanwhile, in addition to the concern over the ninth wave of COVID-19, the situation in Ukraine and the ongoing uncertainty of foreign economies characterized by financial instability in Europe highlight the need to pay attention to trends inside and outside Japan.

In this environment, the TSE REIT index temporarily fell to 1,750.69 points in March, from 1,970.04 points at the end of the previous fiscal period (November 30, 2022), but rose to 1,880.45 points at the end of the current fiscal period (May 31, 2023) thanks to ongoing buy-backs in Japanese stocks on expectations of a further increase in inbound demand in Japan.

##### (a) Office building leasing market

According to the latest office building market data from Miki Shoji Co., Ltd., the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) improved somewhat to 6.16% at the end of the current fiscal period (May 31, 2023) from 6.38% at the end of the previous fiscal period (November 30, 2022), due to contracts signed for buildings complete within the last 12 months, despite some tenant cancellations due to new supply and downsizing. Meanwhile, the average rent fell for 34 consecutive months from August 2020, plunging from 20,081 yen/tsubo at the end of the previous fiscal period, to 19,877 yen/tsubo at the end of the current fiscal period.

Weak conditions are expected to persist as the surplus in supply is predicted to exceed demand despite the demand that will be stoked due to the large supply of office space scheduled to be available in 2023, and it is believed that this will cause vacancy rates to rise while putting downward pressure on rent. However, with 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. The REIT views occupancy rates of portfolio assets as something to be maintained at a high level through advertising strategies and sensible rents set to meet tenants’ needs.

##### (b) Residential leasing market

According to At Home Co., Ltd., as of May 2023, the average condominium contract rent in major cities across Japan (ten areas including the metropolis of Tokyo and the three surrounding prefectures, Sapporo City, Sendai City, Nagoya City, Osaka City and Fukuoka City), increased year on year for area zones ranging from less than 30 m<sup>2</sup> to over 70 m<sup>2</sup> in Tokyo 23 wards, the metropolis of Tokyo outside the 23 wards, Saitama Prefecture, Chiba Prefecture, Nagoya City, Osaka City, and Fukuoka City. In addition, the average contract rent for family-oriented condominiums rose year-on-year in all ten areas for five consecutive months, and reached their highest levels since January 2015 in two areas (Tokyo 23 wards and Saitama Prefecture). Furthermore, according to the Survey Report on the Statistics of Construction Starts published in May 2023, the number of new housing starts (rental

housing) decreased in April 2023 for the first time in 26 months since March 2021, but reversed course and increased again in May 2023. The supply and demand trends remained stable, despite increased supply as in the previous fiscal period, and the occupancy rate for residential assets in the REIT's portfolio remained stable in the current fiscal period attributable to various measures taken. There were concerns over the possibility that changes in lifestyles, such as the development of teleworking associated with COVID-19, may continue to affect demand, particularly for rental condominiums in Tokyo 23 wards. However, given that the shift to a post-pandemic world is already underway and that the impact of deteriorating economic conditions is limited as of this moment, their effects on operations are assumed to be insignificant.

#### (c) Real estate

As for government-assessed land prices as of January 1, 2023, which were published in March 2023, the average prices for all types of land and land in residential areas each rose for the second consecutive year in Japan's three major metropolitan areas of Tokyo, Osaka and Nagoya, with the rate of increase expanding. Prices for land in commercial areas rose for the second consecutive year in the Tokyo and Nagoya areas and for the first time in three years in the Osaka area. In addition, in regional areas, the average prices for all types of land, land in residential areas, and land in commercial areas each rose for the second consecutive year, with the rate of increase expanding.

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

While the economy gradually picks up in the wake of the pandemic, it will be necessary to continue to closely monitor trends in the real estate market.

#### (iii) Management performance

##### (a) External growth

For the purpose of achieving improvements in profitability and quality with respect to its portfolio, the REIT acquired five residential properties—on January 30, 2023 (Re-103 HF IMAIKE-MINAMI RESIDENCE (Note) (real estate, acquisition price: 860 million yen)), January 31, 2023 (Re-104 HF FUSHIMI RESIDENCE (Note) (real estate, acquisition price: 610 million yen)), February 28, 2023 (Re-106 HF UENO RESIDENCE EAST (Note) (real estate, acquisition price: 2,500 million yen)), March 1, 2023 (Re-105 HF NAKANO-SAKAUE RESIDENCE (Note) (real estate, acquisition price: 1,050 million yen)), and April 27, 2023 (Re-107 HF OMORIMACHI RESIDENCE (Note) (real estate, acquisition price: 1,200 million yen))—and one office property—on April 28, 2023 (Of-54 STAGE NISHIKI (real estate, acquisition price: 2,100 million yen)). In addition, the REIT sold its 50% quasi-co-ownership stake in one office property on December 5, 2022 (Of-09 GRACE BUILDING SENGAKUJIMAE (trust beneficial interest, acquisition price: 1,220 million yen)), completing the transfer of all its quasi-co-ownership stake.

As a result, portfolio assets as of the end of the period were 125 properties (total acquisition price: 221,044 million yen), including 40 office buildings (total acquisition price of 108,132 million yen) and 85 residential buildings (total acquisition price of 112,912 million yen).

(Note) On September 1, 2023, the names of the acquired assets will change from their names as of the date of this document (Re-103: From "GLEN PARK Imaike-Minami EAST & WEST" to "HF IMAIKE-MINAMI RESIDENCE," Re-104: From "willDo Fushimi" to "HF FUSHIMI RESIDENCE," Re-105: From "LIONS FORSIA NAKANOSAKAUE" to "HF NAKANO-SAKAUE RESIDENCE," Re-106: From "IMPREST RESIDENCE UENO the architect" to "HF UENO RESIDENCE EAST," Re-107: From "COSMOS REID Omorimachi Residence" to "HF OMORIMACHI RESIDENCE"); therefore, the new names are used in this document. The same applies hereinafter.

##### (b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 43rd fiscal period, the REIT continued to be engaged in tenant leasing activities, working to shorten vacancy duration as well as systematic efforts to increase its investment value based on tenant needs and the characteristics of each individual property. Supported by these and other initiatives for maintaining and improving the competitiveness of its assets, the occupancy rate for total assets held by the REIT came to 97.6% at the end of the current fiscal period. The REIT was able to stabilize the occupancy rate, which had reached 98.0% at the end of the previous fiscal period, at a high level throughout the current fiscal period. The average month-end occupancy rate for the current period stood high at 97.9%.

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

Meanwhile, in terms of renaming managed assets, which has been a consistent focus for some time, the REIT renamed the one property shown below with the aim of providing reassurance to existing tenants, increasing the appeal of the properties to prospective tenants and conducting leasing activities more efficiently.

Property renamed on April 1, 2023

Property no.	Old name	New name
Of-45	KABUTO-CHO UNI-SQUARE	HF NIHONBASHI KABUTOCHO BUILDING

(iv) Procurement of funds

For the purpose of establishing a more robust financial foundation by extending its borrowing periods of interest-bearing liabilities and diversifying maturities and financing methods, the REIT issued the seventh series of unsecured investment corporation bonds (total amount: 2,000 million yen) on December 12, 2022 and used some of it to fund the repayment of loans on December 30, 2022. The REIT took out loans to fund property acquisition and the like: Term Loan 65-1 (loan amount: 800 million yen) and Term Loan 65-2 (loan amount: 800 million yen) on January 30, 2023, Term Loan 66-1 (loan amount: 1,090 million yen) and Term Loan 66-2 (loan amount: 1,500 million yen) on February 28, 2023, Term Loan 67 (loan amount: 1,090 million yen) on March 1, 2023, Term Loan 69 (loan amount: 1,280 million yen) on April 27, 2023, and Term Loan 70 (loan amount: 2,200 million yen) on April 28, 2023. In addition, the REIT took out Term Loan 68 (loan amount: 1,000 million yen) on March 31, 2023 and used it to fund the early repayment of Term Loan 62 (loan balance: 1,000 million yen) on the same day, and took out Term Loan 71 Tranche A (loan amount: 100 million yen), Tranche B (loan amount: 900 million yen), Tranche C (loan amount: 300 million yen), Tranche D (loan amount: 500 million yen), Tranche E (loan amount: 2,980 million yen), and Tranche F (loan amount: 1,000 million yen), on May 31, 2023 to fund the redemption of Term Loan 26 Tranche C (loan balance: 2,880 million yen), Term Loan 44 Tranche A (loan balance: 2,700 million yen) and Term Loan 60 Tranche A (loan balance: 200 million yen), the principal repayments of which were due on the same day.

An overview of the loans is provided below. As a result of these loans, the average borrowing period as of the end of the current fiscal period came to 7.3 years, while the average remaining period was 4.2 years, and the average borrowing interest rate was 0.74%.

In addition, to secure financial creditworthiness by increasing the means of flexible and stable fundraising and liquidity on hand, the REIT has established the commitment line with a maximum total limit of 7,000 million yen (contract period is from June 1, 2022 to May 31, 2023; note that on May 26, 2023, the contract period was changed to be from June 1, 2023 to May 31, 2024) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd and Resona Bank, Limited.

[Seventh Series of Unsecured Investment Corporation Bonds (Green Bonds)]

Name	HEIWA REAL ESTATE REIT, Inc. Seventh Series of Unsecured Investment Corporation Bonds (with special pari passu conditions among specified investment corporation bonds) (Green Bonds)
Total amount of investment corporation bonds	2,000 million yen
Payment date	December 12, 2022
Paid-in amount	100 yen per 100 yen of each investment corporation bond
Interest rate	0.880% per annum
Attachment of security and guarantee	Unsecured and without guarantee
Redemption date	The REIT will conduct the redemption of the total amount on December 10, 2032. The REIT has the option of buying back and retiring the Investment Corporation Bonds anytime on and after the following day of the payment date, unless otherwise provided for in laws, regulations, or other rules in the operational

	regulations of Japan Securities Depository Center, Inc., which is a transfer institution.
Interest payment date	June 12 and December 12 every year (The first payment of interest was on June 12, 2023) (If the interest payment date falls on a bank holiday, the payment will be made on the preceding bank business day.)
Use of funds	The funds were allocated to the repayment of the long-term loans payable (500 million yen) maturing on December 30, 2022, which had been raised for the purchase of HF ESAKA Building, a green eligible asset acquired on December 23, 2021. The remainder was allocated to funds in hand, which were reduced by the purchase of the Shinsaibashi Front Building, a green eligible asset acquired on June 3, 2022.

## [Term Loan 65-1]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
The Chiba Bank, Ltd.	800 million yen	January 30, 2023	January 30, 2030 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

## [Term Loan 65-2]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Kansai Mirai Bank, Limited	800 million yen	January 30, 2023	November 28, 2031 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

## [Term Loan 66-1]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Mizuho Trust & Banking Co., Ltd.	1,090 million yen	February 28, 2023	May 31, 2030 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

## [Term Loan 66-2]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
The Norinchukin Bank	1,500 million yen	February 28, 2023	May 31, 2030 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

## [Term Loan 67]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
SBI Shinsei Bank, Limited	1,090 million yen	March 1, 2023	May 31, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

## [Term Loan 68]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
The Minato Bank, Ltd.	1,000 million yen	March 31, 2023	May 31, 2033 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 69]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation	1,280 million yen	April 27, 2023	October 31, 2023 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 70]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd.	2,200 million yen	April 28, 2023	May 31, 2031 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

[Term Loan 71 Tranche A]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation	100 million yen	May 31, 2023	May 31, 2024 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 71 Tranche B]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Resona Bank, Limited Sumitomo Mitsui Trust Bank, Limited The Nomura Trust and Banking Co., Ltd.	900 million yen	May 31, 2023	May 29, 2026 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 71 Tranche C]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Mizuho Bank, Ltd. SBI Shinsei Bank, Limited	300 million yen	May 31, 2023	October 29, 2027 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

[Term Loan 71 Tranche D]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	500 million yen	May 31, 2023	October 29, 2027 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

## [Term Loan 71 Tranche E]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation Resona Bank, Limited Sumitomo Mitsui Trust Bank, Limited Mizuho Bank, Ltd. SBI Shinsei Bank, Limited	2,980 million yen	May 31, 2023	May 31, 2030 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

## [Term Loan 71 Tranche F]

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
MUFG Bank, Ltd.	1,000 million yen	May 31, 2023	May 31, 2030 (Note)	Lump sum repayment on the principal repayment date	Funds to repay existing loans	Unsecured Non-guaranteed

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

As a result, the total interest-bearing liabilities amount (Note) at period end was 109,817 million yen (Closing ratio of interest-bearing liabilities to total assets (Note): 47.34%).

(Note) Interest-bearing liabilities = Short-term debt + Investment corporation bonds due within one year + Long-term debt due within one year + Investment corporation bonds + Long-term debt  
Closing ratio of interest-bearing liabilities to total assets = Closing amount of interest-bearing liabilities / Closing amount of total assets × 100



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

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

(v) Performance and distributions

The management described above led to 43rd fiscal period results of 8,049 million yen in operating revenues, 4,015 million yen in operating income, after deducting interest expenses on loans, 3,559 million yen in ordinary income, and 3,558 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) in accordance with the stipulations of Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on this policy, the REIT has made a decision to pay out 3,519,396,280 yen as distributions, calculated by adding reversal of reserve for temporary difference adjustment of 44,549,320 yen (40 yen per unit) to the amount calculated by deducting 83,692,918 yen including provision of reserve for reduction entry of 20,499,584 yen in application of “Special provisions for taxation in case of replacement of specified assets” of Article 65-7 of the Special Taxation Measure Act of Japan from net income of 3,558,539,878 yen. As a result, distributions per unit have come to 3,160 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	39th FP	40th FP	41st FP	42nd FP	43rd FP
Closing date	May 31, 2021	November 30, 2021	May 31, 2022	November 30, 2022	May 31, 2023
High	168,400	179,800	157,600	162,100	163,700

Low	115,900	150,700	131,400	138,400	147,000
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## (3) Distributions

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

Based on this policy, the REIT made a decision to pay out 3,519,396,280 yen as distributions, calculated by adding reversal of reserve for temporary difference adjustment of 44,549,320 yen (40 yen per unit) to the amount calculated by deducting 83,692,918 yen including provision of reserve for reduction entry of 20,499,584 yen in application of "Special provisions for taxation in case of replacement of specified assets" of Article 65-7 of the Special Taxation Measure Act of Japan from net income of 3,558,539,878 yen. As a result, distributions per unit have come to 3,160 yen.

Fiscal period		39th FP	40th FP	41st FP	42nd FP	43rd FP
		May 31,2021	November 30, 2021	May 31,2022	November 30, 2022	May 31,2023
Unappropriated retained earnings	thousand yen	5,871,290	6,083,325	6,304,797	6,692,914	6,755,071
Reversal of reserve for temporary difference adjustment	thousand yen	39,997	79,219	42,229	44,549	44,549
Retained earnings	thousand yen	3,111,475	3,111,475	3,127,041	3,251,479	3,280,224
Total distributions	thousand yen	2,799,812	3,051,068	3,219,985	3,485,984	3,519,396
Distributions per unit	yen	(2,800)	(2,890)	(3,050)	(3,130)	(3,160)
Distributions of profit	thousand yen	2,799,812	3,051,068	3,219,985	3,485,984	3,519,396
(Distributions of profit per unit)	yen	(2,800)	(2,890)	(3,050)	(3,130)	(3,160)
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 one property and acquiring 12 new properties of good quality in the period from the previous fiscal period to the current fiscal period. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize 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 impact of the COVID-19 pandemic on the office building leasing market is steadily dissipating. 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, although changes in property demand associated with the normalization of teleworking that occurred during the COVID-19 pandemic and a tendency to move to the suburbs to avoid high-density areas have been noted, movement in the opposite direction has also been observed amid the shift to a post-pandemic world. The REIT intends to exercise management carefully tailored to the characteristics of individual properties while continuing to closely monitor market conditions.

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

##### (c) Financial strategy

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

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

(d) Promotion of more timely disclosure

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

(5) Significant subsequent events

A. Issuance of new investment units

At the Board of Directors Meeting held on May 22, 2023 and May 25, 2023, 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, 2023, and June 27, 2023, respectively. As a result, the amount of unitholders' capital is 102,992,000 thousand yen and the number of investment units issued is 1,149,933 as of August 29, 2023.

1. Issuance of new investment units through public offering

(1) Number of investment units issued	34,500 units
(2) Issue price (offer price)	148,239 yen per unit
(3) Total amount of the issue	5,114,245,500 yen
(4) Paid-in amount (issue amount)	143,449 yen per unit
(5) Total paid-in amount (total issue amount)	4,948,990,500 yen
(6) Payment date	June 1, 2023

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

(1) Number of investment units issued	1,700 units
(2) Paid-in amount (issue amount)	143,449 yen per unit
(3) Total paid-in amount (total issue amount)	243,863,300 yen
(4) Allottee	SMBC Nikko Securities Inc.
(5) Payment date	June 27, 2023

B. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its bylaws, the REIT acquired two real estate trust beneficiary rights on June 6, 2023 and one real estate trust beneficiary right on August 3, 2023 (total acquisition price of 8,820,000 thousand yen).

Of-55 Kitahama 1-Chome Heiwa Building

Type of specified asset	Real estate trust beneficiary right (75% interest of quasi-co-ownership)
Agreement date	May 22, 2023
Acquisition date	June 6, 2023
Acquisition price (Note 1)	3,370,000 thousand yen

Location (lot number)	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka
Purpose of use	Office, store and parking
Construction date	February 28, 2015
Structure	Steel beam / steel-framed reinforced concrete with flat roof, 1 floor below ground and 9 floors above ground
Total floor space (Note 2)	4,106.49m <sup>2</sup>
Total rentable space (Note 3)	2,714.28m <sup>2</sup>

Notes:

- 1 “Acquisition price” is the price described in the real estate trust beneficiary right quasi-co-ownership purchase agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
- 2 “Total floor space” is calculated by multiplying the total floor space of one building by 75% interest of quasi-co-ownership.
- 3 “Total rentable space” is calculated by multiplying the total rentable space of one building by 75% interest of quasi-co-ownership.

#### Of-56 Heiwa Real Estate Kitahama Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 22, 2023
Acquisition date	June 6, 2023
Acquisition price (Note)	1,650,000 thousand yen
Location (lot number)	2-1-5 Kitahama, Chuo-ku, Osaka City, Osaka
Purpose of use	Office and store
Construction date	October 1, 2011
Structure	Steel beam / steel-framed reinforced concrete with flat roof, 1 floor below ground and 10 floors above ground
Total floor space	2,315.59m <sup>2</sup>
Total rentable space	1,623.62m <sup>2</sup>

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-57 Prime Tower Yokohama

Type of specified asset	Real estate trust beneficiary right
Agreement date	July 31, 2023
Acquisition date	August 3, 2023
Acquisition price (Note)	3,800,000 thousand yen
Location (lot number)	89-6, Yamashita-cho, Naka-ku, Yokohama City, Kanagawa
Purpose of use	Office and parking
Construction date	January 24, 1986
Structure	Steel-framed reinforced concrete/ reinforced concrete with flat roof, 2 floors below ground and 8 floors above ground
Total floor space	7,555.33m <sup>2</sup>
Total rentable space	4,446.56m <sup>2</sup>

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.

### C. Disposition of Assets

Based on the basic policies of asset management, etc., set out in its bylaws, the REIT entered into a transfer agreement of real estate trust beneficiary right as described below on April 25, 2023.

#### Re-41 HF HATCHOBORI RESIDENCE III

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	2-17-8 Shinkawa, Chuo-ku, Tokyo
Scheduled transfer price (Note 1)	1,300,000 thousand yen
Estimated book value (Note 2)	671,000 thousand yen
Agreement date	April 25, 2023
Scheduled disposition date (Note 3)	August 31, 2023
Transferee (Note 4)	Not disclosed

Notes:

1. “Scheduled transfer price” is the price described in the real estate trust beneficiary right transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
2. “Estimated book value” represents the estimated carrying amount of real estate trust beneficiary right as of August 31, 2023, the scheduled date of the transfer.
3. The real estate trust beneficiary right transaction agreement (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 the REIT or the counterparty, the defaulting party shall pay a cancellation penalty charge equal to 10% of the transaction price of the real estate trust beneficiary right subject to the sale and purchase. The REIT believes that the payment of such cancellation penalty charge is remote and the possibility of having a significant impact on the financial position of the REIT is low because the REIT is the seller in the real estate trust beneficiary right transaction agreement.
4. Not disclosed as consent has not been obtained from the transferee.

### D. Borrowing of Funds

The REIT borrowed funds as described below to partly fund for acquisitions of one office property acquired on August 3, 2023, (as described in B. Acquisition of Assets above) (total borrowing amount of ¥4,000,000 thousand.)

#### Term loan-72-1

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

## Term loan-72-2

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Development Bank of Japan Inc.	1,000 million yen	August 3, 2023	May 31, 2024 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	Unsecured Non-guaranteed

## Term loan-72-3

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

## Term loan-72-4

Lender	Loan amount	Borrowing date	Principal repayment date	Principal repayment method	Purpose	Summary
Resona Bank, Limited	1,000 million yen	August 3, 2023	November 30, 2032 (Note)	Lump sum repayment on the principal repayment date	Property acquisition funding, etc.	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		39th FP	40th FP	41st FP	42nd FP	43rd FP
		May 31, 2021	November 30, 2021	May 31, 2022	November 30, 2022	May 31, 2023
Total number of authorized investment units		8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued and outstanding		999,933	1,055,733	1,055,733	1,113,733	1,113,733
Unitholders' capital	million yen	81,370	90,063	90,063	97,799	97,799
Number of unitholders		10,906	11,034	11,206	11,454	11,229

### (2) Matters concerning investment units

The following represents major unitholders as of May 31, 2023

Name	Units Owned (units)	Ownership Ratio (%) (Note)
Custody Bank of Japan, Ltd. (trust account)	334,190	30.00
The Master Trust Bank of Japan, Ltd. (trust account)	195,540	17.55
Heiwa Real Estate Co., Ltd.	143,845	12.91
The Nomura Trust and Banking Co., Ltd. (trust account)	44,770	4.01
SMBC Nikko Securities Inc.	24,360	2.18
STATE STREET BANK WEST CLIENT - TREATY 505234	16,884	1.51
JP MORGAN CHASE BANK 385770	12,262	1.10
SSBTC CLIENT OMNIBUS ACCOUNT	10,784	0.96
BNP PARIBAS LUXEMBOURG/2S/BNP PARIBAS LUXEMBOURG/2S/JASDEC/SECURITIES - AIFM	10,319	0.92
Shikoku Railway Company	10,249	0.92
Total	803,203	72.11

(Note) The ratio of number of investment units owned to number of investment units outstanding is rounded down to the third decimal place.



## (3) Matters relating to officers

The Executive Director, Supervisory Directors and Independent Auditor in the 43<sup>rd</sup> 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	—	13,800 (Note 3)

(Note 1) No Executive Director or Supervisory Directors have any investment units of the REIT under their own name or anyone else's name. The Supervisory Directors may be officers at companies other than the companies stated above, but those companies, including the ones stated above, do not have a stake in the REIT.

(Note 2) The REIT may dismiss or may not reappoint the independent auditor if necessary in consideration of various circumstances.

(Note 3) The amount includes compensation for an audit of English-language financial statements and compensation for the preparation of a comfort letter related to the issuance of new investment units in December 2022.

## (4) Matter of Liability Insurance Policy for Directors and Officers

The table below lists the directors liability insurance policies concluded by the investment corporation.

Scope of the insured	Overview of policy
Executive Director and Supervisory Director	(Overview of insured events covered) This insurance agreement covers compensation for damage and litigation expenses incurred by the insured as a result of claims made against them for action taken by them within the scope of their role in the company. (Percentage of insurance expenses to be paid) The entire amount is paid by the investment corporation. (Measures to maintain appropriateness of performance of duties) Damage, etc. incurred by the insured as a result of action, etc. with recognition of a criminal act or a violation of laws or regulations are excluded from the compensation.

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

The asset management company, asset custody company and administrative service contractors at the end of 43<sup>rd</sup> 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	42 <sup>nd</sup> Fiscal Period (As of November 30, 2022)		43 <sup>rd</sup> Fiscal Period (As of May 31, 2023)	
			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	7,527	3.4	7,514	3.2
		Metropolitan Area (Note 3)	5,091	2.3	5,083	2.2
		Other (Note 4)	2,664	1.2	4,879	2.1
	Residence	Tokyo 23 Wards	26,960	12.2	31,898	13.7
		Metropolitan Area (Note 3)	9,716	4.4	9,679	4.2
		Other (Note 4)	7,772	3.5	9,370	4.0
Subtotal			59,732	27.0	68,425	29.5
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	60,971	27.5	60,584	26.1
		Metropolitan Area (Note 3)	4,800	2.2	4,786	2.1
		Other (Note 4)	24,830	11.2	24,742	10.7
	Residence	Tokyo 23 Wards	36,953	16.7	36,833	15.9
		Metropolitan Area (Note 3)	2,882	1.3	2,874	1.2
		Other (Note 4)	16,002	7.2	15,911	6.9
Subtotal			146,440	66.1	145,732	62.8
Real estate, etc., subtotal			206,173	93.1	214,157	92.3
Deposits and other assets			15,357	6.9	17,836	7.7
Total assets			221,531	100.0	231,994	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 43<sup>rd</sup> fiscal period (top ten properties in terms of book value at the end of the fiscal period).

	Property name	Book value (million yen)	Rentable area (m <sup>2</sup> ) (Note 1)	Rental area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Ratio of total rent revenue-real estate (%) (Note 4)	Main use
Of-50	Shinsaibashi FRONT Building	7,384	4,251.76	4,251.76	100.0	2.5	Office
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,290	8,141.02	7,990.72	98.2	2.8	Residence
Re-25	HF GINZA RESIDENCE EAST	5,383	5,459.49	5,245.48	96.1	1.8	Residence
Of-47	OSAKI CN BUILDING	5,176	3,237.86	3,237.86	100.0	1.5	Office
Of-25	KAYABACHO HEIWA BUILDING	4,741	4,156.53	4,156.53	100.0	2.9	Office
Of-30	HF SAKURADORI BUILDING	4,332	9,934.77	9,934.77	100.0	4.5	Office
Of-51	SAKAE CENTER BUILDING	4,033	5,381.10	5,245.76	97.5	1.9	Office, Retail, Residence
Of-38	ACROSS SHINKAWA BUILDING	3,924	3,828.92	3,828.92	100.0	1.8	Office, Residence
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	3,658	2,737.77	2,737.77	100.0	1.5	Office
Re-20	HF SHIROKANETAKANAWA RESIDENCE	3,559	4,457.76	4,172.15	93.6	1.7	Residence
	Total	48,484	51,586.98	50,801.72	98.5	22.9	

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

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

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

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

## (3) Summary of portfolio properties

The table below is a statement of real estate owned by the REIT at the end of the 43<sup>rd</sup> fiscal period.

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-05	SUITENGU HEIWA BUILDING	1-16-8 Nihonbashi Kakigara-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,802	1,381
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	2,920	2,309
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	2,040	1,495
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,320	2,764
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,400	2,124
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,900	3,003
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,160	1,083
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,026	3,375
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,440	3,430
Of-21	ADESSO NISHIAZABU	1-7-2 Nishi Azabu, Minato-ku, Tokyo	Real estate	558	592
Of-23	HF IKEBUKURO BUILDING	2-29-12 Minami Ikebukuro, Toshima-ku, Tokyo	Real estate	1,510	1,264
Of-24	HF YUSHIMA BUILDING	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,790	1,569
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	7,240	4,741
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho, Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,580	2,490
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,360	1,446
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	6,600	4,332
Of-31	HF NIHONBASHI HAMACHO BUILDING	1-2-1 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	2,660	2,015
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,690	2,462
Of-33	HF UENO BUILDING	5-6-10 Ueno, Taito-ku, Tokyo	Trust beneficial interest	4,250	3,390
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficial interest	2,170	1,347
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami, Chiyoda-ku, Tokyo	Trust beneficial interest	3,280	2,857
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachi, Chiyoda-ku, Tokyo	Trust beneficial interest	4,250	3,188
Of-37	NISSO 5 BUILDING	2-10-39 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	4,170	3,165
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,380	3,924
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	3,450	3,199
Of-41	Nihonbashi Horidomecho First	1-2-10 Nihonbashi Horidomecho, Chuo-ku, Tokyo	Trust beneficial interest	2,340	2,157

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi, Hachioji City, Tokyo	Trust beneficial interest	1,890	1,621
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,270	3,152
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,880	2,887
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	3,930	3,658
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,670	2,668
Of-47	OSAKI CN BUILDING	5-10-10 Osaki, Shinagawa-ku, Tokyo	Trust beneficial interest	5,470	5,176
Of-48	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Real estate	2,000	1,652
Of-49	HF ESAKA BUILDING	1-13-48 Esakacho, Suita City, Osaka	Trust beneficial interest	2,670	2,592
Of-50	Shinsaibashi FRONT Building	3-5-11, Minamisenba, Chuo-ku, Osaka-city, Osaka	Trust beneficial interest	7,840	7,384
Of-51	SAKAE CENTER BUILDING	3-13-20 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	4,390	4,033
Of-52	IWAMOTOCHO TWIN BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	3,740	3,426
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	2-5-12 Iwamotocho, Chiyoda-ku, Tokyo	Trust beneficial interest	530	415
Of-54	STAGE NISHIKI	1-7-34, Nishiki, Naka-ku, Nagoya-city, Aichi	Real estate	2,410	2,210
Office subtotal				128,926	107,590
Re-03	HF ICHIKAWA RESIDENCE	4-8-13 Ainokawa, Ichikawa City, Chiba	Trust beneficial interest	612	368
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	826	605
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	992	571
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	5,586	3,062
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	2,046	1,377
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,620	1,289
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,220	873
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,620	855
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,900	949
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	977	562
Re-20	HF SHIROKANETAKANAWA RESIDENCE	1-2-6 Takanawa, Minato-ku, Tokyo	Real estate	6,300	3,559
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,150	954
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,310	1,057
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,160	819

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,380	1,055
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	6,260	5,383
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	3,040	2,855
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,570	1,439
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,450	1,562
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,310	958
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	838	846
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	1,040	692
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,920	1,318
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,380	1,683
Re-41	HF HATCHOBORI RESIDENCE III	2-17-8 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	1,300	675
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,360	797
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	8,430	6,290
Re-45	HF NAKANOSHIMA RESIDENCE	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka	Trust beneficial interest	551	405
Re-46	HF AWAZA RESIDENCE	4-6-12 Itachibori, Nishi-ku, Osaka City, Osaka	Trust beneficial interest	760	469
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	763	483
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,310	1,482
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	648	470
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,640	1,589
Re-54	La Residence de Sendagi	2-23-3 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,110	748
Re-55	HF SENDAGI RESIDENCE	2-6-6 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,170	784
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	785	575
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,260	770
Re-58	HF KOKUBUNJI RESIDENCE	3-18-7 Minami-cho, Kokubunji City, Tokyo	Trust beneficial interest	1,200	792
Re-59	HF HISAYAODORI RESIDENCE	1-12-1 Izumi, Higashi-ku, Nagoya City, Aichi	Trust beneficial interest	1,310	960
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	772	501
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,950	1,906
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	8-7-11 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	1,720	1,119

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,770	1,228
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	749	509
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,200	686
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	961	608
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,150	728
Re-69	HF ICHIBANCHO RESIDENCE	2-1-7 Ichibancho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,210	724
Re-70	HF HIGASHI-NAKANO RESIDENCE	2-19-4 Higashi Nakano, Nakano-ku, Tokyo	Trust beneficial interest	1,230	855
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,830	1,934
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	812
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,760	1,144
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,050	1,466
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,520	1,253
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	967	756
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,380	1,713
Re-79	HF MEIEKI-KITA RESIDENCE	(W) 2-19-22 Kikui, E 2-19-27 Kikui, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	2,400	2,108
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,870	1,433
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	993	900
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	947	883
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,470	1,058
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,730	1,364
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,260	1,212
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,570	1,253
Re-87	HF MONZEN-NAKACHO RESIDENCE	1-16-4 Botan, Koto-ku, Tokyo	Real estate	1,280	951
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	7-4-9 Minamisuna, Koto-ku, Tokyo	Real estate	1,120	904
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,140	1,069
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,350	1,176
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,210	1,097
Re-92	HF OHORI RESIDENCE BAYSIDE	3-17-10 Nagahama Chuo-ku, Fukuoka City, Fukuoka	Real estate	1,320	1,189

	Property name	Address (Note 1)	Form of asset	Valuation at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-93	HF HAKATA-HIGASHI RESIDENCE II	1-9-27 Yutaka, Hakata-ku, Fukuoka City, Fukuoka	Real estate	1,470	1,299
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamataseshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,520	1,336
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,890	1,773
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,420	1,280
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	830	729
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,450	1,382
Re-99	HF UENO IRIYA RESIDENCE	1-12-1, Iriya, Taito-ku, Tokyo	Real estate	1,020	961
Re-100	HF TSUJIDO RESIDENCE	2-2-26 Tsujidokandai, Fujisawa City, Kanagawa	Real estate	2,070	2,007
Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	3-2-24 Sakaecho, Kawaguchi City, Saitama	Real estate	1,570	1,374
Re-102	HF HIGASHIOGU RESIDENCE	8-32-5 Higashiogu, Arakawa-ku, Tokyo	Real estate	1,430	1,266
Re-103	HF IMAIKE-MINAMI RESIDENCE	(Ea24ldg.lgd.) 9-10, Imaikeminami, Chikusa-ku, Nagoya City, Aichi (We24ldg.lgd.) 9-20, Imaikeminami, Chikusa-ku, Nagoya City, Aichi	Real estate	942	931
Re-104	HF FUSHIMI RESIDENCE	1-25-23, Sakae, Naka-ku, Nagoya City, Aichi	Real estate	690	662
Re-105	HF NAKANO-SAKAUE RESIDENCE	1-29-17, Chuo, Nakano-ku, Tokyo	Real estate	1,270	1,091
Re-106	HF UENO RESIDENCE EAST	5-4-15, Higashiueno, Taito-ku, Tokyo	Real estate	2,890	2,636
Re-107	HF OMORIMACHI RESIDENCE	1-13-8, Omorinaka, Ota-ku, Tokyo	Real estate	1,300	1,280
Residence subtotal				141,885	106,567
Total				270,811	214,157

(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 Re-41 HF HATCHOBORI RESIDENCE III, the transfer price stated in the sale and purchase agreement dated April 25, 2023 is indicated.

(Note 3) Book value is the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of May 31, 2023, after deducting the accumulated depreciation.



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

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Of-05	SUITENGU HEIWA BUILDING	6	100.00	60,524	0.8	6	100.00	63,092	0.8
Of-06	HF MONZENNAKA CHO BUILDING	6	100.00	83,389	1.1	7	100.00	99,700	1.3
Of-07	HF HAMAMATSUC HO BUILDING	8	88.81	53,615	0.7	8	88.81	53,747	0.7
Of-08	HF TAMEIKE BUILDING	7	90.87	80,857	1.1	8	100.00	83,254	1.1
Of-09	GRACE BUILDING SENGAKUJIMA E	9	100.00	31,211	0.4	—	—	1,196	0.0
Of-11	HF NIHONBASHI ODENMACHO BUILDING	7	100.00	69,305	1.0	7	100.00	72,221	1.0
Of-12	HF HATCHOBORI BUILDING	7	100.00	77,291	1.1	7	100.00	79,860	1.1
Of-17	HATCHOBORI MF BUILDING	9	100.00	33,432	0.5	9	100.00	35,446	0.5
Of-18	M2 HARAJUKU	5	100.00	81,184	1.1	5	100.00	84,534	1.1
Of-20	FUNABASHI FACE BUILDING	9	100.00	120,584	1.7	9	100.00	122,105	1.6
Of-21	ADESSO NISHIAZABU	4	100.00	13,405	0.2	4	100.00	15,703	0.2
Of-23	HF IKEBUKURO BUILDING	9	100.00	44,008	0.6	9	100.00	45,037	0.6
Of-24	HF YUSHIMA BUILDING	9	100.00	50,901	0.7	9	100.00	51,720	0.7
Of-25	KAYABACHO HEIWA BUILDING	1	100.00	215,174	3.0	1	100.00	214,990	2.9
Of-27	KOBE KYUKYORYUC HI HEIWA BUILDING	38	100.00	152,781	2.1	38	99.00	147,635	2.0
Of-29	SAKAE MINAMI HEIWA BUILDING	8	100.00	91,920	1.3	8	100.00	92,976	1.2
Of-30	HF SAKURADORI BUILDING	22	98.92	331,872	4.6	22	100.00	336,908	4.5

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
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Of-31	HF NIHONBASHI HAMACHO BUILDING	8	100.00	94,087	1.3	8	100.00	96,384	1.3
Of-32	HF SENDAI HONCHO BUILDING	41	100.00	151,572	2.1	41	100.00	160,532	2.1
Of-33	HF UENO BUILDING	7	100.00	142,339	2.0	7	100.00	145,698	1.9
Of-34	KOJIMACHI HF BUILDING	8	100.00	69,011	0.9	8	100.00	71,101	0.9
Of-35	HF KUDAN MINAMI BUILDING	3	100.00	82,142	1.1	3	100.00	91,907	1.2
Of-36	HF KANDA OGAWAMACHI BUILDING	8	100.00	111,975	1.5	7	100.00	115,028	1.5
Of-37	NISSO 5 BUILDING	1	100.00	87,218	1.2	1	100.00	87,218	1.2
Of-38	ACROSS SHINKAWA BUILDING	12	97.83	133,793	1.8	13	100.00	135,558	1.8
Of-39	SENJU MILDIX II	5	100.00	69,277	1.0	5	100.00	69,388	0.9
Of-40	ARK Mori Building	1	100.00	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.00	64,336	0.9	3	100.00	65,667	0.9
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.00	72,197	1.0	3	100.00	72,611	1.0
Of-43	HAMACHO HEIWA BUILDING	10	100.00	86,209	1.2	10	100.00	90,838	1.2
Of-44	KINSHICHO SQUARE BUILDING	11	100.00	76,438	1.0	11	100.00	78,677	1.0
Of-45	HF NIHONBASHI KABUTOCHO BUILDING	8	100.00	109,495	1.5	8	100.00	111,913	1.5
Of-46	HF SENDAI ICHIBANCHO BUILDING	14	98.13	81,712	1.1	14	98.13	85,783	1.1
Of-47	OSAKI CN BUILDING	7	100.00	115,022	1.6	7	100.00	115,806	1.5
Of-48	Faret East Building	7	100.00	65,400	0.9	7	100.00	65,919	0.9

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Of-49	HF ESAKA BUILDING	6	93.61	66,365	0.9	7	100.00	64,053	0.9
Of-50	Shinsaibashi FRONT Building(Note 5)	13	100.00	186,188	2.6	13	100.00	190,981	2.5
Of-51	SAKAE CENTER BUILDING(Note 5)	23	100.00	129,370	1.8	21	97.48	140,719	1.9
Of-52	IWAMOTOCHO TWIN BUILDING(Note 5)	8	100.00	80,725	1.1	7	96.21	84,630	1.1
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING(Note 5)	8	88.67	13,232	0.2	8	88.67	12,756	0.2
Of-54	STAGE NISHIKI(Note 6)	-	-	-	-	21	86.27	9,477	0.1
Office subtotal		379	99.21	3,761,853	51.6	379	99.21	3,845,070	51.3
Re-03	HF ICHIKAWA RESIDENCE	36	100.00	17,280	0.2	36	100.00	17,296	0.2
Re-05	HF MEGURO RESIDENCE	21	100.00	19,791	0.3	21	100.00	19,946	0.3
Re-09	HF KASAI RESIDENCE	45	93.67	26,371	0.4	47	97.94	26,956	0.4
Re-11	HF WAKABAYASHI -KOEN RESIDENCE	97	100.00	124,692	1.7	95	97.88	125,850	1.7
Re-12	HF HIMONYA RESIDENCE	51	95.65	47,144	0.6	52	98.36	45,642	0.6
Re-14	HF MINAMIAZABU RESIDENCE	58	96.64	36,082	0.5	57	94.98	35,351	0.5
Re-16	HF GAKUGEIDAIG AKU RESIDENCE	27	100.00	29,146	0.4	27	100.00	28,794	0.4
Re-17	HF HIGASHIKAND A RESIDENCE	63	98.44	37,236	0.5	62	96.94	37,404	0.5
Re-18	HF HIGASHINIHON BASHI RESIDENCE	63	96.30	41,957	0.6	63	95.05	42,853	0.6
Re-19	HF NERIMA RESIDENCE	48	93.70	24,640	0.3	50	98.08	25,688	0.3
Re-20	HF SHIROKANETA KANAWA RESIDENCE	65	98.07	126,581	1.7	61	93.59	126,474	1.7
Re-21	HF MEIDAIMAE RESIDENCE	51	96.41	29,639	0.4	48	90.40	28,930	0.4

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
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Re-22	HF NIHONBASHI RESIDENCE	47	98.28	35,050	0.5	46	96.32	34,880	0.5
Re-23	HF KAMISHAKUJII RESIDENCE	62	97.28	32,819	0.5	62	97.17	32,162	0.4
Re-24	HF KINSHICHO RESIDENCE	56	100.00	33,374	0.5	55	97.98	33,993	0.5
Re-25	HF GINZA RESIDENCE EAST	102	97.42	132,853	1.8	101	96.08	136,309	1.8
Re-26	HF SHIN- YOKOHAMA RESIDENCE	111	98.51	85,343	1.2	112	99.18	87,897	1.2
Re-30	HF MAGOME RESIDENCE	30	100.00	45,909	0.6	28	94.39	44,745	0.6
Re-31	HF GAKUGEIDAIG AKU RESIDENCE II	21	95.12	37,556	0.5	21	95.44	35,880	0.5
Re-33	HF KAMEIDO RESIDENCE	60	98.37	31,614	0.4	61	100.00	34,148	0.5
Re-34	HF TANASHI RESIDENCE	35	100.00	32,309	0.4	34	97.39	31,794	0.4
Re-38	La Residence de Shirokanedai	27	96.44	25,860	0.4	28	100.00	26,664	0.4
Re-39	HF GINZA RESIDENCE EAST II	72	95.67	49,406	0.7	73	96.92	48,612	0.6
Re-40	HF HATCHOBORI RESIDENCE II	81	97.25	59,166	0.8	82	97.33	61,197	0.8
Re-41	HF HATCHOBORI RESIDENCE III	37	100.00	30,280	0.4	36	97.37	31,322	0.4
Re-42	HF GINZA RESIDENCE	44	98.13	32,817	0.5	43	95.69	32,908	0.4
Re-43	HF KOMAZAWA- KOEN RESIDENCE TOWER	274	95.91	210,361	2.9	281	98.15	209,724	2.8
Re-45	HF NAKANOSHIMA RESIDENCE	35	92.84	19,096	0.3	37	97.96	19,868	0.3
Re-46	HF AWAZA RESIDENCE	60	95.44	23,348	0.3	60	95.11	22,439	0.3

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
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Re-47	HF MARUNOUCHI RESIDENCE	66	91.66	25,358	0.3	68	94.44	26,384	0.4
Re-48	HF HIRAO RESIDENCE	193	96.43	80,751	1.1	191	95.30	81,907	1.1
Re-49	HF KAWARAMACH I NIJO RESIDENCE	48	96.12	19,649	0.3	47	93.98	19,402	0.3
Re-53	HF SHIJO KAWARAMACH I RESIDENCE	128	98.12	76,092	1.0	131	100.00	77,174	1.0
Re-54	La Residence de Sendagi	48	96.25	27,620	0.4	50	100.00	28,733	0.4
Re-55	HF SENDAGI RESIDENCE	49	100.00	31,299	0.4	48	96.98	32,426	0.4
Re-56	HF KOMAZAWA- KOEN RESIDENCE	34	94.45	19,921	0.3	35	97.22	20,753	0.3
Re-57	HF MUSASHIKOYA MA RESIDENCE	49	94.60	31,935	0.4	51	96.93	31,493	0.4
Re-58	HF KOKUBUNJI RESIDENCE	47	100.00	31,157	0.4	46	98.11	32,169	0.4
Re-59	HF HISAYAODORI RESIDENCE	93	95.09	42,981	0.6	96	98.02	41,066	0.5
Re-60	HF KARASUMA KURAMAGUCH I RESIDENCE	40	97.98	22,135	0.3	38	93.93	22,580	0.3
Re-61	HF NISHI- SHINJUKU RESIDENCE WEST	73	95.00	70,732	1.0	76	98.75	70,938	0.9
Re-62	HF NISHI- SHINJUKU RESIDENCE EAST	47	98.49	40,582	0.6	47	97.59	42,099	0.6
Re-63	HF HIGASHI- SHINJUKU RESIDENCE	66	97.22	43,906	0.6	67	98.57	46,504	0.6
Re-64	HF HIGASHI- SHINSAIBASHI RESIDENCE	38	100.00	20,904	0.3	37	97.26	21,425	0.3
Re-65	HF KITA- YOBANCHO RESIDENCE	85	94.43	38,088	0.5	83	92.21	38,095	0.5

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Re-66	HF ATAGOBASHI RESIDENCE	75	95.03	33,239	0.5	69	86.80	32,061	0.4
Re-68	HF ASAKUSABASHI RESIDENCE	38	97.44	27,031	0.4	39	100.00	28,040	0.4
Re-69	HF ICHIBANCHO RESIDENCE	78	100.00	40,420	0.6	77	98.82	41,117	0.5
Re-70	HF HIGASHI- NAKANO RESIDENCE	47	96.86	31,296	0.4	48	98.33	31,437	0.4
Re-72	HF WASEDA RESIDENCE	118	97.77	77,066	1.1	116	94.83	76,747	1.0
Re-73	HF WASEDA RESIDENCE II	49	96.54	30,807	0.4	49	93.09	30,881	0.4
Re-74	HF WAKAMATSU- KAWADA RESIDENCE	32	96.35	38,087	0.5	32	96.71	39,200	0.5
Re-75	HF SENDAI RESIDENCE EAST	148	98.79	69,705	1.0	144	94.86	69,278	0.9
Re-76	HF NISHI-KOEN RESIDENCE	100	98.06	43,417	0.6	98	96.12	44,435	0.6
Re-77	HF BANSUI- DORI RESIDENCE	63	95.45	27,911	0.4	66	100.00	28,902	0.4
Re-78	HF KANNAI RESIDENCE	115	98.28	60,381	0.8	110	93.97	63,070	0.8
Re-79	HF MEIEKI- KITA RESIDENCE	109	96.60	62,814	0.9	109	96.36	63,731	0.9
Re-80	HF HIGASHI- SAPPORO RESIDENCE	144	95.39	58,510	0.8	148	98.36	59,661	0.8
Re-81	HF HAKATA- HIGASHI RESIDENCE	77	98.70	30,603	0.4	76	97.44	30,588	0.4
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	52	94.54	25,963	0.4	53	96.37	26,994	0.4
Re-83	HF TABATA RESIDENCE	55	98.61	41,047	0.6	56	100.00	41,678	0.6
Re-84	HF RYOGOKU RESIDENCE	66	100.00	50,714	0.7	65	98.74	53,201	0.7
Re-85	HF HACHIOJI RESIDENCE	48	95.58	39,372	0.5	51	100.00	35,394	0.5

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Re-86	HF MITA RESIDENCE II	38	95.35	31,318	0.4	38	94.80	31,509	0.4
Re-87	HF MONZEN- NAKACHO RESIDENCE	43	97.73	28,811	0.4	43	97.73	28,970	0.4
Re-88	HF MINAMI- SUNAMACHI RESIDENCE	46	95.88	26,799	0.4	48	100.00	27,425	0.4
Re-89	HF SENDAI NAGAMACHI RESIDENCE	68	98.38	32,649	0.4	66	96.23	33,715	0.4
Re-90	HF SHOKOJI AKABANE RESIDENCE	49	100.00	38,540	0.5	46	93.76	39,884	0.5
Re-91	HF SENDAI HONCHO RESIDENCE	67	97.11	35,343	0.5	66	95.66	35,425	0.5
Re-92	HF OHORI RESIDENCE BAYSIDE	63	94.42	33,504	0.5	65	97.23	34,814	0.5
Re-93	HF HAKATA- HIGASHI RESIDENCE II	107	97.00	41,962	0.6	106	96.99	41,973	0.6
Re-94	HF FUKUOKA RESIDENCE EAST	117	98.33	46,221	0.6	113	94.95	45,247	0.6
Re-95	HF SHOKOJI AKABANE RESIDENCE II	69	98.93	54,064	0.7	66	94.53	54,140	0.7
Re-96	HF YAHIRO RESIDENCE	62	96.58	39,180	0.5	63	98.69	44,133	0.6
Re-97	HF SETAGAYAKAM IMACHI RESIDENCE	28	93.36	19,176	0.3	27	90.06	20,428	0.3
Re-98	HF SOKA RESIDENCE	96	97.00	39,682	0.5	98	99.00	41,455	0.6
Re-99	HF UENO IRIYA RESIDENCE	33	100.00	23,925	0.3	32	95.96	24,436	0.3
Re-100	HF TSUJIDO RESIDENCE	37	95.06	49,329	0.7	37	95.06	55,498	0.7
Re-101	HF KAWAGUCHIEK IMAE RESIDENCE (Note 5)	88	97.02	54,894	0.8	89	98.01	56,606	0.8
Re-102	HF HIGASHIOGU RESIDENCE (Note 5)	49	100.00	39,805	0.5	47	97.57	40,114	0.5

Property name		42nd Fiscal Period (For the six-month period ended November 30, 2022)				43rd Fiscal Period (For the six-month period ended May 31, 2023)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Rent revenue- real estate (during period) (thousand yen) (Note 3)	Ratio of total rent revenue- real estate (%) (Note 4)
Re-103	HF IMAIKE- MINAMI RESIDENCE (Note 6)	-	-	-	-	67	94.19	16,018	0.2
Re-104	HF FUSHIMI RESIDENCE (Note 6)	-	-	-	-	31	85.92	13,005	0.2
Re-105	HF NAKANO- SAKAUE RESIDENCE (Note 6)	-	-	-	-	33	100.00	15,238	0.2
Re-106	HF UENO RESIDENCE EAST (Note 6)	-	-	-	-	56	100.00	31,393	0.4
Re-107	HF OMORIMACHI RESIDENCE (Note 6)	-	-	-	-	24	92.98	4,882	0.1
Residence subtotal		5,357	97.21	3,524,454	48.4	5,557	96.68	3,651,637	48.7
Total		5,736	98.01	7,286,308	100.0	5,948	97.63	7,496,707	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) As of June 3, 2022, the REIT acquired Of-50 Shinsaibashi FRONT Building, Of-51 SAKAE CENTER BUILDING, Of-52 IWAMOTOCHO TWIN BUILDING, Of-53 IWAMOTOCHO TWIN SAKAE BUILDING, Re-101 HF KAWAGUCHIEKIMAE RESIDENCE, and Re-102 HF HIGASHIOGU RESIDENCE. As of June 3, 2022, the REIT transferred 50% quasi co-ownership of the trust beneficial interest in Of-09 GRACE BUILDING SENGAKUJIMAE.

(Note 6) The REIT acquired Re-103 HF IMAIKE-MINAMI RESIDENCE as of January 30, 2023, Re-104 HF FUSHIMI RESIDENCE as of January 31, 2023, Re-106 HF UENO RESIDENCE EAST as of February 28, Re-105 HF NAKANO-SAKAUE RESIDENCE as of March 1, 2023, Re-107 HF OMORIMACHI RESIDENCE as of April 27, 2023 and Of-54 STAGE NISHIKI as of April 28, 2023. As of December 5, 2022, the REIT transferred 50% quasi co-ownership of the trust beneficial interest in Of-09 GRACE BUILDING SENGAKUJIMAE.

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

(4) Schedule of securities incorporated into assets

Not applicable

(5) Schedule of renewable energy power generation facilities

Not applicable

(6) Schedule of public facilities management rights

Not applicable

(7) Status of other assets

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

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



Table of contract amounts and market prices of specified transactions

(Unit: thousand yen)

Classification	Type	Contract amount (Note 1)		Market price (Note 2)
			Contract period of over a year	
Transactions other than market transactions	Interest rate swaps Pay fixed, receive floating	62,333,200	50,748,200	266,120
Total		62,333,200	50,748,200	266,120

(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-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From June 2023 To November 2023	136,000	—	—
Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	Air conditioning equipment replacement	From June 2023 To November 2023	17,000	—	—
Of-54	STAGE NISHIKI	Nagoya-city, Aichi	Renovation of common-area	From June 2023 To November 2023	36,000	—	—
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	Comprehensive repair of outer walls	From June 2023 To November 2023	24,700	—	—
Re-46	HF AWAZA RESIDENCE	Osaka City, Osaka	Intercom equipment replacement	From June 2023 To November 2023	8,190	—	—
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	Comprehensive repair of outer walls	From June 2023 To November 2023	49,600	—	—
Re-104	HF FUSHIMI RESIDENCE	Nagoya City, Aichi	Switchover to LED lamps in common- area and Renovation of common-area corridors	From June 2023 To November 2023	7,000	—	—

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

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 43rd fiscal period.

Capital expenditures in the fiscal period stood at 697,284 thousand yen. Expenses for repairs, etc. were 991,594 thousand yen, including repair expenses of 294,309 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	Period	Construction costs (thousand yen)
Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From February 2023 To May 2023	30,300
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Air conditioning equipment replacement	From February 2023 To May 2023	54,000
Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	Chiyoda-ku, Tokyo	Repair of transforming equipment	From May 2023 To May 2023	4,396
Re-03	HF ICHIKAWA RESIDENCE	Ichikawa City, Chiba	Intercom equipment replacement	From April 2023 To May 2023	4,154
Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	Comprehensive repair of outer walls	From January 2023 To May 2023	28,071
Re-94	HF FUKUOKA RESIDENCE EAST	Fukuoka City, Fukuoka	Comprehensive repair of outer walls	From January 2023 To May 2023	43,166
	Others			From December 2022 To May 2023	533,194
Total					697,284

## (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	39th FP ended May 31, 2021	40th FP ended November 30, 2021	41st FP ended May 31, 2022	42nd FP ended November 30, 2022	43rd FP ended May 31, 2023
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 485,132 thousand yen at the end of the 43rd 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	42nd Fiscal Period (For the six-month period ended November 30, 2022)	43rd Fiscal Period (For the six-month period ended May 31, 2023)
(a) Asset management fees (Note)	675,020	695,743
(b) Asset custody fees	13,011	13,651
(c) Administrative service fees	28,050	30,086
(d) Directors' compensation	6,102	6,102
(e) Independent auditors' fees	12,000	12,000
(f) Other operating expenses	147,285	170,795
Total	881,470	928,377

(Note) In addition to the asset management fee above, management fees related to property acquisitions of 124,250 thousand yen (42nd period) and 83,200 thousand yen (43rd period) were recorded. Management fees related to property transfers of 5,547 thousand yen (42nd period) and 5,547 thousand yen (43rd period) were also recorded.

## (2) Status of borrowings

Below is the status of borrowings from each financial institution at the end of the 43rd fiscal period.

Classification	Lender	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
Short-term loan	Sumitomo Mitsui Banking Corporation	May 31, 2022	200,000	-	0.2588	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	April 27, 2023	-	1,280,000	0.26221	October 31, 2023 (Note 3)	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2023	-	100,000	0.24455	May 31, 2024	Lump-sum repayment		
	Subtotal		200,000	1,380,000					
Long-term loans payable Due within One Year	Resona Bank, Limited.	May 29, 2015	480,000	-	1.02574	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	MUFG Bank, Ltd.		1,400,000	-					
	SBI Shirse Bank, Limited		200,000	-					
	Mizuho Bank, Ltd.		800,000	-					
	Sumitomo Mitsui Banking Corporation	October 29, 2015	1,100,000	1,100,000	1.08138	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					
	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					
	Mizuho Bank, Ltd.		200,000	200,000					
	Sumitomo Mitsui Banking Corporation		October 30, 2015	-					
	Resona Bank, Limited.	-		940,000					
	MUFG Bank, Ltd.	-		1,500,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	1,000,000	-	0.325	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		-						
SBI Shirse Bank, Limited	200,000		-						

(Unit: thousand yen)

Classification	Lender	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
Short-term loan	Sumitomo Mitsui Banking Corporation	May 31, 2022	200,000	-	0.2558	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Banking Corporation	April 27, 2023	-	1,280,000	0.26221	October 31, 2023 (Note 3)	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2023	-	100,000	0.24455	May 31, 2024	Lump-sum repayment		
	Subtotal		200,000	1,380,000					
Long-term loans payable Due within One Year	Resona Bank, Limited.	May 29, 2015	480,000	-	1.02574	May 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	MUFG Bank, Ltd.		1,400,000	-					
	SBI Shinsai Bank, Limited		200,000	-					
	Mizuho Bank, Ltd.		800,000	-					
	Sumitomo Mitsui Banking Corporation	October 29, 2015	1,100,000	1,100,000	1.08138	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					
	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					
	Mizuho Bank, Ltd.	200,000	200,000						
	Sumitomo Mitsui Banking Corporation	October 30, 2015	-	2,440,000	1.208	May 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		-	940,000					
	MUFG Bank, Ltd.		-	1,500,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	1,000,000	-	0.325	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	-					
	SBI Shinsai Bank, Limited		200,000	-					

(Unit: thousand yen)

	Classification	Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Remarks
	Lender								
Long-term loans payable Due within One Year	Sumitomo Mitsui Banking Corporation	October 30, 2020	200,000	200,000	0.382	October 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		200,000	200,000					
	MUFG Bank, Ltd.		1,150,000	1,150,000					
	Mizaho Trust & Banking Co., Ltd.		230,000	230,000					
	MUFG Bank, Ltd.	May 31, 2021	-	225,000	0.378	May 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	December 23, 2021	500,000	-	0.25545	December 30, 2022	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	June 27, 2022	1,000,000	-	0.25706	June 30, 2023 (Note 4)	Lump-sum repayment		
	Subtotal		13,260,000	11,285,000					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 30, 2015	2,440,000	-	1.208	May 31, 2024	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		940,000	-					
	MUFG Bank, Ltd.		1,500,000	-					
	Sumitomo Mitsui Banking Corporation	May 31, 2016	1,050,000	1,050,000	0.9177	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	0.9367	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	0.9085	November 28, 2025	Lump-sum repayment		
	Resona Bank, Limited.		915,000	915,000					
	SBI Shinsei Bank, Limited		485,000	485,000					
	MUFG Bank, Ltd.		470,000	470,000					

(Unit: thousand yen)

Classification	Lender	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
Long-term loans payable	Aozora Bank, Ltd.	October 31, 2017	1,820,000	1,820,000	0.9775	May 31, 2026	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		550,000	550,000					
	Mizuho Bank, Ltd.		330,000	330,000					
	Mizuho Bank, Ltd.	December 15, 2017	800,000	800,000	0.6874	October 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	March 28, 2018	900,000	900,000	0.7863	May 31, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2018	1,100,000	1,100,000	0.747	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	0.7685	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				0.6385	November 30, 2025
The Bank of Fukuoka, Ltd.		700,000	700,000						

(Unit: thousand yen)



Classification	Lender	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
Long-term loans payable	Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	300,000	0.6	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	500,000	500,000	0.505	May 31, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		700,000	700,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	300,000	300,000	0.577	November 30, 2026	Lump-sum repayment		
	Resona Bank, Limited.		300,000	300,000					
	Aozora Bank, Ltd.		300,000	300,000					
	MUFG Bank, Ltd.		300,000	300,000					
	Mizuho Trust & Banking Co., Ltd.		300,000	300,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	SBI Shinsai Bank, Limited	300,000	300,000						
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	500,000	0.471	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	2,070,000	2,070,000	0.66475	May 31, 2027	Lump-sum repayment		
	Resona Bank, Limited.		500,000	500,000					
	Mizuho Trust & Banking Co., Ltd.		950,000	950,000					
The 77 Bank, Ltd.	April 24, 2020	1,100,000	1,100,000	0.56475	May 31, 2027	Lump-sum repayment			
Sumitomo Mitsui Banking Corporation	October 30, 2020	1,000,000	1,000,000	0.669	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	0.685	November 30, 2028	Lump-sum repayment			

(Unit: thousand yen)

Classification	Lender	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
Long-term loans payable	The Bank of Fukuoka, Ltd.	March 24, 2021	1,000,000	1,000,000	0.665	November 30, 2028	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	SBI Shinsei Bank, Limited	March 24, 2021	1,000,000	1,000,000	0.685	May 31, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	May 31, 2021	225,000	-	0.378	May 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2021	631,700	631,700	0.658	May 31, 2028	Lump-sum repayment		
	Aozora Bank, Ltd.		450,000	450,000					
	Mizuho Trust & Banking Co., Ltd.		1,786,700	1,786,700					
	Sumitomo Mitsui Trust Bank, Limited.		690,800	690,800					
	Development Bank of Japan Inc.	May 31, 2021	1,000,000	1,000,000	0.64125	May 31, 2028	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	June 4, 2021	250,000	250,000	0.405	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	0.56754	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.	October 29, 2021	1,000,000	1,000,000	0.68754	November 30, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	October 29, 2021	580,000	580,000	0.37754	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	0.57516	November 30, 2026	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 29, 2021	1,690,000	1,690,000	0.66754	October 31, 2028	Lump-sum repayment		
	Resona Bank, Limited.		330,000	330,000					
	Aozora Bank, Ltd.		1,040,000	1,040,000					
	Sumitomo Mitsui Trust Bank, Limited.		500,000	500,000					
	Mizuho Bank, Ltd.		200,000	200,000					
	SBI Shinsei Bank, Limited		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.	December 22, 2021	900,000	900,000	0.56754	May 31, 2029	Lump-sum repayment		
	Nippon Life Insurance Company	December 23, 2021	1,000,000	1,000,000	0.7	December 22, 2028	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.	December 23, 2021	1,000,000	1,000,000	0.71754	November 29, 2030	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	February 24, 2022	600,000	600,000	0.59254	November 30, 2029	Lump-sum repayment		
	Resona Bank, Limited.	February 28, 2022	700,000	700,000	0.61754	May 31, 2029	Lump-sum repayment		
SBI Shinsei Bank, Limited	February 28, 2022	1,200,000	1,200,000	0.58754	November 30, 2029	Lump-sum repayment			

(Unit: thousand yen)

Classification	Lender	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
Long-term loans payable	Resona Bank, Limited.	May 31, 2022	550,000	550,000	0.37754	May 30, 2025	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	The Nomura Trust and Banking Co., Ltd.		400,000	400,000					
	MUFG Bank, Ltd.	May 31, 2022	395,000	395,000	0.41254	November 28, 2025	Lump-sum repayment		
	Sompo Japan Insurance Inc.		469,000	469,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	400,000	400,000	0.62037	May 31, 2027	Lump-sum repayment		
	Resona Bank, Limited.		400,000	400,000					
	Aozora Bank, Ltd.		850,000	850,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The Nomura Trust and Banking Co., Ltd.		585,000	585,000					
	Sumitomo Mitsui Banking Corporation	May 31, 2022	400,000	400,000	0.66396	May 31, 2028	Lump-sum repayment		
	Aozora Bank, Ltd.		400,000	400,000					
	The Norinchukin Bank		600,000	600,000					
	Sumitomo Mitsui Banking Corporation	June 3, 2022	1,800,000	1,800,000	0.66754	May 31, 2029	Lump-sum repayment		
	Mizuho Bank, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	June 3, 2022	500,000	500,000	0.85947	May 31, 2029	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 31, 2022	500,000	500,000	0.62754	November 30, 2029	Lump-sum repayment		
	Aozora Bank, Ltd.		1,420,000	1,420,000					
	Mizuho Trust & Banking Co., Ltd.		1,500,000	1,500,000					
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	Development Bank of Japan Inc.	October 31, 2022	900,000	900,000	0.98483	November 30, 2029	Lump-sum repayment		
	Kansai Mirai Bank, Ltd	October 31, 2022	480,000	480,000	0.51754	November 30, 2032	Lump-sum repayment		
	The Chiba Bank, Ltd.	January 30, 2023	-	800,000	0.52455	January 30, 2030	Lump-sum repayment		
	Kansai Mirai Bank, Ltd	January 30, 2023	-	800,000	0.55455	November 28, 2031	Lump-sum repayment		
Mizuho Trust & Banking Co., Ltd.	February 28, 2023	-	1,090,000	0.50675	May 31, 2030	Lump-sum repayment			
The Norinchukin Bank	February 28, 2023	-	1,500,000	0.50675	May 31, 2030	Lump-sum repayment			
SBI Shinsei Bank, Limited	March 1, 2023	-	1,090,000	0.52861	May 31, 2032	Lump-sum repayment			
The Minato Bank, Ltd.	March 31, 2023	-	1,000,000	0.53921	May 31, 2033	Lump-sum repayment			

(Unit: thousand yen)

Classification	Lender	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
Long-term loans payable	Sumitomo Mitsui Banking Corporation	April 28, 2023	-	1,100,000	0.69455	May 31, 2031	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Mizuho Bank, Ltd.		-	1,100,000					
	Resona Bank, Limited.	May 31, 2023	-	400,000	0.36955	May 29, 2026	Lump-sum repayment		
	Sumitomo Mitsui Trust Bank, Limited.		-	200,000					
	The Nomura Trust and Banking Co., Ltd.		-	300,000					
	Mizuho Bank, Ltd.	May 31, 2023	-	200,000	0.46955	October 29, 2027	Lump-sum repayment		
	SBI Shinsei Bank, Limited		-	100,000					
	MUFG Bank, Ltd.	May 31, 2023	-	500,000	0.70631	October 29, 2027	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2023	-	1,000,000	0.61955	May 31, 2030	Lump-sum repayment		
	Resona Bank, Limited.		-	780,000					
	Sumitomo Mitsui Trust Bank, Limited.		-	300,000					
	Mizuho Bank, Ltd.		-	600,000					
	SBI Shinsei Bank, Limited		-	300,000					
	MUFG Bank, Ltd.	May 31, 2023	-	1,000,000	1.045	May 31, 2030	Lump-sum repayment		
	Subtotal		79,197,200	88,252,200					
	Total		92,657,200	100,917,200					

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

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

(Note 3) The full amount was repaid before its maturity on June 8, 2023, which is after the end of the fiscal period.

(Note 4) The full amount was repaid before its maturity on March 31, 2023, which is after the end of the fiscal period.

## (3) Investment corporation bonds

Below is the status of investment corporation bonds issued at the end of the 43rd fiscal period.

(Unit: thousand yen)

Name of bond	Issued date	Balance at beginning of period	Balance at end of period	Interest rate (%)	Repayment date	Repayment method	Use	Remarks
Unsecured Investment Corporation Bond #2	June 30, 2017	1,800,000	1,800,000	0.650%	June 30, 2027	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Unsecured 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	-
Unsecured Investment Corporation Bond #7 (Green Bonds)	December 12, 2022	-	2,000,000	0.880%	December 10, 2032	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	-
Total		6,900,000	8,900,000					

## (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-54	STAGE NISHIKI	April 28, 2023	2,100	—	—	—	—
Re-103	HF IMAIKE-MINAMI RESIDENCE	January 30, 2023	860	—	—	—	—
Re-104	HF FUSHIMI RESIDENCE	January 31, 2023	610	—	—	—	—
Re-105	HF NAKANO-SAKAUE RESIDENCE	March 1, 2023	1,050	—	—	—	—
Re-106	HF UENO RESIDENCE EAST	February 28, 2023	2,500	—	—	—	—
Re-107	HF OMORIMACHI RESIDENCE	April 27, 2023	1,200	—	—	—	—
Of-09	GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership)	—	—	December 5, 2022	1,109	544	553
Total		—	8,320	—	1,109	544	553

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

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

(2) Status of purchases and sales of other assets

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

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

(i) Real estate, etc.

Acquisition or disposition	Asset type	Name of real estate		Date of acquisition or disposition	Acquisition price or transfer price (million yen) (Note 1)	Real estate appraisal value (million yen)	Real estate appraisal organization	Valuation date
Acquisition	Real estate	Of-54	STAGE NISHIKI	April 28, 2023	2,100	2,400	Daiwa Real Estate Appraisal Co., Ltd	April 1, 2023
Acquisition	Real estate	Re-103	HF IMAIKE-MINAMI RESIDENCE	January 30, 2023	860	942	Daiwa Real Estate Appraisal Co., Ltd	November 30, 2022
Acquisition	Real estate	Re-104	HF FUSHIMI RESIDENCE	January 31, 2023	610	690	Daiwa Real Estate Appraisal Co., Ltd.	November 30, 2022
Acquisition	Real estate	Re-105	HF NAKANO-SAKAUE RESIDENCE	March 1, 2023	1,050	1,230	Tanizawa Sogo Appraisal Co., Ltd	November 30, 2022
Acquisition	Real estate	Re-106	HF UENO RESIDENCE EAST	February 28, 2023	2,500	2,740	Japan Real Estate Institute	December 1, 2022
Acquisition	Real estate	Re-107	HF OMORIMACHI RESIDENCE	April 27, 2023	1,200	1,300	Daiwa Real Estate Appraisal Co., Ltd.	April 1, 2023

Disposition	Trust beneficial interest	Of-09	GRACE BUILDING SENGAKUJI MAE (50% interest of quasi co- ownership)	December 5, 2022	1,109	835(Note 2)	ENRIX CO., Ltd.	November 30, 2021 (Note 2)
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(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) Since a purchase agreement for the transfer of the property was concluded on May 18, 2022, the indicated amount was calculated by multiplying the real estate appraisal value of the entire property as of the end of the fiscal period immediately preceding the conclusion of the agreement by the quasi co-ownership interest (50%) of the trust beneficiary right subject to transfer.

(ii) Other

For transactions other than those stated in "① Real estate, etc." above among the transactions conducted by the Investment Corporation that require an investigation into the value of specified assets pursuant to Article 201 of the Act on Investment Trusts and Investment Corporations, the investigation has been entrusted to KPMG AZSA LLC. Relevant transactions during the period covered (December 1, 2022 to May 31, 2023) were three interest rate swap transactions, and the investigation report on these transactions was received from KPMG AZSA LLC. For the investigation into interest rate swap transactions, the Investment Corporation entrusted the investigation into the names of counterparties, contract values, transaction periods, and other matters related to the content of OTC derivatives.

## (4) Transactions with interested parties

## (i) Status of transactions

(Unit: thousand yen)

Classification	Trading value, etc. (Note 2)	
	Purchase amount, etc.	Sales amount, etc.
Total	8,320,000	1,109,500
Breakdown of transactions with interested parties, etc. (Note 1)		
Heiwa Real Estate Co., Ltd.	- (-)	1,109,500 (100.0%)
Total	- (-)	1,109,500 (100.0%)

## (ii) Payment fees

(Unit: thousand yen)

Classification	Total payment fees (A)	Breakdown of transactions with interested parties, etc. (Note 1)		(B) / (A)
		Payee	Payment amount (B)	
Management commissions:	747,915	Heiwa Real Estate Co., Ltd.	(Note 4) 9,124	1.2%
		Heiwa Real Estate Property Management Co., Ltd.	(Note 5) 265,828	35.5%
Non-life insurance premiums	10,327	Heiwa Real Estate Property Management Co., Ltd.	10,055	97.4%

(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. 5,210 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. 39,947 thousand yen

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 43rd fiscal period are as stated below. Heiwa Real Estate Property Management Co., Ltd. 16,692 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 (%)
34th FP November 30, 2018	3,334	337	0.3
35th FP May 31, 2019	3,334	337	0.3
36th FP November 30, 2019	3,334	337	0.3
37th FP May 31, 2020	3,334	337	0.3
38th FP November 30, 2020	3,334	337	0.3
39th FP May 31, 2021	3,334	337	0.3
40th FP November 30, 2021	3,334	337	0.3
41st FP May 31, 2022	3,334	337	0.3
42nd FP November 30, 2022	3,334	337	0.3
43rd FP May 31, 2023	3,334	337	0.3

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

**8. Other**

## (1) Notice

Date of approval	Item	Summary
May 22, 2023	Conclusion of underwriting agreement	In association with the issuance of new investment units, administrative services related to the public offering of investment units were entrusted to SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., IwaiCosmo Securities Co., Ltd., Okasan Securities Co., Ltd., Toyo Securities Co., Ltd.

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

Not applicable.

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

Not applicable.

## (4) Rounding of amounts and percentages

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

## 9. Sustainability Initiatives

### (1) Sustainability

#### Initiatives of Heiwa Real Estate Group

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



#### Participate in GRESB Assessment

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

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

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



#### Enhancement of the ESG website

##### Preparation of the ESG Report

The Investment Corporation's ESG-related initiatives have been strengthened. To organize them in a systematic manner and introduce them in a way that is easy to understand, the ESG-related website has been refurbished and ESG report is published annually.

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/en/sustainability/index.html>)



## (2) Environment

Renewable Energy

The Investment Corporation will change the power used in all properties (note) that it owns to power from renewable energy. The general shift to power plans conforming to the RE (Renewable Energy) 100 standards was completed at 117 properties of all 118 properties subject to the shift by the end of the current fiscal period.

This procedure is expected to reduce 7,998 t-CO<sub>2</sub>, or 98.3% of greenhouse gas (GHG) emissions at the subject property in 2022. The Investment Corporation will continue to apply the shift to properties that will be acquired going forward, thereby aiming to contribute to the realization of a low-carbon society as a member of society.



Source : The Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry

TCFD

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

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

For more information, please see the following website.

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

Eco-friendly initiatives: Reduction of fossil fuel use

Efforts are being made to reduce the volume of fossil fuel used. A switchover to LED lamps is in progress for curbing the use of electricity in rooms for rent, common space at office properties and common space at residential properties. The switchover was completed at 117 properties of all 125 properties owned, excluding properties that have been acquired recently. Equipment that consumes less energy will be introduced during air-conditioner replacement.



Electronic prospectus

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



Promotion of wall greening

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



Eco-friendly initiatives: FSC paper and Glassine

This REIT has been sending distribution payment statements and the asset management report to investors after the settlement of accounts for each fiscal period. FSC-certified paper and Vegetable ink are used for those documents, and glassine is used for the window section of an envelope used for mailing them. FSC is an abbreviation of the Forest Stewardship Council, an international organization. FSC has established standards for cutting down trees necessary for economic activity, while curbing deforestation and preserving forest resources for future generations. The REIT uses FSC-certified products to eliminate the risk of being involved in environmental destruction and contribute to preserving forest resources. Glassine is a translucent paper material. Unlike the window section made of plastic, a glassine window section does not need to be separated from paper for disposal. The whole envelope can be recycled without the need for separation. It is an environmentally friendly product.



Environmental certificates - Total floor area ratio 23.9%

	Number of Properties	Coverage Rate	Total Floor Space (m <sup>2</sup> )	Coverage Rate
DBJ Green Building	5	4.0%	43,939	11.4%
CASBEE	12	9.6%	60,294	15.6%
BELS(Building Energy-efficiency Labeling System)	2	1.6%	10,201	2.6%
SMBC Sustainable Building Assessment Loan System	1	0.8%	13,160	3.4%
Total Certified Properties	17	13.6%	92,286	23.9%

### (3) Social

#### Community Involvement

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

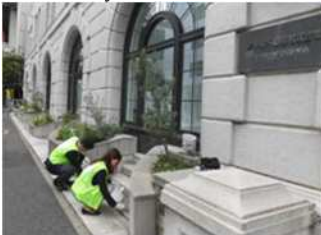
The REIT has concluded an agreement on supplying drinking water at the time of disaster with Chuo-ku, Tokyo and a neighborhood disaster mitigation association. If drinking water is in short supply due to a major earthquake, the REIT will supply drinking water from a water receiving tank installed in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



## Community Involvement

### Sponsoring a jazz event

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



### Diversity, Equity and Inclusion (DEI) Initiatives

The Asset Management Company and the Investment Corporation will formulate policies for promoting DEI, gain an understanding of the current status of DEI, and actively implement DEI initiatives, in order to put the Investment Corporation's Sustainability Policies into practice.

Aiming to create an inclusive organizational culture, the Asset Management Company attracts and retains diverse human resources who reflect the diversity of the regions in which its offices are located. The Asset Management Company also believes it recognizes and addresses the structural barriers that hinder diversity, such as systems and corporate culture, enabling its employees to fulfill their potential. We are committed to DEI in our hiring, retention, training and promotion practices not only for officers and managers but for all employees.

Investment Corporation	
Lawyer	2
Certified public accountant	1
Asset Management Company (incl. duplication)	
Real estate notary	22
ARES Certified Master	17
Certified Building Administrator	15
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 2023 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 fifth consecutive certification since FY2019. In addition, the company received Gold 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	○	○	○
Telecommuting	○	○	○	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

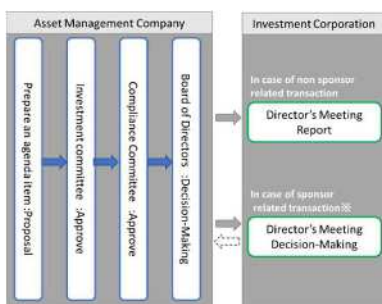
The organization of this REIT consists of one executive officer with no conflicted interest in REIT and Asset Management company, two auditors, a board of officers comprising all the executive officers and auditors and the accounting auditor in addition to the general meeting of investors comprising 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, 2023 and November 30, 2022, the statements of income and retained earnings, changes in net assets and cash flows for each of the six-month periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HEIWA REAL ESTATE REIT as at May 31, 2023 and November 30, 2022, and its financial performance and its cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Note 21 to the financial statements, which states issuance of new investment units, acquisition of assets, disposition of assets and borrowing of funds. Our opinion is not modified in respect of this matter.

### Other Information

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

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

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

misstated.

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

We have nothing to report in this regard.

## **Responsibilities of Management and Supervisory Directors for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

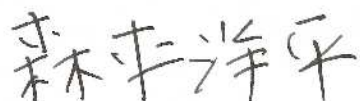
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent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

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

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

#### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in HEIWA REAL ESTATE REIT which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Yohei Morimoto

Designated Engagement Partner

Certified Public Accountant



Hirofumi Hanyu

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 29, 2023

## HEIWA REAL ESTATE REIT, Inc. BALANCE SHEETS

As of May 31, 2023 and November 30, 2022

	As of	
	May 31, 2023	November 30, 2022
	(Thousands of Yen)	
<b>Assets</b>		
Current Assets:		
Cash and deposits (Note 3)	¥ 12,502,167	¥ 9,841,698
Cash and deposits in trust (Note 3)	3,829,697	3,822,174
Tenant receivables	143,222	94,063
Prepaid expenses	134,783	142,422
Consumption taxes receivable	—	9,775
Other current assets	6,076	13,606
Allowance for doubtful accounts	(22)	(117)
Total Current Assets	16,615,924	13,923,623
Investment Properties (Notes 5 and 6):		
Land	42,299,997	37,328,942
Buildings	22,596,022	20,707,926
Structures	104,048	97,928
Machinery and equipment	303,216	297,097
Tools, furniture and fixtures	333,684	307,180
Land in trust	107,448,883	107,493,984
Buildings in trust	49,349,356	49,139,239
Structures in trust	252,891	249,308
Machinery and equipment in trust	700,559	688,313
Tools, furniture and fixtures in trust	1,374,570	1,300,534
Less: accumulated depreciation	(21,932,568)	(21,097,528)
Leasehold rights	8,855,074	6,766,382
Leasehold rights in trust	2,472,255	2,893,960
Total Investment Properties, Net	214,157,992	206,173,270
Other Assets:		
Software	1,990	3,011
Lease and guarantee deposits	19,617	19,617
Long-term prepaid expenses	277,800	238,946
Derivative assets (Note 4)	341,977	564,402
Deferred investment units issuance costs	47,765	63,888
Deferred investment corporation bond issuance costs	46,282	34,751
Others	485,359	509,613
Total Other Assets	1,220,792	1,434,231
<b>Total Assets</b>	¥ 231,994,709	¥ 221,531,125

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

## HEIWA REAL ESTATE REIT, Inc. BALANCE SHEETS, CONTINUED

As of May 31, 2023 and November 30, 2022

	As of	
	May 31, 2023	November 30, 2022
	(Thousands of Yen)	
<b>Liabilities</b>		
Current Liabilities:		
Operating accounts payable	¥ 805,257	¥ 630,465
Investment corporation bonds due within one year (Notes 4 and 8)	1,000,000	—
Short-term debt (Notes 4 and 7)	1,380,000	200,000
Long-term debt due within one year (Notes 4 and 7)	11,285,000	13,260,000
Accrued expenses	864,889	810,749
Income taxes payable	594	518
Accrued consumption taxes	122,813	—
Advances received	1,265,390	1,258,496
Other current liabilities	21,758	86,678
<b>Total Current Liabilities</b>	<b>16,745,704</b>	<b>16,246,908</b>
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	7,900,000	6,900,000
Long-term debt (Notes 4 and 7)	88,252,200	79,197,200
Tenant security deposits	1,048,937	963,976
Tenant security deposits in trust	5,183,977	5,215,652
Derivative liabilities (Note 4)	52,346	—
<b>Total Long-Term Liabilities</b>	<b>102,437,461</b>	<b>92,276,829</b>
<b>Total Liabilities</b>	<b>119,183,166</b>	<b>108,523,737</b>
<b>Net Assets (Notes 9)</b>		
Unitholders' Equity:		
Unitholders' capital	97,799,794	97,799,794
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,113,733 units as of May 31, 2023 and November 30, 2022, respectively		
Capital surplus	7,406,652	7,406,652
Deduction from capital surplus	(1,699,990)	(1,699,990)
Reserve for reduction entry	470,630	415,683
Reserve for temporary difference adjustment (Note 10)	1,796,704	1,841,253
Retained earnings	6,755,071	6,692,914
<b>Total Unitholders' Equity</b>	<b>112,528,862</b>	<b>112,456,307</b>
Valuation and translation adjustments:		
Deferred gains or losses on hedges	282,680	551,080
<b>Total valuation and translation adjustments</b>	<b>282,680</b>	<b>551,080</b>
<b>Total Net Assets</b>	<b>112,811,543</b>	<b>113,007,387</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 231,994,709</b>	<b>¥ 221,531,125</b>

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, 2023 and November 30, 2022

	<b>For the six months ended</b>	
	<b>May 31, 2023</b>	<b>November 30, 2022</b>
	(Thousands of Yen)	
<b>Operating Revenues (Note 11):</b>		
Rental revenues (Note 12)	¥ 6,767,593	¥ 6,676,198
Other revenues related to property leasing (Note 12)	729,114	610,109
Gain on sales of investment properties (Notes 13 and 19)	553,243	549,904
<b>Total Operating Revenues</b>	<b>8,049,951</b>	<b>7,836,212</b>
<b>Operating Expenses:</b>		
Property-related expenses (Notes 12 and 19)	3,106,478	2,936,675
Asset management fees	695,743	675,020
Asset custody fees	13,651	13,011
Administrative service fees	30,086	28,050
Directors' compensation	6,102	6,102
Independent auditors' fees	12,000	12,000
Other operating expenses	170,795	147,285
<b>Total Operating Expenses</b>	<b>4,034,856</b>	<b>3,818,146</b>
<b>Operating Income</b>	<b>4,015,094</b>	<b>4,018,065</b>
<b>Non-Operating Revenues:</b>		
Interest income	67	286
Reversal of distributions payable	496	534
Insurance income	5,594	910
Other non-operating revenues	3,042	153
<b>Total Non-Operating Revenues</b>	<b>9,200</b>	<b>1,884</b>
<b>Non-Operating Expenses:</b>		
Interest expenses	350,968	345,390
Borrowing related expenses	53,980	52,699
Interest expenses on investment corporation bonds	31,864	23,835
Amortization of deferred investment corporation bond issuance costs	4,157	3,500
Amortization of deferred investment units issuance costs	16,123	16,123
Other non-operating expenses	8,057	11,923
<b>Total Non-Operating Expenses</b>	<b>465,150</b>	<b>453,472</b>
<b>Ordinary Income</b>	<b>3,559,144</b>	<b>3,566,478</b>
<b>Income Before Income Taxes</b>	<b>3,559,144</b>	<b>3,566,478</b>
Income taxes – current	605	605
Income Taxes (Note 15)	605	605
<b>Net Income</b>	<b>3,558,539</b>	<b>3,565,873</b>
<b>Retained Earnings Brought Forward</b>	<b>3,196,531</b>	<b>3,127,041</b>
<b>Retained Earnings at End of Period</b>	<b>¥ 6,755,071</b>	<b>¥ 6,692,914</b>

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, 2023 and November 30, 2022

	Unitholders' Equity							
	Number of Units	Unitholders' Capital	Capital Surplus	Deduction from Capital Surplus	Reserve for Reduction Entry	Reserve for Temporary Difference Adjustment	Retained Earnings	Total Unitholders' Equity
	(Units)	(Thousands of Yen)						
<b>Balance as of May 31, 2022</b>	1,055,733	¥ 90,063,406	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,883,482	¥ 6,304,797	¥ 104,374,031
Cash distributions declared	—	—	—	—	—	—	(3,219,985)	(3,219,985)
Net income	—	—	—	—	—	—	3,565,873	3,565,873
Issuance of new investment units	58,000	7,736,388	—	—	—	—	—	7,736,388
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(42,229)	42,229	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	—
<b>Balance as of November 30, 2022</b>	1,113,733	¥ 97,799,794	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,841,253	¥ 6,692,914	¥ 112,456,307
Cash distributions declared	—	—	—	—	—	—	(3,485,984)	(3,485,984)
Net income	—	—	—	—	—	—	3,558,539	3,558,539
Provision of reserve for reduction entry	—	—	—	—	54,947	—	(54,947)	—
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(44,549)	44,549	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	—
<b>Balance as of May 31, 2023</b>	1,113,733	¥ 97,799,794	¥ 7,406,652	¥ (1,699,990)	¥ 470,630	¥ 1,796,704	¥ 6,755,071	¥ 112,528,862

	Valuation and Translation Adjustments		
	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets
	(Thousands of Yen)		
<b>Balance as of May 31, 2022</b>	¥ 244,304	¥ 244,304	¥ 104,618,336
Cash distributions declared	—	—	(3,219,985)
Net income	—	—	3,565,873
Issuance of new investment units	—	—	7,736,388
Reversal of reserve for temporary difference adjustment	—	—	—
Net changes of items other than unitholders' equity	306,776	306,776	306,776
<b>Balance as of November 30, 2022</b>	¥ 551,080	¥ 551,080	¥ 113,007,387
Cash distributions declared	—	—	(3,485,984)
Net income	—	—	3,558,539
Provision of reserve for reduction entry	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—
Net changes of items other than unitholders' equity	(268,399)	(268,399)	(268,399)
<b>Balance as of May 31, 2023</b>	¥ 282,680	¥ 282,680	¥ 112,811,543

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, 2023 and November 30, 2022

	For the six months ended	
	May 31, 2023	November 30, 2022
	(Thousands of Yen)	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 3,559,144	¥ 3,566,478
Depreciation and amortization	992,321	980,148
(Decrease) increase in allowance for doubtful accounts	(95)	0
Amortization of deferred investment corporation bond issuance costs	4,157	3,500
Amortization of deferred investment units issuance costs	16,123	16,123
Interest income	(67)	(286)
Interest expenses	382,832	369,225
Increase in tenant receivables	(49,158)	(22,981)
Decrease (increase) in consumption taxes receivable	9,775	(9,775)
Increase (decrease) in accrued consumption taxes	122,813	(69,780)
(Increase) decrease in long-term prepaid expenses	(38,853)	2,276
Increase in operating accounts payable	31,536	73,423
Increase (decrease) in accrued expenses	35,390	(20,375)
Increase in advances received	6,893	105,353
(Decrease) increase in deposits received	(5,983)	6,140
Decrease in investment properties in trust other than intangible assets due to sale	123,143	126,442
Decrease in intangible assets in trust due to sale	421,705	421,705
Other, net	(5,659)	20,730
Interest income received	67	563
Interest expenses paid	(364,082)	(369,339)
Income taxes paid	(529)	(681)
<b>Net Cash Provided by Operating Activities</b>	5,241,474	5,198,890
<b>Cash Flows from Investing Activities:</b>		
Proceeds from withdrawals of time deposits	—	1,000,000
Payment for purchases of investment properties other than intangible assets	(6,906,927)	(1,028,072)
Payment for purchases of investment properties in trust	(410,510)	(15,896,601)
Payment for purchases of intangible assets	(2,088,691)	(1,733,236)
Proceeds from tenant security deposits	121,112	68,474
Refunds of tenant security deposits	(24,729)	(43,845)
Proceeds from tenant security deposits in trust	156,524	760,156
Refunds of tenant security deposits in trust	(178,611)	(229,144)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	142	190,392
Deposit of trust deposits corresponding to tenant security deposits in trust	(8,932)	(5,055)
<b>Net Cash Used in Investing Activities</b>	(9,340,624)	(16,916,932)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term debt	1,380,000	—
Repayments of short-term debt	(200,000)	—
Proceeds from long-term debt	14,160,000	9,100,000
Repayments of long-term debt	(7,080,000)	(5,300,000)
Proceeds from issuance of new investment corporation bonds	1,984,311	—
Redemption of investment corporation bonds	—	(1,000,000)
Proceeds from issuance of new investment units	—	7,736,388
Payment of new investment unit issuance costs	—	(46,555)
Distributions paid	(3,485,959)	(3,219,790)
<b>Net Cash Provided by Financing Activities</b>	6,758,352	7,270,041
<b>Net Change in Cash and Cash Equivalents</b>	2,659,202	(4,447,999)
<b>Cash and Cash Equivalents at Beginning of Period</b>	13,176,466	17,624,466
<b>Cash and Cash Equivalents at End of Period (Note 3)</b>	¥ 15,835,669	¥ 13,176,466

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, 2023 and November 30, 2022

### Note 1 – Organization and Basis of Presentation

#### (a) Organization

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

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

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

As of May 31, 2023, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 125 properties with approximately 303,541.90 square meters of rentable space and has leased space to 5,948 tenants. The occupancy rate for the properties is approximately 97.63%.

#### (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, 2023	November 30, 2022
	(Thousands of Yen)	
Investment properties	¥ 214,157,992	¥ 206,173,270

(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.

	<b>For the six-month periods ended</b>	
	<b>May 31, 2023</b>	<b>November 30, 2022</b>
	(Thousands of Yen)	
Capitalized real estate taxes	¥ 25,893	¥ 52,183

(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, 2023	November 30, 2022
	(Thousands of Yen)	
Cash and deposits	¥ 12,502,167	¥ 9,841,698
Cash and deposits in trust	3,829,697	3,822,174
Trust deposits retained for repayment of tenant security deposits	(496,196)	(487,406)
Cash and cash equivalents	¥ 15,835,669	¥ 13,176,466

## Note 4 – Financial Instruments

### (a) Qualitative Information for Financial Instruments

#### Policy for Financial Instrument Transactions

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

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

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

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

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

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

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

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

	As of May 31, 2023			As of November 30, 2022		
	(Thousands of Yen)			(Thousands of Yen)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Investment corporation bonds due within one year	¥ 1,000,000	¥ 997,800	¥ (2,200)	¥ —	¥ —	¥ —
Long-term debt due within one year	11,285,000	11,285,000	—	13,260,000	13,260,000	—
Investment corporation bonds	7,900,000	7,722,740	(177,260)	6,900,000	6,778,150	(121,850)
Long-term debt	88,252,200	88,219,442	(32,757)	79,197,200	79,139,020	(58,179)
<b>Liabilities total</b>	<b>¥108,437,200</b>	<b>¥ 108,224,982</b>	<b>¥ (212,217)</b>	<b>¥ 99,357,200</b>	<b>¥ 99,177,170</b>	<b>¥ (180,029)</b>
<b>Derivatives (*)</b>	<b>¥ 282,680</b>	<b>¥ 266,120</b>	<b>¥ (16,560)</b>	<b>¥ 551,080</b>	<b>¥ 538,318</b>	<b>¥ (12,761)</b>

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

Note:

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

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

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

*Derivatives:*

There are no derivatives to which hedge accounting is not applied as of May 31, 2023 and November 30, 2022.

Derivatives to which hedge accounting is applied are as follows:

Hedge accounting method	Type	Hedged item	As of May 31, 2023		
			Contractual amount		Fair value (*)
			Total	Due after one year	
			(Thousands of Yen)		
Deferral hedge accounting method	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	¥ 57,453,200	¥ 50,748,200	¥ 282,680
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	—	(16,560)
			¥ 62,333,200	¥ 50,748,200	¥ 266,120
Hedge accounting method	Type	Hedged item	As of November 30, 2022		
			Contractual amount		Fair value (*)
			Total	Due after one year	
			(Thousands of Yen)		
Deferral hedge accounting method	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	¥ 59,018,200	¥ 46,238,200	¥ 551,080
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	4,880,000	(12,761)
			¥ 63,898,200	¥ 51,118,200	¥ 538,318

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

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

<b>As of May 31, 2023</b>	<b>Due within one year</b>	<b>Due after one year to two years</b>	<b>Due after two years to three years</b>	<b>Due after three years to four years</b>	<b>Due after four years to five years</b>	<b>Due after five years</b>
	(Thousands of Yen)					
Investment corporation bonds due within one year	¥ 1,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Short-term debt	1,380,000	—	—	—	—	—
Long-term debt due within one year	11,285,000	—	—	—	—	—
Investment corporation bonds	—	—	—	—	2,800,000	5,100,000
Long-term debt	—	13,737,000	14,241,000	14,055,000	11,009,200	35,210,000
<b>Total</b>	<b>¥ 13,665,000</b>	<b>¥ 13,737,000</b>	<b>¥ 14,241,000</b>	<b>¥ 14,055,000</b>	<b>¥ 13,809,200</b>	<b>¥ 40,310,000</b>
	(Thousands of Yen)					
<b>As of November 30, 2022</b>	<b>Due within one year</b>	<b>Due after one year to two years</b>	<b>Due after two years to three years</b>	<b>Due after three years to four years</b>	<b>Due after four years to five years</b>	<b>Due after five years</b>
	(Thousands of Yen)					
Short-term debt	¥ 200,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt due within one year	13,260,000	—	—	—	—	—
Investment corporation bonds	—	1,000,000	—	—	1,800,000	4,100,000
Long-term debt	—	11,935,000	13,986,000	13,262,000	11,305,000	28,709,200
<b>Total</b>	<b>¥ 13,460,000</b>	<b>¥ 12,935,000</b>	<b>¥ 13,986,000</b>	<b>¥ 13,262,000</b>	<b>¥ 13,105,000</b>	<b>¥ 32,809,200</b>



## Note 5 – Investment Properties

Investment properties consist of the following:

	As of May 31, 2023			As of November 30, 2022		
	(Thousands of Yen)			(Thousands of Yen)		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 42,299,997	¥ —	¥ 42,299,997	¥ 37,328,942	¥ —	¥ 37,328,942
Buildings	22,596,022	(5,594,985)	17,001,036	20,707,926	(5,324,277)	15,383,649
Structures	104,048	(50,761)	53,286	97,928	(47,818)	50,110
Machinery and equipment	303,216	(236,759)	66,456	297,097	(231,605)	65,492
Tools, furniture and fixtures	333,684	(184,234)	149,450	307,180	(169,356)	137,823
Land in trust	107,448,883	—	107,448,883	107,493,984	—	107,493,984
Buildings in trust	49,349,356	(14,475,437)	34,873,919	49,139,239	(14,006,566)	35,132,673
Structures in trust	252,891	(115,208)	137,683	249,308	(110,400)	138,908
Machinery and equipment in trust	700,559	(358,050)	342,509	688,313	(341,282)	347,031
Tools, furniture and fixtures in trust	1,374,570	(917,131)	457,439	1,300,534	(866,222)	434,312
Leasehold rights	8,855,074	—	8,855,074	6,766,382	—	6,766,382
Leasehold rights in trust	2,472,255	—	2,472,255	2,893,960	—	2,893,960
<b>Total</b>	<b>¥ 236,090,560</b>	<b>¥(21,932,568)</b>	<b>¥ 214,157,992</b>	<b>¥ 227,270,799</b>	<b>¥ (21,097,528)</b>	<b>¥ 206,173,270</b>

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

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

	As of	
	May 31, 2023	November 30, 2022
	(Thousands of Yen)	
<b>Book value:</b>		
Balance at beginning of period	¥ 206,173,270	¥ 189,189,799
Change during the period	7,984,721	16,983,471
Balance at end of period	¥ 214,157,992	¥ 206,173,270
<b>Fair value</b>	¥ 270,811,000	¥ 259,464,500

### Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. For the six months ended May 31, 2023, the increases are primarily due to acquisition of STAGE NISHIKI and five other properties (¥8,825,234 thousand, at total), and the decreases are primarily due to disposal of GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership) (¥544,848 thousand) and depreciation (¥992,321 thousand). For the six months ended November 30, 2022, the increases are primarily due to acquisition of Shinsaibashi FRONT Building and five other properties (¥17,921,696 thousand), and the decreases are primarily due to disposal of GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership) (¥548,147 thousand) and depreciation (¥980,148 thousand).
3. Fair value is determined based on appraisal values provide by external real estate appraisers with the exception that fair value of HF HATCHOBORI RESIDENCE III as of May 31, 2023 is determined as the transfer price described in the transfer agreement dated April 25, 2023, and fair value of GRACE BUILDING SENGAKUJIMAE as of November 30, 2022 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, 2023	November 30, 2022
(Thousands of Yen)		
<b>Short-term debt</b>		
0.26% unsecured loans due 2023 (Notes 1, 2 and 3)	¥ 1,280,000	¥ 200,000
0.24% unsecured loans due 2024 (Notes 1 and 2)	100,000	—
<b>Total short-term debt</b>	<b>¥ 1,380,000</b>	<b>¥ 200,000</b>
<b>Long-term debt</b>		
0.27% unsecured loan due 2022 (Notes 1 and 2)	¥ —	¥ 500,000
0.38% - 1.08% unsecured loans due 2023 (Notes 1 and 2)	6,180,000	12,760,000
0.38% - 1.21% unsecured loans due 2024 (Notes 1 and 2)	11,935,000	11,935,000
0.38% - 0.94% unsecured loans due 2025 (Notes 1 and 2)	13,986,000	13,986,000
0.37% - 0.98% unsecured loans due 2026 (Notes 1 and 2)	14,162,000	13,262,000
0.47% - 0.71% unsecured loans due 2027 (Notes 1 and 2)	12,105,000	11,305,000
0.57% - 0.70% unsecured loans due 2028 (Notes 1 and 2)	14,209,200	14,209,200
0.57% - 0.98% unsecured loans due 2029 (Notes 1 and 2)	13,020,000	13,020,000
0.51% - 1.05% unsecured loans due 2030 (Notes 1 and 2)	8,370,000	1,000,000
0.55% - 0.69% unsecured loans due 2031 (Notes 1 and 2)	3,000,000	—
0.52% - 0.53% unsecured loan due 2032 (Notes 1 and 2)	1,570,000	480,000
0.54% unsecured loan due 2033 (Notes 1 and 2)	1,000,000	—
Less: amount due within one year	(11,285,000)	(13,260,000)
<b>Total long-term debt due after one year</b>	<b>¥ 88,252,200</b>	<b>¥ 79,197,200</b>

### Notes:

- Interest rates presented are average interest rates applicable to individual loans during the period ended May 31, 2023. The average interest rates are stated after reflecting the effect of the interest rate swaps as to the loans with interest rate swaps for the purpose of hedging the risk of interest rate fluctuations.
- Funds are used for the acquisition of real estate and refinancing of borrowings.
- ¥1,280,000 thousand has been repaid on June 8, 2023, before the repayment date.

HEIWA REAL ESTATE REIT maintains commitment line contracts with four financial institutions. The amounts of unused commitments on loans as of May 31, 2023 and November 30, 2022 are as follows:

	As of	
	May 31, 2023	November 30, 2022
(Thousands of Yen)		
Total amounts of borrowing commitment lines	¥ 7,000,000	¥ 7,000,000
Borrowing execution balances	—	—
Net unused balance	¥ 7,000,000	¥ 7,000,000

## Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

	Issued date	Maturity date	Interest rate	As of			
				May 31, 2023		November 30, 2022	
				(Thousands of Yen)			
2nd unsecured bonds	June 30, 2017	June 30, 2027	0.65%	¥	1,800,000	¥	1,800,000
3rd unsecured bonds	May 7, 2018	May 2, 2028	0.70%		1,000,000		1,000,000
4th unsecured bonds	June 4, 2019	May 31, 2024	0.41%		1,000,000		1,000,000
5th unsecured bonds	June 4, 2019	May 31, 2029	0.82%		1,600,000		1,600,000
6th unsecured bonds	November 25, 2020	November 25, 2030	0.75%		1,500,000		1,500,000
7th unsecured bonds	December 12, 2022	December 10, 2032	0.88%		2,000,000		—
<b>Total</b>				¥	8,900,000	¥	6,900,000

## 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, 2023 and November 30, 2022, respectively.

	As of			
	May 31, 2023		November 30, 2022	
	(Thousands of Yen)			
Cumulative number of treasury investment units cancelled		14,914		14,914
Cumulative amount of treasury investment units cancelled	¥	1,699,990	¥	1,699,990

## Note 10 – Reserve for Temporary Difference Adjustment

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

For the six months ended May 31, 2023	Original amount	Balance as of December 1, 2022	Provision during the period	Reversal during the period	Balance as of May 31, 2023	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,512,720	¥ —	¥ (41,162)	¥ 1,471,558	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 328,532	¥ —	¥ (3,386)	¥ 325,145	Allocation for distributions

Notes:

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

For the six months ended November 30, 2022	Original amount	Balance as of June 1, 2022	Provision during the period	Reversal during the period	Balance as of November 30, 2022	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,551,563	¥ —	¥ (38,842)	¥ 1,512,720	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ 331,919	¥ —	¥ (3,386)	¥ 328,532	Allocation for distributions

Notes:

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

## 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:

	<b>For the six months ended</b>	
	<b>May 31, 2023</b>	<b>November 30, 2022</b>
	<b>(Thousands of Yen)</b>	
<b>Revenues from property leasing:</b>		
Rental revenues:		
Base rents	¥ 6,043,405	¥ 5,947,312
Common area charges	724,187	728,885
Total rental revenues	6,767,593	6,676,198
Other revenues related to property leasing:		
Parking space rental revenues	180,450	175,321
Utility charge revenues	345,599	275,478
Incidental income	163,131	135,419
Cancellation penalty income	24,239	4,986
Others	15,693	18,902
Total other revenues related to property leasing	729,114	610,109
Total revenues from property leasing	7,496,707	7,286,308
<b>Property-related expenses:</b>		
Rental expenses:		
Property management expenses	747,915	746,971
Taxes and dues	477,121	452,513
Utilities expenses	396,635	312,817
Repair expenses	294,309	250,005
Insurance expenses	10,327	9,574
Trust fees	32,297	32,544
Depreciation	992,321	980,148
Others	155,548	152,099
Total property-related expenses	3,106,478	2,936,675
<b>Operating income from property leasing</b>	<b>¥ 4,390,229</b>	<b>¥ 4,349,632</b>

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

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

#### For the six months ended May 31, 2023

	(Thousands of Yen)	
<b>GRACE BUILDING SENGAKUJIMAE (50% interest of quasi co-ownership):</b>		
Proceeds from sales of investment properties	¥	1,109,500
Cost of sales of investment properties		544,848
Other expenses related to sales		11,408
Gain on sales of investment properties	¥	553,243

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

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

### Note 14 – Leases

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

	As of			
	May 31, 2023		November 30, 2022	
	(Thousands of Yen)			
Due within one year	¥	29,072	¥	116,290
Due after one year		—		—
<b>Total</b>	¥	29,072	¥	116,290

## 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, 2023	November 30, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(31.11)	(30.75)
Changes in valuation allowance	(0.17)	(0.23)
Provision of reserve for reduction entry	(0.18)	(0.48)
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

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

	As of	
	May 31, 2023	November 30, 2022
	(Thousands of Yen)	
<b>Deferred tax assets:</b>		
Allowance for doubtful accounts	¥ 7	¥ 37
Valuation differences due to merger	1,946,232	1,952,308
<b>Total deferred tax assets</b>	1,946,239	1,952,345
Valuation allowance	(1,946,239)	(1,952,345)
<b>Net deferred tax assets</b>	¥ —	¥ —



## Note 16 – Distribution Information

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

	For the six months ended			
	May 31, 2023		November 30, 2022	
	(Yen)			
Unappropriated retained earnings	¥	6,755,071,579	¥	6,692,914,288
Reversal of reserve for temporary difference adjustment (Note)		44,549,320		44,549,320
Cash distributions declared		3,519,396,280		3,485,984,290
(Cash distributions per unit)		(3,160)		(3,130)
Provision of reserve for reduction entry		20,499,584		54,947,617
Retained earnings carried forward	¥	3,259,725,035	¥	3,196,531,701

Note: In accordance with transitional measures of the Supplementary Provisions paragraph No. 3 of the Ordinance on Accounting of Investment Corporations (Cabinet Office Order No. 27 of 2015), HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥2,497,604,770, which was the outstanding amount allocated to gain on bargain purchase recognized in past periods from unappropriated retained earnings in the statement of distributions for the six months ended November 30, 2015. The provided amount has been reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2016. HEIWA REAL ESTATE REIT reversed ¥41,162,385 for the six months ended May 31, 2023 and November 30, 2022, respectively.

In addition, HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥338,693,498, which was a part of differences between tax and accounting due to gain on sales of investment properties for the six months ended November 30, 2020. The provided amount is reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2021. HEIWA REAL ESTATE REIT reversed ¥3,386,935 for the six months ended May 31, 2023 and November 30, 2022, respectively.

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

Based on the policy, HEIWA REAL ESTATE REIT declared total distributions of ¥3,519,396,280 and ¥3,485,984,290 for the six months ended May 31, 2023 and November 30, 2022, respectively, which are the amounts calculated by adding reversal of reserve for temporary difference adjustment of ¥44,549,320 (¥40 per unit) and ¥44,549,320 (¥40 per unit) to the amount calculated by deducting ¥83,692,918 and ¥124,438,160 including provision of reserve for reduction entry of ¥20,499,584 and ¥54,947,617 in application of "Special provisions for taxation in case of replacement of specified assets" of Article 65-7 of the Special Taxation Measure Act of Japan from net income of ¥3,558,539,878 and ¥3,565,873,130 for the six months ended May 31, 2023 and November 30, 2022, respectively. Furthermore, HEIWA REAL ESTATE REIT does not make cash distributions in excess of profit as set forth in Article 32(2) of HEIWA REAL ESTATE REIT's Articles of Incorporation.

## Note 17 – Per Unit Information

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

	For the six months ended			
	May 31, 2023		November 30, 2022	
	(Yen)			
<b>Earnings per unit:</b>				
Net income per unit	¥	3,195	¥	3,202
Weighted average number of units outstanding (units)		1,113,733		1,113,319
	As of			
	May 31, 2023		November 30, 2022	
	(Yen)			
Net assets per unit	¥	101,291	¥	101,467

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, 2023

Classification	Name	Location	Capital stock (Thousands of Yen)	Principal business	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of Yen)	Account	Balance at the end of period (Thousands of Yen)
Major corporate unitholder	HEIWA REAL ESTATE CO., LTD.	Chuo-ku, Tokyo	¥21,492,822	Real estate	12.9% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Note 2)	¥ 9,124	Operating accounts payable	¥ 662
							Sale of trust beneficiary interests in real estate (Note 3)	1,110,947	-	-
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 4)	Chuo-ku, Tokyo	134,000	Property management	-	Provision of property management services	Payment of property management fees (Note 5)	265,828	Operating accounts payable	47,808
							Payment of insurance premium	10,055	-	-
	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	784,490 (Note 6)	Accrued expenses	765,317

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. ¥5,210 thousand
- The sale of trust beneficiary interests in real estate is related to GRACE BUILDING SENGAKUJIMAE. The amount of transaction is the transfer price for the 50% interest of quasi co-ownership of the transferred trust beneficiary interests in real estate stated in the transfer agreement. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The property management fees include building management fees which HEIWA REAL ESTATE Property Management Co., Ltd. paid to the following subcontractor.  
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥39,947 thousand
- The asset management fees include acquisition fees and transfer fees of ¥88,747 thousand.

For the six months ended November 30, 2022

Classification	Name	Location	Capital stock (Thousands of Yen)	Principal business	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Thousands of Yen)	Account	Balance at the end of period (Thousands of Yen)
Major corporate unitholder	HEIWA REAL ESTATE CO., LTD.	Chuo-ku, Tokyo	¥21,492,822	Real estate	12.9% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Note 2)	¥ 8,598	Operating accounts payable	¥ 662
							Purchase of trust beneficiary interests in real estate (Note 3)	7,805,871	-	-
							Purchase of real estate (Note 4)	2,473,681	-	-
							Sale of trust beneficiary interests in real estate (Note 5)	1,109,500	-	-
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 6)	Chuo-ku, Tokyo	134,000	Property management	-	Provision of property management services	Payment of property management fees (Note 7)	274,115	Operating accounts payable	49,870
							Payment of insurance premium	9,286	-	-
							Payment of repair work	128,653	Operating accounts payable	23,557
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 6)			295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees (Note 8)	804,818 (Note 8)	Accrued expenses

Notes:

- Terms and conditions of transactions are determined based on market price.
- The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractors.  
HEIWA REAL ESTATE Property Management Co., Ltd. ¥4,881 thousand  
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥102 thousand
- The purchase of trust beneficiary interests in real estate is related to SAKAE CENTER BUILDING, IWAMOTOCHO TWIN BUILDING and IWAMOTOCHO TWIN SAKAE BUILDING. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The purchase of real estate is related to HF KAWAGUCHIEKIMAE RESIDENCE and HF HIGASHIOGU RESIDENCE. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The sale of trust beneficiary interests in real estate is related to GRACE BUILDING SENGAKUJIMAE. The amount of transaction is the transfer price for the 50% interest of quasi co-ownership of the transferred trust beneficiary interests in real estate stated in the transfer agreement and does not include other ancillary expenses related to the transfer.
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The property management fees include building management fees which HEIWA REAL ESTATE Property Management Co., Ltd. paid to the following subcontractor.  
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥46,285 thousand
- The asset management fees include acquisition fees and transfer fees of ¥129,797 thousand.

## Note 19 – Transactions with Major Unitholders

Amounts of transactions with major unitholders are as follows:

	For the six months ended			
	May 31, 2023		November 30, 2022	
	(Thousands of Yen)			
Gain on sales of investment properties (Other expenses related to sales)	¥	553,243	¥	549,904
Property-related expenses		9,124		8,598

## 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 22, 2023 and May 25, 2023, 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, 2023, and June 27, 2023, respectively. As a result, the amount of unitholders' capital is ¥102,992,000 thousand and the number of investment units issued is 1,149,933 as of August 29, 2023.

1. Issuance of new investment units through public offering
  - (1) Number of investment units issued 34,500 units
  - (2) Issue price (offer price) ¥148,239 per unit
  - (3) Total amount of the issue ¥5,114,245,500
  - (4) Paid-in amount (issue amount) ¥143,449 per unit
  - (5) Total paid-in amount (total issue amount) ¥4,948,990,500
  - (6) Payment date June 1, 2023
2. Issuance of new investment units through third-party allotment
  - (1) Number of investment units issued 1,700 units
  - (2) Paid-in amount (issue amount) ¥143,449 per unit
  - (3) Total paid-in amount (total issue amount) ¥243,863,300
  - (4) Allottee SMBC Nikko Securities Inc.
  - (5) Payment date June 27, 2023

### B. Acquisition of Assets

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT acquired two real estate trust beneficiary rights on June 6, 2023 and one real estate trust beneficiary right on August 3, 2023 (total acquisition price of ¥8,820,000 thousand).

#### Of-55 Kitahama 1-Chome Heiwa Building

Type of specified asset	Real estate trust beneficiary right (75% interest of quasi-co-ownership)
Agreement date	May 22, 2023
Acquisition date	June 6, 2023
Acquisition price (Note 1)	¥3,370,000 thousand
Location (lot number)	1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka
Purpose of use	Office, store and parking
Construction date	February 28, 2015
Structure	Steel beam / steel-framed reinforced concrete with flat roof, 1 floor below ground and 9 floors above ground
Total floor space (Note 2)	4,106.49m <sup>2</sup>
Total rentable space (Note 3)	2,714.28m <sup>2</sup>

Notes:

1. "Acquisition price" is the price described in the real estate trust beneficiary right quasi-co-ownership purchase agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
2. "Total floor space" is calculated by multiplying the total floor space of one building by 75% interest of quasi-co-ownership.
3. "Total rentable space" is calculated by multiplying the total rentable space of one building by 75% interest of quasi-co-ownership.

Of-56 Heiwa Real Estate Kitahama Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	May 22, 2023
Acquisition date	June 6, 2023
Acquisition price (Note)	¥1,650,000 thousand
Location (lot number)	2-1-5 Kitahama, Chuo-ku, Osaka City, Osaka
Purpose of use	Office and store
Construction date	October 1, 2011
Structure	Steel beam / steel-framed reinforced concrete with flat roof, 1 floor below ground and 10 floors above ground
Total floor space	2,315.59m <sup>2</sup>
Total rentable space	1,623.62m <sup>2</sup>

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-57 Prime Tower Yokohama

Type of specified asset	Real estate trust beneficiary right
Agreement date	July 31, 2023
Acquisition date	August 3, 2023
Acquisition price (Note)	¥3,800,000 thousand
Location (lot number)	89-6, Yamashita-cho, Naka-ku, Yokohama City, Kanagawa
Purpose of use	Office and parking
Construction date	January 24, 1986
Structure	Steel-framed reinforced concrete/ reinforced concrete with flat roof, 2 floors below ground and 8 floors above ground
Total floor space	7,555.33m <sup>2</sup>
Total rentable space	4,446.56m <sup>2</sup>

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.

**C. Disposition of Assets**

Based on the basic policies of asset management, etc., set out in its Article of Incorporation, HEIWA REAL ESTATE REIT entered into a transfer agreement of real estate trust beneficiary right as described below on April 25, 2023.

Re-41 HF HATCHOBORI RESIDENCE III

Type of specified asset	Real estate trust beneficiary right
Location (lot number)	2-17-8 Shinkawa, Chuo-ku, Tokyo
Scheduled transfer price (Note 1)	¥ 1,300,000thousand
Estimated book value (Note 2)	¥671,000 thousand
Agreement date	April 25, 2023
Scheduled disposition date (Note 3)	August 31, 2023
Transferee (Note 4)	Not disclosed

Notes:

1. “Scheduled transfer price” is the price described in the real estate trust beneficiary right transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
2. “Estimated book value” represents the estimated carrying amount of real estate trust beneficiary right as of August 31, 2023, the scheduled date of the transfer.
3. The real estate trust beneficiary right transaction agreement (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 real estate trust beneficiary right subject to the sale and purchase. HEIWA REAL ESTATE REIT believes that the payment of such cancellation penalty charge is remote and the possibility of having a significant impact on the financial position of HEIWA REAL ESTATE REIT is low because HEIWA REAL ESTATE REIT is the seller in the real estate trust beneficiary right transaction agreement.

4. Not disclosed as consent has not been obtained from the transferee.

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

HEIWA REAL ESTATE REIT borrowed funds as described below to partly fund for acquisitions of one office property acquired on August 3, 2023, (as described in *B. Acquisition of Assets* above) (total borrowing amount of ¥4,000,000 thousand.)

##### Term loan-72-1

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	August 3, 2023	May 31, 2024 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

##### Term loan-72-2

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Development Bank of Japan Inc.	¥1,000,000	August 3, 2023	November 28, 2031 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

##### Term loan-72-3

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Sumitomo Mitsui Trust Bank, Limited.	¥1,000,000	August 3, 2023	May 31, 2032 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

##### Term loan-72-4

Lender	Borrowing Amount (Thousands of Yen)	Borrowing Date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Resona Bank, Limited	¥1,000,000	August 3, 2023	November 30, 2032 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

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