

**Semiannual Financial Report**  
**The 40th Fiscal Period**  
(From June 1, 2021 to November 30, 2021)

**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, the Investment Corporation 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 Investment Corporation 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 Investment Corporation announced “NEXT VISION”, its new medium- to long-term targets, in July 2021. Under this, the Investment Corporation 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 Investment Corporation. It recognizes that efforts to build a sustainable society contribute to the sustainable growth of the Investment Corporation. The Investment Corporation establishes ESG targets and strives to achieve them as one of its growth strategies.

The Investment Corporation 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 40th fiscal period

The REIT is striving based on its Basic Philosophy of “Steady Growth of Assets Under Management” and “Stable Medium- to Long-Term Profits,” as well as “cooperation with and use of the Heiwa Real Estate Group” (below, collectively referring to Heiwa Real Estate Co., Ltd. and the subsidiaries of Heiwa Real Estate; the same hereinafter) to manage its assets with the purpose of maximizing investor’s value. Following is a summary of our asset management during the 40th fiscal period.

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

Investment units in the REIT have been listed on the Real Estate Investment Trust Section (J-REIT Section) of the Tokyo Stock Exchange (below, TSE) since March 8, 2005 (Securities Code: 8966). Between then and the start of the fiscal period under review, the REIT executed a capital increase through public offering and underwriting of new investment units issued through private placement on several occasions, an investment unit split and investment unit issuance through a merger with Japan Single-residence REIT Inc. On October 1, 2010 (below, this event is referred to as the merger) and a cancellation of treasury investment units in September 2020. In the fiscal period under review, the REIT acquired one office building and three residences using funds raised by means such as a capital increase via a public offering conducted in June 2021. As a result, total investment units outstanding were 1,055,733 and unitholders’ capital was 90,063 million yen as of the end of the 40th fiscal period (November 2021).

#### (ii) Operating environment

Under the effects of COVID-19’s spread, moves that restrain economic activities continued in Japan in the fiscal period under review, including a state of emergency declared in areas centered on large cities on several occasions and its subsequent extensions. Infections with more contagious variants are also spreading. The situation remains unpredictable. Overseas trends also appear to require attention, given lingering uncertainty about overseas economies due to the prolonged stagnation of economic activities connected with U.S.-China trade friction and COVID-19’s spread.

In this environment, the TSE REIT index continued to surpass 2,000 points, shifting from 2,073.55 points at the end of the previous fiscal period (May 31, 2021) to 2,002.58 points at the end of the fiscal period under review (November 30, 2021).

#### (a) Office building leasing market

According to the latest office building market data from Miki Shoji Co., Ltd., the rise in the average office building vacancy rate in the five central wards of Tokyo (Chiyoda, Chuo, Minato, Shinjuku and Shibuya) slowed, reflecting observed moves to conclude contracts for purposes including office expansion and relocation, offsetting tenant contract cancellations chiefly due to an increasing shift to working from home, as well as office downsizing and consolidation by companies worried about the outlook under the pandemic. The average office building vacancy rate rose slightly from 5.90% at the end of the previous fiscal period (May 31, 2021) to 6.35% at the end of the fiscal period under review (November 30, 2021). Meanwhile, the average rent fell for 16 consecutive months from August 2020, plunging from 21,249 yen/subo at the end of the previous fiscal period, to 20,686 yen/subo at the end of the fiscal period under review.

The impact of COVID-19 on the office building market is still significant. However, with vacancy rates trending down since last autumn and more tenants starting to use the COVID-19 pandemic as an opportunity to review their office strategies, the REIT believes that uncertainty associated with cancellation by tenants due to business size reductions and cost-saving measures, among other factors, is declining. COVID-19’s spread affected occupancy rates for office building assets in the REIT’s portfolio. However, the pandemic’s effects were limited. The occupancy rates remained at high levels.

#### (b) Residential leasing market

According to At Home Co., Ltd., the average condominium contract rent in major cities across Japan (nine areas including the metropolis of Tokyo, three surrounding prefectures, Sendai City, Nagoya City, Osaka City and Fukuoka City) continued to fall in the area zone of 50m<sup>2</sup> or less in Tokyo’s 23 wards in November 2021. However, the average contract rent continued to rise in the area zone in excess of 70m<sup>2</sup>, reaching the highest level since January 2015 in Tokyo’s 23 wards, the other sections of the metropolis of Tokyo, Saitama Prefecture, Chiba

Prefecture and Osaka City. According to the Survey Report on the Statistics of Construction Starts published in November 2021, the number of new housing starts (rental housing) decreased for 30 consecutive months until February 2021. However, the number of new housing starts took an upward turn in March 2021 and increased for 9 consecutive months from that point. With supply stabilizing as in the previous fiscal period, demand and supply remained stable. However, the number of move-ins decreased with the spread of COVID-19. Rental housing demand appears somewhat weaker. The occupancy rate for residential assets in the REIT's portfolio remained stable in the fiscal period under review attributable to various measures taken. The impact of deteriorating economic conditions was limited. Their effects on short-term operations are assumed to be insignificant.

#### (c) Real estate

According to the Land Price Research by Prefectural Governments as of July 1, 2021, which was published in September 2021, the average prices for all types of land began fluctuating and increased in Japan's three major metropolitan areas of Tokyo, Osaka and Nagoya. Looking at their breakdown, prices for land in residential areas stopped falling and stabilized while prices for land in commercial areas climbed for the ninth consecutive year, although the rate of increase was lower. Meanwhile, in regional areas (areas excluding the three major metropolitan regions), prices for land in residential areas kept declining at a lower rate, and prices for land in commercial areas fell for the second consecutive year with a higher rate of decrease.

In government ordinance-designated regional cities, which the REIT considers as its investment targets, prices of land in both residential and commercial areas continue to rise at lower rates or decrease. Market conditions for land prices in those cities appear weaker.

Demand appears to have weakened with uncertainty about the future under COVID-19, causing prices in general to rise at lower rates or continue to fall. This situation has become prolonged. Real estate market conditions appear to require continued monitoring.

#### (iii) Management performance

##### (a) External growth

The REIT took a range of measures, including the increase of capital through public offering in June 2021, for the purpose of strengthening the financial foundations while simultaneously seeking to expand assets and achieve improvements in profitability and quality with respect to its portfolio. Mainly by using the funds, the REIT acquired one office building (Of-47 OSAKI CN BUILDING [trust beneficiary rights, acquisition price: 5,160 million yen]) and three residences (Re-95 HF SHOKOJI AKABANE RESIDENCE II [real estate, acquisition price: 1,690 million yen], Re-96 HF YAHIRO RESIDENCE [real estate, acquisition price: 1,220 million yen] and Re-97 HF SETAGAYAKAMIMACHI RESIDENCE [real estate, acquisition price: 700 million yen]) on June 4, 2021, one residence (Re-98 HF SOKA RESIDENCE [real estate, acquisition price: 1,300 million yen]) on September 29, 2021, and one office building (Of-48 Faret East Building [real estate, acquisition price: 1,010 million yen]) on October 29, 2021, while on the other hand selling one residence (Re-67 HF KYUDAIBYOINMAE RESIDENCE [trust beneficiary rights, acquisition price: 426 million yen]) on November 29, 2021.

As a result, portfolio assets as of the end of the period were 114 properties (total acquisition price: 194,790 million yen), including 35 office buildings (total acquisition price of 89,072 million yen) and 79 residential buildings (total acquisition price of 105,718 million yen).

##### (b) Internal growth

The REIT has consistently endeavored to increase profitability by improving and maintaining its occupancy rates. During the 40th fiscal period, the REIT continued to be engaged in tenant leasing activities, working to shorten vacancy duration as well as systematic efforts to increase its investment value based on tenant needs and the characteristics of each individual property. Supported by these and other initiatives for maintaining and improving the competitiveness of its assets, the occupancy rate for all properties held by the REIT came to 97.7% at the end of the fiscal period under review. The REIT was able to stabilize the occupancy rate, which had reached 97.4% at the end of the previous fiscal period, at a high level throughout the fiscal period under review. The average month-end occupancy rate for the period under review stood high at 97.3%. 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 December 1, 2021

Property no.	Old name	New name
Of-46	TORYO BUILDING	HF SENDAI ICHIBANCHO BUILDING

## (iv) Procurement of funds

The REIT procured capital through public offering (number of investment units issued: 53,100, total issue price: 8,272,077 thousand yen) on June 1, 2021 and through third-party allotment (number of investment units issued: 2,700, total issue price: 420,614 thousand yen) on June 29, 2021, and took out Term Loan 52 (loan amount: 400 million yen) on June 4, 2021, Term Loan 53 (loan amount: 1,390 million yen) on September 29, 2021, and Term Loan 54 (loan amount: 1,000 million yen) on October 29, 2021 for the purpose of using such funds for property acquisition, etc. In addition, the REIT took out Term Loan 55 Tranche A (loan amount: 480 million), Tranche B (loan amount: 780 million yen), Tranche C (loan amount: 900 million yen) and Tranche D (loan amount: 3,860 million yen) on October 29, 2021 to repay Term Loan 23 Tranche B (loan balance: 800 million yen), Term Loan 26 Tranche B (loan balance: 480 million yen), Term Loan 28 Tranche A (loan balance: 940 million yen), Term Loan 29 Tranche B (loan balance: 1,400 million yen), and Term Loan 40 Tranche A (loan balance: 2,400 million yen), the principal repayment of which was due on the same day.

An overview of the loans is provided below. These loans enabled the REIT to reduce the concentration of redemption dates (average borrowing period as of November 30: 7.1 years; average remaining period: 4.0 years) while at the same time achieving the borrowing cost at a low level (average borrowing interest rate as of November 30: 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, 2021 to May 31, 2022) with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd and Resona Bank, Ltd.

As a result, the total interest-bearing liabilities amount (Note) at period end was 90,857 million yen (Ratio of interest-bearing liabilities to total assets at end of period (Note): 44.71%).

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

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

Credit rating agency	Issuer rating
Japan Credit Rating Agency, Ltd. (JCR)	Rating: A+; rating outlook: positive

## (v) Performance and distributions

The management described above led to 40th fiscal period results of 6,876 million yen in operating revenues, 3,361 million yen in operating income, after deducting interest expenses on loans, 2,972 million yen in ordinary income, and 2,971 million yen in net income. With respect to the distribution of monies (“distributions”) stipulated in Article 137 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951 and subsequent amendments), distributions shall be not more than the amount of unappropriated retained earnings at the end of the fiscal period under review and are defined as anything in excess of 90% of the “amount of distributable income” stipulated in Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957 and subsequent amendments; the “Special Taxation Measures Act”) in accordance with the stipulations of Article 32, paragraph 1 of its Articles of Incorporation (“bylaws”). Based on this policy, the REIT decided to pay out 3,051,068,370 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 79,219,037 yen to the net income of 2,971,849,333 yen for the fiscal period under review. As a result, distributions per unit have come to 2,890 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)

(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 issue amount: 155,783 yen) 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 issue amount of 155,783 yen per unit (Note 2), 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	36th FP	37th FP	38th FP	39th FP	40th FP
Closing date	November 30, 2019	May 31, 2020	November 30, 2020	May 31, 2021	November 30, 2021
High	146,500	150,000	121,000	168,400	179,800
Low	121,300	66,100	96,700	115,900	150,700

## (3) Distributions

Under the REIT's bylaws, distributions shall be not more than the amount of unappropriated retained earnings at the end of the fiscal period under review 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 3,051,068,370 yen as distributions from earnings by appropriating the reversal of reserve for adjustment of temporary differences of 79,219,037 yen to the net income of 2,971,849,333 yen for the fiscal period under review.

As a result, distributions per unit have come to 2,890 yen.

Fiscal period		36th FP	37th FP	38th FP	39th FP	40th FP
		November 30, 2019	May 31, 2020	November 30, 2020	May 31, 2021	November 30, 2021
Unappropriated retained earnings	thousand yen	4,913,382	5,205,178	5,933,582	5,871,290	6,083,325
Reserve for temporary difference adjustment	thousand yen	—	—	338,693	—	—
Reversal of reserve for temporary difference adjustment	thousand yen	40,593	40,593	39,997	39,997	79,219
Retained earnings	thousand yen	2,416,858	2,657,912	2,955,065	3,111,475	3,111,475
Total distributions	thousand yen	2,537,117	2,587,859	2,679,820	2,799,812	3,051,068
Distributions per unit (excluding distributions in excess of earnings)	yen	(2,500)	(2,550)	(2,680)	(2,800)	(2,890)
Distributions of profit	thousand yen	2,537,117	2,587,859	2,679,820	2,799,812	3,051,068
(Distributions of profit per unit)	yen	(2,500)	(2,550)	(2,680)	(2,800)	(2,890)
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 two properties and acquiring eleven new properties of good quality (including two additional acquisitions) in the period from the previous fiscal period to the fiscal period under review. While the REIT will continue to seek expansion in the scale of its assets in the future, it will also consider the replacement of assets, strive to enhance its medium- to long-term portfolio quality and aim to maximize investor value. Although the situation with regard to the financing environment and expectations for higher property prices on the back of the economic recovery may change due to the COVID-19 pandemic, companies' appetite for the acquisition of properties is unlikely to weaken dramatically and the acquisition environment is likely to remain extremely challenging. We will endeavor to promptly obtain information on excellent properties by using our pipeline with Heiwa Real Estate and building up our unique information routes as an asset management company. As a basic strategy, we aim to increase opportunities for primarily acquiring properties owned and developed by Heiwa Real Estate, and additionally for acquiring properties owned and developed by other developers to expand our portfolio, contributing to stable profitability over the medium to long term.

##### (b) Internal growth

The REIT believes that by using the database and information network developed by the Heiwa Real Estate Group and its property management company, it can quickly detect leasing market trends and conduct precise property management, enabling it to maintain and increase occupancy rates and rent levels in assets under management. The REIT expects that the COVID-19 pandemic will have a limited impact on the office building leasing market in the next fiscal period. It will, however, be necessary to monitor changes in office demand stemming from more widespread teleworking in addition to changing economic, business and other trends in Japan and overseas. Meanwhile, in the residential leasing market, demand for small city-center units may decline judging from the signs of changes in property demand associated with the normalization of teleworking and a tendency to move to the suburbs to avoid high-density areas, but the REIT intends to exercise management carefully tailored to the characteristics of individual properties based on a close observation of market conditions.

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

##### (c) Financial strategy

The REIT is actively implementing measures in an effort to stabilize its financial foundations and achieve sustainable growth. Concerning borrowings, the REIT will continue to strive to extend its borrowing periods and diversify maturities by maintaining an appropriate loan-to-value ratio, while promoting measures to reduce risks from higher interest rates in the future and cut financial costs. It will also endeavor to further strengthen its bank formation by strengthening its relationships with financial institutions. The REIT will also issue investment corporation bonds, while keeping a close watch on the effect of reducing financial costs and trends in the financial market. As part of its unitholder returns policy, the REIT will also consider the acquisition and cancellation of treasury investment units based on comprehensive consideration of factors such as the level of the investment unit price, the situation of cash reserves, financial conditions and the market environment. By implementing these measures and initiatives on a continuous basis, the REIT will strive to build sound financial systems that are resilient to changes in the funding environment.



## (d) Promotion of more timely disclosure

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

## (5) Significant subsequent events

## A. Asset Acquisitions

The REIT acquired one property (acquisition price: 900 million yen) on December 22, 2021, trust beneficial interest in one property (acquisition price: 2,500 million yen) on December 23, 2021 and one property (acquisition price: 600 million yen) on December 24, 2021 in accordance with the basic policy and the like set out in its bylaws.

## Property no.: Re-99; Property name: HF UENO IRIYA RESIDENCE

Type of asset acquired	Real estate and land lease rights (Note 2)
Contract date	December 14, 2021
Acquisition date	December 22, 2021
Acquisition price (Note 1)	900 million yen
Location (residential address)	1-12-1, Iriya, Taito-ku, Tokyo
Use	Residence
Completed	August 31, 2016
Structure	Reinforced concrete flat roof 12 floors above ground
Total floor area	1,146.77 m <sup>2</sup>
Total rentable area	993.85 m <sup>2</sup>

(Note 1) The acquisition price is the price described in the trust beneficial interest transaction agreement or real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) The asset acquired consists of a building and leasehold rights. The leasehold rights are ordinary leasehold rights.

## Property no.: Of-49; property name: Inter Planet ESAKA Building

Type of asset acquired	Trust beneficial interest in real estate
Contract date	December 14, 2021
Acquisition date	December 23, 2021
Acquisition price (Note 1)	2,500 million yen
Location (residential address)	1-13-48 Esakacho, Suita City, Osaka
Use	Office
Completed	June 5, 2008
Structure	Steel construction Flat roof 9 floors above ground
Total floor area	4,025.10 m <sup>2</sup>
Total rentable area	3,047.22 m <sup>2</sup>

(Note 1) The acquisition price is the price described in the trust beneficial interest transaction agreement or real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

## Property no.: Of-48; property name: Faret East Building(Additional acquisition 10.26%)

Type of asset acquired	Real estate
Contract date	December 14, 2021
Acquisition date	December 24, 2021
Acquisition price (Note 1)	600 million yen
Location (residential address)	2-34-7 Akebonocho, Tachikawa City, Tokyo

Use	Office, Store, and Storage
Completed	December 15, 1994
Structure	Steel beam/steel-framed reinforced concrete, flat roof, 12 floors above ground with 1 floor in the basement
Total floor area(Note 2) (Note 3)	1,662.07 m <sup>2</sup>
Total rentable area	1,056.04 m <sup>2</sup>

(Note 1) The acquisition price is the price described in the trust beneficial interest transaction agreement or real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) The portion acquired by the REIT recently is the 701 lot (Right-of-site ratio: 10.2557%).

(Note 3) The building is a sectional ownership-based property. The area stated is a figure calculated by multiplying the total floor area in the entire building by 10.2557%, which is a right-of-site-ratio.

**Property no.: Re-100; property name: HF TSUJIDO RESIDENCE**

Type of asset acquired	Real estate
Contract date	February 2, 2022
Acquisition date	February 28, 2022
Acquisition price (Note 1)	1,870 million yen
Location (residential address)	2-2-26, Tsujidokandai, Fujisawa-city, Kanagawa
Use	Residence and store
Completed	March 7, 2011
Structure	Reinforced concrete (partially steel construction) 14 floors above ground
Total floor area	3,604.50m <sup>2</sup>
Total rentable area	3,272.90m <sup>2</sup>

(Note 1) The acquisition price is the price described in the trust beneficial interest transaction agreement or real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

## B. Borrowing of Loans

The REIT took out loans (total loan amount: 5,900 million yen) on December 22, 2021, December 23, 2021 and December 24, 2021 and February 28, 2022 to partially fund the purchase of one residence property acquired on December 22, 2021, one office property acquired on December 23, 2021, one office property acquired on December 24, 2021 and one residence property acquired on February 28, 2022 (see “A. Asset Acquisitions” above).

## [Term Loan 56]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Mizuho Trust & Banking Co., Ltd.	900 million yen	May 31, 2029 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	Unsecured Non-guaranteed

## [Term Loan 57 (1)]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation	500 million	December 30, 2022 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	Unsecured Non-guaranteed

## [Term Loan 57 (2)]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Nippon Life Insurance Company	1,000 million yen	December 22, 2028 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	Unsecured Non-guaranteed

## [Term Loan 57 (3)]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Trust Bank, Limited	1,000 million yen	November 29, 2030 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	Unsecured Non-guaranteed

## [Commitment line]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd. Mizuho Bank, Ltd. Resona Bank, Limited.	600 million yen	February 24, 2022 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	Unsecured Non-guaranteed

## [Term Loan 59 (1)]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Resona Bank, Limited.	700 million	May 31, 2029 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	Unsecured Non-guaranteed

## [Term Loan 59 (2)]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Shinsei Bank, Limited.	1,200 million yen	November 30, 2029 (Note)	Lump sum repayment on the principal repayment date	To fund for acquisition of property and others	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.

The REIT took out loans (loan amount: 600 million yen) on February 24, 2022 to refinance the borrowing based on commitment line contracts as described above (loan amount: 600 million yen).

## [Term Loan 58]

Lender	Loan amount	Principal repayment date	Principal repayment method	Purpose	Summary
Mizuho Trust & Banking Co., Ltd.	600 million yen	November 30, 2029 (Note)	Lump sum repayment on the principal repayment date	To fund for repayment of existing borrowings	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.

## 2. Overview of the Investment Corporation

### (1) Overview of investment units

Fiscal period		36th FP	37th FP	38th FP	39th FP	40th FP
		November30, 2019	May 31, 2020	November30, 2020	May 31, 2021	November30, 2021
Total number of authorized investment units		8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total number of investment units issued and outstanding		1,014,847	1,014,847	999,933	999,933	1,055,733
Unitholders' capital	million yen	81,370	81,370	81,370	81,370	90,063
Number of unitholders		11,566	11,797	11,699	10,906	11,034

### (2) Matters concerning investment units

The following represents major unitholders as of November 30, 2021

Name	Units Owned (units)	Ownership Ratio (Note) (%)
Custody Bank of Japan, Ltd. (trust account)	243,981	23.11
The Master Trust Bank of Japan, Ltd. (trust account)	182,778	17.31
Heiwa Real Estate Co., Ltd.	143,845	13.62
The Nomura Trust and Banking Co., Ltd. (trust account)	39,532	3.74
Custody Bank of Japan, Ltd. (securities investment trust account)	21,862	2.07
STATE STREET BANK WEST CLIENT -TREATY 505234	15,548	1.47
SCBHK AC LIECHTENSTEINISCHE LANDESBANK AG	14,401	1.36
SMBC Nikko Securities Inc.	13,875	1.31
JP MORGAN CHASE BANK 385781	11,901	1.12
Shikoku Railway Company	10,249	0.97

Total	697,972	66.11
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(Note) The ratio of number of investment units owned to number of investment units outstanding is rounded down to the second decimal place.

## (3) Matters relating to officers

The Executive Director, Supervisory Directors and accounting auditor in the 40th 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	—	13,660 (Note 3)

(Note 1) No Executive Director or Supervisory Directors have any investment units of the Investment Corporation 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 Investment Corporation.

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

(Note 3) The amount includes compensation for an audit of English-language financial statements for the 39th fiscal period financial statements and compensation for the preparation of a comfort letter related to the issuance of new investment units in June 2021.

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

The asset management company, asset custody company and administrative service contractors at the end of 40th 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	39th Fiscal Period (As of May 31, 2021)		40th Fiscal Period (As of November 30, 2021)	
			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	7,598	4.0	7,577	3.7
		Metropolitan Area (Note 3)	3,466	1.8	4,483	2.2
		Other (Note 4)	2,628	1.4	2,645	1.3
	Residence	Tokyo 23 Wards	23,363	12.2	27,109	13.3
		Metropolitan Area (Note 3)	5,023	2.6	6,382	3.1
		Other (Note 4)	7,809	4.1	7,828	3.9
Subtotal			49,890	26.1	56,026	27.6
Real estate in trust (Note 2)	Office	Tokyo 23 Wards	52,382	26.7	57,527	28.3
		Metropolitan Area (Note 3)	4,837	2.6	4,830	2.4
		Other (Note 4)	11,039	5.9	10,958	5.4
	Residence	Tokyo 23 Wards	38,949	21.1	38,865	19.1
		Metropolitan Area (Note 3)	2,887	1.5	2,906	1.4
		Other (Note 4)	16,634	8.9	16,163	8.0
Subtotal			126,730	66.4	131,252	64.6
Real estate, etc., subtotal			176,621	92.5	187,279	92.2
Deposits and other assets			14,365	7.5	15,927	7.8
Total assets			190,986	100.0	203,206	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 Investment Corporation at the end of the 40th 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 (Note 1) (m <sup>2</sup> )	Rental area (Note 2) (m <sup>2</sup> )	Occupancy rate (Note 3) (%)	Ratio of total rent revenue-real estate (Note 4) (%)	Main use
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	6,309	8,141.02	7,740.22	95.1	3.2	Residence
Re-25	HF GINZA RESIDENCE EAST	5,432	5,459.49	5,282.46	96.8	2.0	Residence
Of-47	OSAKI CN BUILDING	5,190	3,237.77	2,822.99	87.2	1.4	Office
Of-25	KAYABACHO HEIWA BUILDING	4,721	4,156.53	4,156.53	100.0	3.1	Office
Of-30	HF SAKURADORI BUILDING	4,412	9,934.77	9,934.77	100.0	4.9	Office
Of-38	ACROSS SHINKAWA BUILDING	3,888	3,828.92	3,784.85	98.8	2.0	Office, Residence
Of-45	KABUTO-CHO UNI-SQUARE	3,623	2,737.77	2,737.77	100.0	1.6	Office
Re-20	HF SHIROKANETAKANAWA RESIDENCE	3,574	4,457.76	4,428.74	99.3	1.9	Residence
Of-20	FUNABASHI FACE BUILDING	3,455	2,520.22	2,520.22	100.0	1.8	Office
Of-33	HF UENO BUILDING	3,443	4,168.79	4,168.79	100.0	2.1	Office
	Total	44,052	48,643.04	47,577.34	97.8	24.0	

(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 Investment Corporation at the end of the 40th fiscal period.

	Property name	Address (Note 1)	Form of asset	Appraisal Value 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	1,721	1,368
Of-06	HF MONZENNAKACHO BUILDING	2-1-9 Tomioka, Koto-ku, Tokyo	Trust beneficial interest	2,890	2,234
Of-07	HF HAMAMATSUCHO BUILDING	2-12-9 Shiba Daimon, Minato-ku, Tokyo	Trust beneficial interest	1,880	1,504
Of-08	HF TAMEIKE BUILDING	2-12-10 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,120	2,746
Of-09	GRACE BUILDING SENGAKUJIMAE	2-15-8 Takanawa, Minato-ku, Tokyo	Trust beneficial interest	1,670	1,104
Of-11	HF NIHONBASHI ODENMACHO BUILDING	2-7 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Trust beneficial interest	2,270	2,172
Of-12	HF HATCHOBORI BUILDING	3-12-8 Hatchobori, Chuo-ku, Tokyo	Real estate	2,740	3,025
Of-17	HATCHOBORI MF BUILDING	1-2-9 Irifune, Chuo-ku, Tokyo	Real estate	1,060	1,089
Of-18	M2 HARAJUKU	6-27-8 Jingumae, Shibuya-ku, Tokyo	Trust beneficial interest	5,065	3,395
Of-20	FUNABASHI FACE BUILDING	1-3-1 Hon-cho, Funabashi City, Chiba	Real estate	3,430	3,455
Of-21	ADESSO NISHIAZABU	1-7-2 Nishi Azabu, Minato-ku, Tokyo	Real estate	519	595
Of-23	HF IKEBUKURO BUILDING	2-29-12 Minami Ikebukuro, Toshima-ku, Tokyo	Real estate	1,500	1,278
Of-24	HF YUSHIMA BUILDING	3-37-4 Yushima, Bunkyo-ku, Tokyo	Real estate	1,700	1,589
Of-25	KAYABACHO HEIWA BUILDING	3-1-2 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	6,860	4,721
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	49 Harima-cho, Chuo-ku, Kobe City, Hyogo	Trust beneficial interest	3,420	2,546
Of-29	SAKAE MINAMI HEIWA BUILDING	3-19-8 Sakae, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	2,300	1,476
Of-30	HF SAKURADORI BUILDING	3-23-20 Marunouchi, Naka-ku, Nagoya City, Aichi	Trust beneficial interest	6,590	4,412
Of-31	HF NIHONBASHI HAMACHO BUILDING	1-2-1 Nihonbashi Hamacho, Chuo-ku, Tokyo	Trust beneficial interest	2,640	1,956
Of-32	HF SENDAI HONCHO BUILDING	1-11-1 Honcho, Aoba-ku, Sendai-shi, Miyagi	Trust beneficial interest	3,660	2,522
Of-33	HF UENO BUILDING	5-6-10 Ueno, Taito-ku, Tokyo	Trust beneficial interest	4,250	3,443
Of-34	KOJIMACHI HF BUILDING	3-2-4 Kojimachi, Chiyoda-ku, Tokyo	Trust beneficial interest	2,160	1,355
Of-35	HF KUDAN MINAMI BUILDING	3-9-14 Kudan-Minami, Chiyoda-ku, Tokyo	Trust beneficial interest	3,320	2,741
Of-36	HF KANDA OGAWAMACHI BUILDING	3-3-5 Kanda ogawamachi, Chiyoda-ku, Tokyo	Trust beneficial interest	4,250	3,211
Of-37	NISSO 5 BUILDING	2-10-39 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Trust beneficial interest	3,950	3,195
Of-38	ACROSS SHINKAWA BUILDING	1-8-8, 1-8-15 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	4,380	3,888
Of-39	SENJU MILDIX II	3-98 Senju, Adachi-ku, Tokyo	Trust beneficial interest	1,940	1,595
Of-40	ARK Mori Building	1-12-32 Akasaka, Minato-ku, Tokyo	Trust beneficial interest	3,450	3,131

	Property name	Address (Note 1)	Form of asset	Appraisal Value at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Of-41	Nihonbashi Horidomecho First	1-2-10 Nihonbashi Horidomecho, Chuo-ku, Tokyo	Trust beneficial interest	2,330	2,157
Of-42	SOUTHERN SKY TOWER HACHIOJI	4-7-1 Koyasumachi, Hachioji City, Tokyo	Trust beneficial interest	1,890	1,635
Of-43	HAMACHO HEIWA BUILDING	2-17-8 Nihonbashi-hamacho, Chuo-ku, Tokyo	Trust beneficial interest	3,310	3,119
Of-44	KINSHICHO SQUARE BUILDING	3-10-8 Koutoubashi, Sumida-ku, Tokyo	Trust beneficial interest	2,910	2,865
Of-45	KABUTO-CHO UNI-SQUARE	21-7 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Trust beneficial interest	3,990	3,623
Of-46	HF SENDAI ICHIBANCHO BUILDING	1-8-1 Ichibancho, Aoba-ku, Sendai City, Miyagi	Real estate	2,670	2,645
Of-47	OSAKI CN BUILDING	5-10-10 Osaki, Shinagawa-ku, Tokyo	Trust beneficial interest	5,430	5,190
Of-48	Faret East Building	2-34-7 Akebonocho, Tachikawa City, Tokyo	Real estate	1,210	1,027
Office subtotal				106,475	88,023
Re-03	HF ICHIKAWA RESIDENCE	4-8-13 Ainokawa, Ichikawa City, Chiba	Trust beneficial interest	585	369
Re-05	HF MEGURO RESIDENCE	2-15-10 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	780	608
Re-09	HF KASAI RESIDENCE	7-10-6 Higashi Kasai, Edogawa-ku, Tokyo	Trust beneficial interest	961	574
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	4-33-14 Wakabayashi, Setagaya-ku, Tokyo	Trust beneficial interest	4,995	3,098
Re-12	HF HIMONYA RESIDENCE	5-5-15 Himonya, Meguro-ku, Tokyo	Trust beneficial interest	1,931	1,391
Re-14	HF MINAMIAZABU RESIDENCE	2-13-20 Minami Azabu, Minato-ku, Tokyo	Trust beneficial interest	1,584	1,287
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	6-18-27 Shimomeguro, Meguro-ku, Tokyo	Trust beneficial interest	1,080	880
Re-17	HF HIGASHIKANDA RESIDENCE	3-1-9 Higashi Kanda, Chiyoda-ku, Tokyo	Trust beneficial interest	1,520	839
Re-18	HF HIGASHINIHONBASHI RESIDENCE	3-6-8 Nihonbashi, Chuo-ku, Tokyo	Trust beneficial interest	1,780	940
Re-19	HF NERIMA RESIDENCE	3-1-12 Nerima, Nerima-ku, Tokyo	Trust beneficial interest	908	575
Re-20	HF SHIROKANETAKANAWA RESIDENCE	1-2-6 Takanaawa, Minato-ku, Tokyo	Real estate	5,520	3,574
Re-21	HF MEIDAIMAE RESIDENCE	1-27-7 Hanegi, Setagaya-ku, Tokyo	Real estate	1,080	961
Re-22	HF NIHONBASHI RESIDENCE	9-5 Nihonbashi Koami-cho, Chuo-ku, Tokyo	Trust beneficial interest	1,260	1,067
Re-23	HF KAMISHAKUJII RESIDENCE	3-34-12 Kamishakujii, Nerima-ku, Tokyo	Real estate	1,080	827
Re-24	HF KINSHICHO RESIDENCE	2-10-2 Kotobashi, Sumida-ku, Tokyo	Real estate	1,290	1,064
Re-25	HF GINZA RESIDENCE EAST	7-7-8 Tsukiji, Chuo-Ku, Tokyo	Real estate	5,670	5,432
Re-26	HF SHIN-YOKOHAMA RESIDENCE	2-7-6 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Real estate	2,930	2,902
Re-29	HF HAKUSAN RESIDENCE	1-7-12 Mukogaoka, Bunkyo-ku, Tokyo	Real estate	2,150	2,203
Re-30	HF MAGOME RESIDENCE	1-38-8 Higashi Magome, Ota-ku, Tokyo	Real estate	1,490	1,459
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	1-40-7 Naka-cho, Meguro-ku, Tokyo	Trust beneficial interest	1,390	1,571

	Property name	Address (Note 1)	Form of asset	Appraisal Value at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-33	HF KAMEIDO RESIDENCE	2-36-13 Kameido, Koto-ku, Tokyo	Real estate	1,270	976
Re-34	HF TANASHI RESIDENCE	6-5-23 Tanashi, Nishitokyo City, Tokyo	Real estate	792	873
Re-35	HF SHIBA-KOEN RESIDENCE	3-14-15 Shiba, Minato-ku, Tokyo	Trust beneficial interest	928	783
Re-36	HF MITA RESIDENCE	3-3-6 Mita, Minato-ku, Tokyo	Trust beneficial interest	1,330	1,004
Re-38	La Residence de Shirokanedai	5-18-8 Shirokanedai, Minato-ku, Tokyo	Trust beneficial interest	988	697
Re-39	HF GINZA RESIDENCE EAST II	1-6-10 Shintomi, Chuo-ku, Tokyo	Trust beneficial interest	1,910	1,337
Re-40	HF HATCHOBORI RESIDENCE II	2-7-11 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	2,430	1,710
Re-41	HF HATCHOBORI RESIDENCE III	2-17-8 Shinkawa, Chuo-ku, Tokyo	Trust beneficial interest	1,110	687
Re-42	HF GINZA RESIDENCE	1-20-6 Ginza, Chuo-ku, Tokyo	Trust beneficial interest	1,350	802
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	2-7-1 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	7,830	6,309
Re-45	HF NAKANOSHIMA RESIDENCE	3-5-19 Nakanoshima, Kita-ku, Osaka City, Osaka	Trust beneficial interest	518	413
Re-46	HF AWAZA RESIDENCE	4-6-12 Itachibori, Nishi-ku, Osaka City, Osaka	Trust beneficial interest	729	480
Re-47	HF MARUNOUCHI RESIDENCE	2-11-21 Habashita, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	759	492
Re-48	HF HIRAO RESIDENCE	2-4-32 Nanokawa, Minami-ku, Fukuoka City, Fukuoka	Trust beneficial interest	2,290	1,516
Re-49	HF KAWARAMACHI NIJO RESIDENCE	84 Enoki-cho, Teramachi Dori, Nijo Sagaru, Nakagyo-ku, Kyoto City, Kyoto	Trust beneficial interest	620	476
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	560 (3 lots) Nakano-cho, Teramachi Dori Ayanokoji Sagaru, Shimogyo-ku, Kyoto City, Kyoto	Trust beneficial interest	2,440	1,611
Re-54	La Residence de Sendagi	2-23-3 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,030	755
Re-55	HF SENDAGI RESIDENCE	2-6-6 Sendagi, Bunkyo-ku, Tokyo	Trust beneficial interest	1,090	794
Re-56	HF KOMAZAWA-KOEN RESIDENCE	4-11-2 Komazawa, Setagaya-ku, Tokyo	Trust beneficial interest	740	582
Re-57	HF MUSASHIKOYAMA RESIDENCE	4-8-6 Koyama, Shinagawa-ku, Tokyo	Trust beneficial interest	1,190	777
Re-58	HF KOKUBUNJI RESIDENCE	3-18-7 Minami-cho, Kokubunji City, Tokyo	Trust beneficial interest	1,080	801
Re-59	HF HISAYAODORI RESIDENCE	1-12-1 Izumi, Higashi-ku, Nagoya City, Aichi	Trust beneficial interest	1,300	974
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	716	508
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	8-8-20 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	2,740	1,925
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	8-7-11 Nishi Shinjuku, Shinjuku-ku, Tokyo	Trust beneficial interest	1,600	1,128
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	2-2-8 Okubo, Shinjuku-ku, Tokyo	Trust beneficial interest	1,700	1,243

	Property name	Address (Note 1)	Form of asset	Appraisal Value at end of period (Note 2) (million yen)	Book value (Note 3) (million yen)
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	1-4-20 Higashi Shinsaibashi, Chuo-ku, Osaka City, Osaka	Trust beneficial interest	711	516
Re-65	HF KITA-YOBANCHO RESIDENCE	6-62 Kimachi Dori, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,170	701
Re-66	HF ATAGOBASHI RESIDENCE	260-1 Tsuchitoi, Wakabayashi-ku, Sendai City, Miyagi	Trust beneficial interest	937	570
Re-68	HF ASAKUSABASHI RESIDENCE	2-19-7 Yanagibashi, Taito-ku, Tokyo	Trust beneficial interest	1,030	705
Re-69	HF ICHIBANCHO RESIDENCE	2-1-7 Ichibancho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,170	735
Re-70	HF HIGASHI-NAKANO RESIDENCE	2-19-4 Higashi Nakano, Nakano-ku, Tokyo	Trust beneficial interest	1,140	863
Re-72	HF WASEDA RESIDENCE	23-9 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	2,800	1,949
Re-73	HF WASEDA RESIDENCE II	23-10 Benten-cho, Shinjuku-ku, Tokyo	Trust beneficial interest	1,140	815
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	9-4 Yochomachi, Shinjuku-ku, Tokyo	Trust beneficial interest	1,740	1,156
Re-75	HF SENDAI RESIDENCE EAST	306-11 Mototera-Koji, Miyagino-ku, Sendai City, Miyagi	Trust beneficial interest	2,020	1,508
Re-76	HF NISHI-KOEN RESIDENCE	7-18 Tachimachi, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	1,450	1,286
Re-77	HF BANSUI-DORI RESIDENCE	1-3-16 Kokubun-cho, Aoba-ku, Sendai City, Miyagi	Trust beneficial interest	912	774
Re-78	HF KANNAI RESIDENCE	74 Yoshidamachi, Naka-ku, Yokohama City, Kanagawa	Trust beneficial interest	2,280	1,735
Re-79	HF MEIEKI-KITA RESIDENCE	(W) 2-19-22 Kikui, (E) 2-19-27 Kikui, Nishi-ku, Nagoya City, Aichi	Trust beneficial interest	2,310	2,128
Re-80	HF HIGASHI-SAPPORO RESIDENCE	5-3-2-35 Higashi-Sapporo, Shiroishi-ku, Sapporo City, Hokkaido	Trust beneficial interest	1,740	1,469
Re-81	HF HAKATA-HIGASHI RESIDENCE	3-27-7 Higashi-Hie Hakata-ku, Fukuoka City, Fukuoka	Real estate	963	914
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	2-4-19 Itsutsubashi Aoba-ku, Sendai City, Miyagi	Real estate	913	900
Re-83	HF TABATA RESIDENCE	2-24-1 Tabata Shinmachi, Kita-ku, Tokyo	Real estate	1,460	1,081
Re-84	HF RYOGOKU RESIDENCE	1-9-3 Midori, Sumida-ku, Tokyo	Real estate	1,720	1,390
Re-85	HF HACHIOJI RESIDENCE	8-7 Nakamachi, Hachioji City, Tokyo	Real estate	1,260	1,221
Re-86	HF MITA RESIDENCE II	5-2-2 Shiba, Minato-ku, Tokyo	Real estate	1,430	1,232
Re-87	HF MONZEN-NAKACHO RESIDENCE	1-16-4 Botan, Koto-ku, Tokyo	Real estate	1,180	956
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	7-4-9 Minamisuna, Koto-ku, Tokyo	Real estate	1,050	909
Re-89	HF SENDAI NAGAMACHI RESIDENCE	3-4-20 Nagamachi Taihaku-ku, Sendai City, Miyagi	Real estate	1,120	1,085
Re-90	HF SHOKOJI AKABANE RESIDENCE	37-4 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,340	1,196
Re-91	HF SENDAI HONCHO RESIDENCE	2-9-26 Honcho Aoba-ku, Sendai City, Miyagi	Real estate	1,150	1,117
Re-92	HF OHORI RESIDENCE BAYSIDE	3-17-10 Nagahama Chuo-ku, Fukuoka City, Fukuoka	Real estate	1,300	1,204

	Property name	Address (Note 1)	Form of asset	Appraisal Value 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	1,440	1,310
Re-94	HF FUKUOKA RESIDENCE EAST	14-22 Futamataseshinmachi, Higashi-ku, Fukuoka City, Fukuoka	Real estate	1,510	1,297
Re-95	HF SHOKOJI AKABANE RESIDENCE II	24-16 Iwabuchi-cho, Kita-ku, Tokyo	Real estate	1,880	1,803
Re-96	HF YAHIRO RESIDENCE	4-50-1 Yahiro, Sumida-ku, Tokyo	Real estate	1,390	1,302
Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	1-45-9 Setagaya, Setagaya-ku, Tokyo	Real estate	821	736
Re-98	HF SOKA RESIDENCE	4-2-21, Soka, Soka City, Saitama	Real estate	1,410	1,384
Residence subtotal				126,351	99,256
Total				232,826	187,279

(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.

(Note 3) Book value is the acquisition price (including expenses for acquisition and subsequent capital expenditures) as of November 30, 2021, after deducting the accumulated depreciation.

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

Property name		39th Fiscal Period (As of May 31, 2021)				40th Fiscal Period (As of November 30, 2021)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue-real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue-real estate (Note 4) (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue-real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue-real estate (Note 4) (%)
Of-05	SUITENGU HEIWA BUILDING	5	100.0	58,032	0.9	5	100.0	58,829	0.9
Of-06	HF MONZENNAKACHO BUILDING	5	100.0	84,752	1.3	5	100.0	94,178	1.4
Of-07	HF HAMAMATSUCHO BUILDING	9	100.0	56,073	0.9	9	100.0	56,705	0.9
Of-08	HF TAMEIKE BUILDING	6	100.0	77,475	1.2	6	98.1	83,705	1.3
Of-09	GRACE BUILDING SENGAKUJIMAE	9	100.0	60,581	1.0	9	100.0	59,894	0.9
Of-11	HF NIHONBASHI ODENMACHO BUILDING	7	100.0	67,346	1.1	7	100.0	67,427	1.0
Of-12	HF HATCHOBORI BUILDING	8	100.0	75,866	1.2	8	100.0	75,524	1.1
Of-17	HATCHOBORI MF BUILDING	9	100.0	31,458	0.5	9	100.0	32,643	0.5
Of-18	M2 HARAJUKU	4	85.6	96,344	1.5	4	85.6	67,889	1.0
Of-20	FUNABASHI FACE BUILDING	9	100.0	120,100	1.9	9	100.0	120,138	1.8
Of-21	ADESSO NISHIAZABU	2	54.6	7,413	0.1	3	79.5	7,593	0.1
Of-23	HF IKEBUKURO BUILDING	9	100.0	42,513	0.7	9	100.0	42,506	0.6
Of-24	HF YUSHIMA BUILDING	9	100.0	50,182	0.8	9	100.0	50,574	0.8
Of-25	KAYABACHO HEIWA BUILDING	1	100.0	207,644	3.3	1	100.0	208,588	3.1
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	38	97.9	143,045	2.3	38	97.9	146,670	2.2
Of-29	SAKAE MINAMI HEIWA BUILDING	8	100.0	89,720	1.4	8	100.0	89,874	1.4
Of-30	HF SAKURADORI BUILDING	23	100.0	326,295	5.2	23	100.0	326,795	4.9
Of-31	HF NIHONBASHI HAMACHO BUILDING	8	100.0	90,929	1.4	8	100.0	92,921	1.4
Of-32	HF SENDAI HONCHO BUILDING	40	100.0	147,324	2.3	40	100.0	145,297	2.2
Of-33	HF UENO BUILDING	7	100.0	140,416	2.2	7	100.0	141,318	2.1
Of-34	KOJIMACHI HF BUILDING	8	100.0	72,193	1.1	7	87.8	71,706	1.1

Property name		39th Fiscal Period (As of May 31, 2021)				40th Fiscal Period (As of November 30, 2021)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue-real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue-real estate (Note 4) (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue-real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue-real estate (Note 4) (%)
Of-35	HF KUDAN MINAMI BUILDING	3	100.0	96,866	1.5	3	100.0	99,147	1.5
Of-36	HF KANDA OGAWAMACHI BUILDING	8	100.0	110,420	1.7	8	100.0	110,262	1.7
Of-37	NISSO 5 BUILDING	1	100.0	87,218	1.4	1	100.0	87,218	1.3
Of-38	ACROSS SHINKAWA BUILDING (Note 5)	14	100.0	117,892	1.9	12	98.8	129,835	2.0
Of-39	SENJU MILDIX II	6	100.0	71,553	1.1	6	100.0	65,301	1.0
Of-40	ARK Mori Building	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)	1	100.0	Undisclosed (Note 7)	Undisclosed (Note 7)
Of-41	Nihonbashi Horidomecho First	3	100.0	62,211	1.0	3	100.0	62,697	0.9
Of-42	SOUTHERN SKY TOWER HACHIOJI	3	100.0	68,835	1.1	3	100.0	69,569	1.0
Of-43	HAMACHO HEIWA BUILDING	9	94.8	92,170	1.5	9	88.0	89,984	1.4
Of-44	KINSHICHO SQUARE BUILDING	10	100.0	76,734	1.2	10	100.0	76,929	1.2
Of-45	KABUTO-CHO UNI-SQUARE (Note 5)	8	100.0	80,304	1.3	8	100.0	108,495	1.6
Of-46	HF SENDAI ICHIBANCHO BUILDING (Note 5)	12	95.6	75,257	1.2	12	95.6	80,901	1.2
Of-47	OSAKI CN BUILDING (Note 6)	—	—	—	—	6	87.2	95,059	1.4
Of-48	Faret East Building (Note 6)	—	—	—	—	2	100.0	7,087	0.1
Office subtotal		302	99.3	3,066,656	48.5	308	98.4	3,204,752	48.3
Re-03	HF ICHIKAWA RESIDENCE	36	100.0	17,286	0.3	36	100.0	17,298	0.3
Re-05	HF MEGURO RESIDENCE	20	95.1	20,145	0.3	20	95.8	19,390	0.3
Re-09	HF KASAI RESIDENCE	46	95.8	25,773	0.4	47	97.9	26,620	0.4
Re-11	HF WAKABAYASHI-KOEN RESIDENCE	93	96.1	119,414	1.9	93	95.9	121,733	1.8
Re-12	HF HIMONYA RESIDENCE	50	95.1	43,174	0.7	52	98.4	44,124	0.7
Re-14	HF MINAMIAZABU RESIDENCE	57	95.0	35,008	0.6	58	96.7	36,489	0.6

Property name		39th Fiscal Period (As of May 31, 2021)				40th Fiscal Period (As of November 30, 2021)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue- real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue- real estate (Note 4) (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue- real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue- real estate (Note 4) (%)
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	27	100.0	27,144	0.4	26	95.8	27,098	0.4
Re-17	HF HIGASHIKANDA RESIDENCE	64	100.0	37,162	0.6	62	96.9	36,424	0.5
Re-18	HF HIGASHINIHONBASHI RESIDENCE	65	98.8	41,102	0.6	66	100.0	42,500	0.6
Re-19	HF NERIMA RESIDENCE	50	98.1	25,630	0.4	50	98.1	24,240	0.4
Re-20	HF SHIROKANETAKANAWA RESIDENCE	64	97.0	114,258	1.8	65	99.3	123,524	1.9
Re-21	HF MEIDAIMAE RESIDENCE	53	100.0	29,092	0.5	52	97.9	28,665	0.4
Re-22	HF NIHONBASHI RESIDENCE	46	96.6	34,139	0.5	47	97.0	33,071	0.5
Re-23	HF KAMISHAKUJII RESIDENCE	64	100.0	32,129	0.5	62	97.1	31,762	0.5
Re-24	HF KINSHICHO RESIDENCE	56	100.0	32,483	0.5	55	98.2	33,290	0.5
Re-25	HF GINZA RESIDENCE EAST	100	94.9	132,729	2.1	101	96.8	129,411	2.0
Re-26	HF SHIN-YOKOHAMA RESIDENCE	105	93.7	86,781	1.4	109	96.8	84,093	1.3
Re-29	HF HAKUSAN RESIDENCE	49	96.0	59,816	0.9	50	98.5	56,338	0.8
Re-30	HF MAGOME RESIDENCE	29	97.0	43,404	0.7	29	97.4	46,172	0.7
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	22	100.0	36,901	0.6	22	100.0	35,902	0.5
Re-33	HF KAMEIDO RESIDENCE	61	100.0	31,523	0.5	60	98.4	32,150	0.5
Re-34	HF TANASHI RESIDENCE	33	94.5	30,991	0.5	35	100.0	30,930	0.5
Re-35	HF SHIBA-KOEN RESIDENCE	28	93.0	23,372	0.4	29	96.0	23,715	0.4
Re-36	HF MITA RESIDENCE	44	93.9	32,518	0.5	47	100.0	34,583	0.5
Re-37	HF TAKANAWA RESIDENCE (NOTE 5)	—	—	7,646	0.1	—	—	—	—
Re-38	La Residence de Shirokanedai	27	96.5	24,056	0.4	27	96.5	25,668	0.4



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Re-39	HF GINZA RESIDENCE EAST II	74	100.0	51,002	0.8	71	96.1	52,434	0.8
Re-40	HF HATCHOBORI RESIDENCE II	81	96.4	58,796	0.9	80	95.6	59,532	0.9
Re-41	HF HATCHOBORI RESIDENCE III	36	96.9	29,502	0.5	37	100.0	30,041	0.5
Re-42	HF GINZA RESIDENCE	45	100.0	30,867	0.5	44	97.8	33,325	0.5
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	280	97.7	208,412	3.3	271	95.1	209,874	3.2
Re-44	HF UMEDA RESIDENCE TOWER (Note 5)	—	—	—	—	38	100.0	18,437	0.3
Re-45	HF NAKANOSHIMA RESIDENCE	34	89.3	18,792	0.3	60	95.4	22,339	0.3
Re-46	HF AWAZA RESIDENCE	60	95.3	23,251	0.4	70	97.2	26,917	0.4
Re-47	HF MARUNOUCHI RESIDENCE	68	94.4	27,123	0.4	192	95.6	79,265	1.2
Re-48	HF HIRAO RESIDENCE	191	95.3	80,409	1.3	49	98.1	19,021	0.3
Re-49	HF KAWARAMACHI NIJO RESIDENCE	49	97.8	18,378	0.3	127	96.9	72,861	1.1
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	129	96.7	73,458	1.2	49	98.2	28,291	0.4
Re-54	La Residence de Sendagi	49	98.2	28,731	0.5	49	100.0	31,812	0.5
Re-55	HF SENDAGI RESIDENCE	47	94.1	32,216	0.5	35	97.2	20,508	0.3
Re-56	HF KOMAZAWA-KOEN RESIDENCE	35	97.2	20,922	0.3	52	100.0	31,206	0.5
Re-57	HF MUSASHIKOYAMA RESIDENCE	51	98.2	33,079	0.5	71	96.1	52,434	0.8
Re-58	HF KOKUBUNJI RESIDENCE	45	96.4	30,140	0.5	45	96.3	30,916	0.5
Re-59	HF HISAYAODORI RESIDENCE	94	96.1	42,115	0.7	97	99.0	42,001	0.6
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	39	95.7	22,653	0.4	41	100.0	22,224	0.3

Property name		39th Fiscal Period (As of May 31, 2021)				40th Fiscal Period (As of November 30, 2021)			
		Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue-real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue-real estate (Note 4) (%)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (Note 2) (%)	Rent revenue-real estate (at end of period) (Note 3) (thousand yen)	Ratio of total rent revenue-real estate (Note 4) (%)
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	73	95.0	68,928	1.1	72	93.7	69,988	1.1
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	46	95.6	41,761	0.7	46	96.0	42,916	0.6
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	64	94.4	47,446	0.8	66	97.2	45,887	0.7
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	38	100.0	21,283	0.3	38	100.0	21,841	0.3
Re-65	HF KITA-YOBANCHO RESIDENCE	87	96.7	38,153	0.6	88	97.8	38,904	0.6
Re-66	HF ATAGOBASHI RESIDENCE	76	96.3	32,647	0.5	78	98.7	32,829	0.5
Re-67	HF KYUDAIBYOINMAE RESIDENCE (NOTE 6)	45	95.0	19,013	0.3	—	—	17,728	0.3
Re-68	HF ASAKUSABASHI RESIDENCE	39	100.0	26,394	0.4	38	97.4	27,481	0.4
Re-69	HF ICHIBANCHO RESIDENCE	73	94.1	40,622	0.6	77	98.8	38,815	0.6
Re-70	HF HIGASHI-NAKANO RESIDENCE	47	96.7	31,742	0.5	47	95.4	31,950	0.5
Re-72	HF WASEDA RESIDENCE	116	96.3	76,294	1.2	114	94.5	75,737	1.1
Re-73	HF WASEDA RESIDENCE II	48	94.2	31,656	0.5	47	91.1	29,271	0.4
Re-74	HF WAKAMATSU-KAWADA RESIDENCE	32	97.8	39,763	0.6	32	96.3	40,536	0.6
Re-75	HF SENDAI RESIDENCE EAST	146	97.6	67,442	1.1	145	97.0	67,573	1.0
Re-76	HF NISHI-KOEN RESIDENCE	99	97.0	43,858	0.7	101	99.0	43,768	0.7
Re-77	HF BANSUI-DORI RESIDENCE	65	98.5	27,236	0.4	66	100.0	28,209	0.4
Re-78	HF KANNAI RESIDENCE	117	100.0	63,710	1.0	116	99.1	64,163	1.0
Re-79	HF MEIEKI-KITA RESIDENCE	110	97.5	62,608	1.0	111	98.3	62,518	0.9
Re-80	HF HIGASHI-SAPPORO RESIDENCE	143	93.0	57,526	0.9	149	98.9	57,873	0.9

Property name		39th Fiscal Period (As of May 31, 2021)				40th Fiscal Period (As of November 30, 2021)			
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Re-81	HF HAKATA-HIGASHI RESIDENCE	77	98.7	29,416	0.5	78	100.0	29,830	0.4
Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	47	85.4	26,260	0.4	53	96.4	26,331	0.4
Re-83	HF TABATA RESIDENCE	55	98.6	41,534	0.7	53	95.8	41,654	0.6
Re-84	HF RYOGOKU RESIDENCE	65	98.8	52,928	0.8	65	98.8	51,099	0.8
Re-85	HF HACHIOJI RESIDENCE	48	94.9	34,327	0.5	48	94.8	33,226	0.5
Re-86	HF MITA RESIDENCE II	37	92.5	30,364	0.5	39	97.5	30,551	0.5
Re-87	HF MONZEN-NAKACHO RESIDENCE	42	95.5	28,961	0.5	44	100.0	26,882	0.4
Re-88	HF MINAMI-SUNAMACHI RESIDENCE	46	95.8	27,131	0.4	48	100.0	30,125	0.5
Re-89	HF SENDAI NAGAMACHI RESIDENCE	67	96.8	33,804	0.5	68	98.4	33,891	0.5
Re-90	HF SHOKOJI AKABANE RESIDENCE	48	98.5	40,910	0.6	46	95.5	36,748	0.6
Re-91	HF SENDAI HONCHO RESIDENCE	67	97.1	27,920	0.4	68	98.6	33,151	0.5
Re-92	HF OHORI RESIDENCE BAYSIDE	67	100.0	34,954	0.6	65	97.2	34,990	0.5
Re-93	HF HAKATA-HIGASHI RESIDENCE II (Note 5)	105	96.1	18,341	0.3	105	95.8	40,773	0.6
Re-94	HF FUKUOKA RESIDENCE EAST (Note 5)	113	94.5	20,800	0.3	116	97.1	45,830	0.7
Re-95	HF SHOKOJI AKABANE RESIDENCE II (Note 6)	—	—	—	—	68	97.9	52,889	0.8
Re-96	HF YAHIRO RESIDENCE (Note 6)	—	—	—	—	64	100.0	37,497	0.6
Re-97	HF SETAGAYAKAMI MACHI RESIDENCE (Note 6)	—	—	—	—	29	96.7	14,654	0.2

Property name	39th Fiscal Period (As of May 31, 2021)				40th Fiscal Period (As of November 30, 2021)			
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Re-98 HF SOKA RESIDENCE (Note 6)	—	—	—	—	88	88.0	13,043	0.2
Residence subtotal	5,044	96.4	3,259,290	51.5	5,283	97.3	3,427,387	51.7
Total	5,346	97.4	6,325,946	100.0	5,591	97.7	6,632,139	100.0

(Note 1) Number of tenants is the number of end tenants whose lessors are the Investment Corporation, trustee and master lease companies (number of rental units for residential properties).

The number of tenants for the fixed-rent office property is 1.

(Note 2) Occupancy rate is the ratio of rental area to rentable area.

(Note 3) Rent revenue-real estate is leasing business revenue from each property in the fiscal period.

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

(Note 5) Of-46 HF SENDAI ICHIBANCHO BUILDING was acquired on December 17, 2020, Re-93 HF HAKATA-HIGASHI RESIDENCE II and Re-94 HF FUKUOKA RESIDENCE EAST were acquired on March 24, 2021. Of-38 ACROSS SHINKAWA BUILDING was acquired on March 19, 2021 to raise its building ownership ratio. Of-45 KABUTO-CHO UNI-SQUARE was acquired on March 23, 2021 to raise its building ownership ratio. In addition, Re-37 HF TAKANAWA RESIDENCE was transferred on January 22, 2021.

(Note 6) Of-47 OSAKI CN BUILDING, Re-95 HF SHOKOJI AKABANE RESIDENCE II, Re-96 HF YAHIRO RESIDENCE and Re-97 HF SETAGAYAKAMIMACHI RESIDENCE were acquired on June 4, 2021, Re-98 HF SOKA RESIDENCE was acquired on September 29, 2021, Of-48 Faret East Building was acquired on October 29, 2021. In addition, Re-67 HF KYUDAIBYOINMAE RESIDENCE was transferred on November 29, 2021.

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

The major other specified assets that the Investment Corporation 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	73,147,200	63,898,200	-80,433
Total		73,147,200	63,898,200	-80,433

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

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

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

## (8) Asset holdings by country and region

No asset holdings in countries or regions outside Japan

**4. Capital expenditures for properties held**

## (1) Planned capital expenditure

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

The estimate in the table may include expenses in accounting.

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

Property name		Address	Purpose	Scheduled period	Estimated construction costs (thousand yen)		
					Total amount	Payment in the period	Amount already paid
Of-06	HF MONZENNAKACH O BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From December 2021 To May 2022	30,000	—	—
Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	Repair of elevators	From December 2021 To May 2022	40,000	—	—
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From December 2021 To May 2022	13,000	—	—
			Repair of mechanical parking facilities	From December 2021 To May 2022	15,570	—	—
Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	Comprehensive repair of outer walls	From December 2021 To May 2022	28,320	—	—
			Air conditioning equipment replacement	From December 2021 To May 2022	15,000	—	—
Of-40	ARK Mori Building	Minato-ku, Tokyo	Air conditioning equipment replacement	From December 2021 To May 2022	26,046	—	—

			fire sprinkler replacement	From December 2021 To May 2022	10,680	—	—
Of-46	HF SENDAI ICHIBANCHO BUILDING	Sendai City, Miyagi	Renovation of common-area	From December 2021 To May 2022	25,100	—	—
Re-11	HF WAKABAYASHI- KOEN RESIDENCE	Setagaya-ku, Tokyo	Repair of elevators	From December 2021 To May 2022	19,800	—	—
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	Comprehensive repair of outer walls	From December 2021 To May 2022	34,000	—	—
Re-18	HF HIGASHINIHONBA SHI RESIDENCE	Chuo-ku, Tokyo	Comprehensive repair of outer walls	From December 2021 To May 2022	28,500	—	—
Re-20	HF SHIROKANETAKA NAWA RESIDENCE	Minato-ku, Tokyo	Renovation of common-area corridors	From December 2021 To May 2022	10,000	—	—
Re-26	HF SHIN- YOKOHAMA RESIDENCE	Yokohama City, Kanagawa	Repair of elevators	From December 2021 To May 2022	16,000	—	—
Re-43	HF KOMAZAWA- KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	Intercom equipment replacement	From December 2021 To May 2022	27,500	—	—
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	Comprehensive repair of outer walls	From December 2021 To May 2022	28,000	—	—

## (2) Capital expenditures in the fiscal period

Below is a list of major work at properties owned by the REIT for which capital expenditures were made in the 40th fiscal period.

Capital expenditures in the fiscal period stood at 490,663 thousand yen. Expenses for repairs, etc. were 738,497 thousand yen, including repair expenses of 247,833 thousand yen.

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

Property name		Address	Purpose	Scheduled period	Estimated construction costs (thousand yen)
Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	Air conditioning equipment replacement	From August 2021 To October 2021	18,900
Of-11	HF NIHONBASHI ODENMACHO BUILDING	Chuo-ku, Tokyo	Transformer equipment replacement	November 2021	8,420
			Repair of mechanical parking facilities	November 2021	25,592
Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	Repair of mechanical parking facilities	November 2021	7,200
Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	Air conditioning equipment replacement	From October 2021 To November 2021	12,900
Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	Air conditioning equipment replacement	August 2021	9,358
			Repair of mechanical parking facilities	November 2021	5,850
Of-41	Nihonbashi Horidomecho First	Chuo-ku, Tokyo	Renovation of common-area lavatories	From July 2021 To August 2021	5,353
Of-44	KINSHICHO SQUARE BUILDING	Sumida-ku, Tokyo	Repair of transforming equipment	November 2021	16,744
Of-46	HF SENDAI ICHIBANCHO BUILDING	Sendai City, Miyagi	Renovation of common-area	From October 2021 To November 2021	22,300
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	Comprehensive repair of outer walls	From February 2021 To June 2021	42,217
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	Comprehensive repair of outer walls	From June 2021 To October 2021	43,221
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji City, Tokyo	Comprehensive repair of outer walls	From June 2021 To October 2021	30,610
Re-69	HF ICHIBANCHO RESIDENCE	Sendai City, Miyagi	Renovation of common-area corridors	From August 2021 To November 2021	5,977
Re-93	HF HAKATA-HIGASHI RESIDENCE II	Fukuoka City, Fukuoka	Renovation of common-area corridors	From September 2021 To November 2021	10,277
Re-94	HF FUKUOKA RESIDENCE EAST	Fukuoka City, Fukuoka	Renovation of common-area corridors	From September 2021 To November 2021	12,060
	Others			From June 2021 To November 2021	213,680
Total					490,663

**(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	36th FP November 30, 2019	37th FP May 31, 2020	38th FP November 30, 2020	39th FP May 31, 2021	40th FP November 30, 2021
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 408,934 thousand yen at the end of the 39th 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	39th Fiscal Period (As of May 31, 2021)	40th Fiscal Period (As of November 30, 2021)
(a) Asset management fee (Note)	600,615	617,975
(b) Asset custody fee	11,626	11,979
(c) Administrative service fee	27,705	29,968
(d) Directors' compensation	6,293	6,102
(e) Audit fee	11,660	11,660
(f) Other operating expenses	146,593	139,167
Total	804,495	816,853

(Note) In addition to the asset management fee above, management fees related to property acquisitions of 68,595 thousand yen (39th period) and 66,950 thousand yen (40th period) were recorded. Management fees related to property transfers of 11,300 thousand yen (39th period) and 6,410 thousand yen (40th period) were also recorded.



## (2) Status of borrowings

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

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Summary
	Lender								
Long-term loans payable Due within One Year	MUFG Bank, Ltd.	May 30, 2014	800,000	—	1.04291	October 31, 2021	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Aozora Bank, Ltd.	October 31, 2014	—	420,000	0.99827	October 31, 2022	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.		—	1,000,000					
	The Bank of Fukuoka, Ltd.		—	500,000					
	Development Bank of Japan Inc.	December 4, 2014	—	900,000	1.24348	October 31, 2022	Lump-sum repayment		
	ORIX Bank Corporation	May 29, 2015	480,000	—	0.66700	October 31, 2021	Lump-sum repayment		
	Aozora Bank, Ltd.	October 30, 2015	940,000	—	0.61700	October 31, 2021	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	December 18, 2015	300,000	—	0.61700	October 31, 2021	Lump-sum repayment		
	Aozora Bank, Ltd.		100,000	—					
	MUFG Bank, Ltd.		200,000	—					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	—					
	Mizuho Bank, Ltd.		200,000	—					
	The Nomura Trust and Banking Co., Ltd.		200,000	—					
	Shinsei Bank, Limited		100,000	—					
	Aozora Bank, Ltd.		May 31, 2016	1,000,000					
	Aozora Bank, Ltd.	October 31, 2017	1,250,000	1,250,000	0.47700	May 31, 2022	Lump-sum repayment		
	Resona Bank, Limited.		950,000	950,000					
	Sumitomo Mitsui Banking Corporation		500,000	500,000					
	MUFG Bank, Ltd.		180,000	180,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2018	1,390,000	—	0.34800	October 31, 2021	Lump-sum repayment		
Resona Bank, Limited.	330,000		—						

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Summary
	Lender								
	MUFG Bank, Ltd.		480,000	—					
	Sumitomo Mitsui Trust Bank, Limited.		200,000	—					
	Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	300,000	0.26700	May 31, 2022	Lump-sum repayment		
	MUFG Bank, Ltd.		215,000	215,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	ORIX Bank Corporation		200,000	200,000					
	The Nomura Trust and Banking Co., Ltd.		985,000	985,000					
	The Norinchukin Bank		600,000	600,000					
	Sompo Japan Insurance Inc.	469,000	469,000						
	Sumitomo Mitsui Banking Corporation	March 31, 2020	—	500,000	0.34699	October 31, 2022	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.		—	500,000					
	Sumitomo Mitsui Banking Corporation	October 29, 2021	—	480,000	0.27545	October 31, 2022	Lump-sum repayment		
	Subtotal			11,869,000	11,149,000				
Long-term loans payable	Aozora Bank, Ltd.	October 31, 2014	420,000	—	0.99827	October 31, 2022	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Mizuho Trust & Banking Co., Ltd.		1,000,000	—					
	The Bank of Fukuoka, Ltd.		500,000	—					
	Development Bank of Japan Inc.	December 4, 2014	900,000	—	1.24348	October 31, 2022	Lump-sum repayment		
	Resona Bank, Limited.	May 29, 2015	480,000	480,000	1.02077	May 31, 2023	Lump-sum repayment		
	MUFG Bank, Ltd.		1,400,000	1,400,000					
	Shinsei Bank, Limited		200,000	200,000					
Mizuho Bank, Ltd.	800,000		800,000						

(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	Summary
	Lender								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 29, 2015	1,100,000	1,100,000	1.07979	October 31, 2023	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	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	2,440,000	1.20800	May 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		940,000	940,000					
	MUFG Bank, Ltd.		1,500,000	1,500,000					
	Aozora Bank, Ltd.	May 31, 2016	1,000,000	—	0.65900	October 31, 2022	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2016	1,050,000	1,050,000	0.91770	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		1,600,000	1,600,000					
	MUFG Bank, Ltd.		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited.		700,000	700,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2016	1,585,000	1,585,000	0.93670	May 31, 2025	Lump-sum repayment		
	Aozora Bank, Ltd.		1,250,000	1,250,000					
	Resona Bank, Limited.		452,000	452,000					
	MUFG Bank, Ltd.		320,000	320,000					
	ORIX Bank Corporation		250,000	250,000					
Sumitomo Mitsui Banking Corporation	May 31, 2017	895,000	895,000	0.90850	November 28, 2025	Lump-sum repayment			
Resona Bank, Limited.		915,000	915,000						

(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	Summary
	Lender								
Long-term loans payable	Shinsei Bank, Limited		485,000	485,000					
	MUFG Bank, Ltd.		470,000	470,000					
	Aozora Bank, Ltd.	October 31, 2017	1,820,000	1,820,000	0.97750	May 31, 2026	Lump-sum repayment		
	Resona Bank, Limited.		1,000,000	1,000,000					
	Sumitomo Mitsui Banking Corporation		550,000	550,000					
	Mizuho Bank, Ltd.		330,000	330,000					
	Mizuho Bank, Ltd.	December 15, 2017	800,000	800,000	0.68740	October 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	March 28, 2018	900,000	900,000	0.78630	May 31, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2018	1,100,000	1,100,000	0.74700	November 30, 2026	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited.		900,000	900,000					
	Resona Bank, Limited.		700,000	700,000					
	Aozora Bank, Ltd.		700,000	700,000					
	MUFG Bank, Ltd.		200,000	200,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2018	600,000	600,000	0.76850	November 30, 2025	Lump-sum repayment		
	Resona Bank, Limited.		150,000	150,000					
	Aozora Bank, Ltd.		100,000	100,000					
	MUFG Bank, Ltd.		200,000	200,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
Sumitomo Mitsui Trust Bank, Limited.	100,000		100,000						

(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	Summary
	Lender								
Long-term loans payable	Mizuho Bank, Ltd.		100,000	100,000					
	The Bank of Fukuoka, Ltd.		200,000	200,000					
	The 77 Bank, Ltd.		200,000	200,000					
	Mizuho Bank, Ltd.	December 14, 2018	1,000,000	1,000,000	0.63850	November 30, 2025	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	The Bank of Fukuoka, Ltd.	December 14, 2018	700,000	700,000	0.63850	November 30, 2025	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2019	300,000	300,000	0.60000	May 31, 2026	Lump-sum repayment		
	Aozora Bank, Ltd.		200,000	200,000					
	MUFG Bank, Ltd.		300,000	300,000					
	The Bank of Fukuoka, Ltd.		285,000	285,000					
	ORIX Bank Corporation		600,000	600,000					
	The Norinchukin Bank		877,000	877,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	1,000,000	1,000,000	0.32500	May 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		700,000	700,000					
	Sumitomo Mitsui Trust Bank, Limited.		500,000	500,000					
	The Nomura Trust and Banking Co., Ltd.		300,000	300,000					
	Shinsei Bank, Limited		200,000	200,000					
	Sumitomo Mitsui Banking Corporation		October 31, 2019	500,000					
	Aozora Bank, Ltd.	700,000		700,000					
	Sumitomo Mitsui Banking Corporation	October 31, 2019	300,000	300,000	0.57700	November 30, 2026	Lump-sum repayment		
	Resona Bank, Limited.		300,000	300,000					

(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	Summary
	Lender								
Long-term loans payable	Aozora Bank, Ltd.		300,000	300,000					Unsecured and Unguaranteed
	MUFG Bank, Ltd.		300,000	300,000					
	Mizuho Trust & Banking Co., Ltd.		300,000	300,000					
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	Shinsei Bank, Limited		300,000	300,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	—	0.34699	October 31, 2022	Lump-sum repayment		
	Mizuho Trust & Banking Co., Ltd.	500,000	—						
	Sumitomo Mitsui Banking Corporation	March 31, 2020	500,000	500,000	0.47100	October 31, 2024	Lump-sum repayment		
	Resona Bank, Limited.		500,000	500,000					
	Sumitomo Mitsui Banking Corporation	March 31, 2020	2,070,000	2,070,000	0.66615	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	0.56615	May 31, 2027	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	October 30, 2020	200,000	200,000	0.38200	October 31, 2023	Lump-sum repayment		
	Resona Bank, Limited.		200,000	200,000					
	MUFG Bank, Ltd.		1,150,000	1,150,000					
	Mizuho Trust & Banking Co., Ltd.		230,000	230,000					
	Sumitomo Mitsui Banking Corporation	October 30, 2020	1,000,000	1,000,000	0.66903	October 29, 2027	Lump-sum repayment		
	Resona Bank, Limited.		1,000,000	1,000,000					
Aozora Bank, Ltd.	950,000		950,000						

(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	Summary
	Lender								
Long-term loans payable	Mizuho Trust & Banking Co., Ltd.		1,000,000	1,000,000				(Note 2)	Unsecured and Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited.		300,000	300,000					
	The 77 Bank, Ltd.	December 17, 2020	1,000,000	1,000,000	0.68515	November 30, 2028	Lump-sum repayment		
	The Bank of Fukuoka, Ltd.	March 24, 2021	1,000,000	1,000,000	0.66515	November 30, 2028	Lump-sum repayment		
	Shinsei Bank, Limited	March 24, 2021	1,000,000	1,000,000	0.68515	May 31, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	May 31, 2021	225,000	225,000	0.38108	May 31, 2024	Lump-sum repayment		
	Sumitomo Mitsui Banking Corporation	May 31, 2021	631,700	631,700	0.66430	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	0.41090	October 31, 2024	Lump-sum repayment		
	The Chiba Bank, Ltd.		—	150,000					
	Mizuho Trust & Banking Co., Ltd.	September 29, 2021	—	1,390,000	0.57069	November 30, 2028	Lump-sum repayment		
	Resona Bank, Limited.	October 29, 2021	—	1,000,000	0.67727	November 30, 2029	Lump-sum repayment		
	MUFG Bank, Ltd.	October 29, 2021	—	580,000	0.36727	October 31, 2024	Lump-sum repayment		
	The Nomura Trust and Banking Co., Ltd.		—	200,000					
	MUFG Bank, Ltd.	October 29, 2021	—	900,000	0.50727	November 30, 2026	Lump-sum repayment		

(Unit: thousand yen)

Classification		Borrowing date	Balance at the beginning of the period	Balance at the end of the period	Average interest rate (%) (Note 1)	Maturity	Repayment method	Purpose	Summary
	Lender								
Long-term loans payable	Sumitomo Mitsui Banking Corporation	October 29, 2021	—	1,690,000	0.65727	October 31, 2028	Lump-sum repayment	(Note 2)	Unsecured and Unguaranteed
	Resona Bank, Limited.		—	330,000					
	Aozora Bank, Ltd.		—	1,040,000					
	Sumitomo Mitsui Trust Bank, Limited.		—	500,000					
	Mizuho Bank, Ltd.		—	200,000					
	Shinsei Bank, Limited		—	100,000					
Subtotal			68,298,200	71,808,200					
Total			80,167,200	82,957,200					

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

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



## (3) Investment corporation bonds

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

(Unit: thousand yen)

Name of bond	Issued date	Balance at beginning of period	Balance at end of period	Interest rate (%)	Repayment date	Repayment method	Use	Remarks
Unsecured Investment Corporation Bond #1	June 30, 2017	1,000,000	1,000,000	0.300%	June 30, 2022	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	
Unsecured Investment Corporation Bond #2	June 30, 2017	1,800,000	1,800,000	0.650%	June 30, 2027	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	
Unsecured Investment Corporation Bond #3	May 7, 2018	1,000,000	1,000,000	0.700%	May 2, 2028	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	
Unsecured Investment Corporation Bond #4	June 4, 2019	1,000,000	1,000,000	0.410%	May 31, 2024	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	
Unsecured Investment Corporation Bond #5	June 4, 2019	1,600,000	1,600,000	0.820%	May 31, 2029	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	
Unsecured Investment Corporation Bond #6	November 25, 2020	1,500,000	1,500,000	0.750%	November 25, 2030	Lump-sum repayment or Repurchase / Cancellation	Repayment of Loans	
Total		7,900,000	7,900,000					

## (4) Short-term investment corporation bonds

Not applicable

## (5) Investment unit subscription rights

Not applicable

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

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

Property name		Acquisition		Transfer			
		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-47	OSAKI CN BUILDING	June 4, 2021	5,160	—	—	—	—
Of-48	Faret East Building	October 29, 2021	1,010	—	—	—	—
Re-95	HF SHOKOJI AKABANE RESIDENCE II	June 4, 2021	1,690	—	—	—	—
Re-96	HF YAHIRO RESIDENCE	June 4, 2021	1,220	—	—	—	—
Re-97	HF SETAGAYAKAMIMA CHI RESIDENCE	June 4, 2021	700	—	—	—	—
Re-98	HF SOKA RESIDENCE	September 29, 2021	1,300	—	—	—	—
Re-67	HF KYUDAIBYOINMAE RESIDENCE	—	—	November 29, 2021	641	364	244
Total		—	11,080	—	641	364	244

(Note 1) Acquisition price and Transfer price do not include expenses necessary for the acquisition or transfer 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 transfer	Asset type	Name of real estate		Date of acquisition or transfer	Acquisition price or transfer price (million yen) (Note)	Real estate appraisal value (million yen)	Real estate appraisal organization	Valuation date
Acquisition	Trust beneficial interest	Of-47	OSAKI CN BUILDING	June 4, 2021	5,160	5,420	Tanizawa Sogo Appraisal Co., Ltd.	April 1, 2021
Acquisition	Real estate	Of-48	Faret East Building	October 29, 2021	1,010	1,210	Daiwa Real Estate Appraisal Co., Ltd	September 1, 2021
Acquisition	Real estate	Re-95	HF SHOKOJI AKABANE RESIDENCE II	June 4, 2021	1,690	1,850	Daiwa Real Estate Appraisal Co., Ltd	March 31, 2021
Acquisition	Real estate	Re-96	HF YAHIRO RESIDENCE	June 4, 2021	1,220	1,330	Daiwa Real Estate Appraisal Co., Ltd	March 31, 2021
Acquisition	Real estate	Re-97	HF SETAGAYAK AMIMACHI RESIDENCE	June 4, 2021	700	786	Daiwa Real Estate Appraisal Co., Ltd	March 31, 2021
Acquisition	Real estate	Re-98	HF SOKA RESIDENCE	September 29, 2021	1,300	1,410	JLL Morii Valuation & Advisory K.K.	August 17, 2021

Transfer	Trust beneficial interest	Re-67	HF KYUDAIBY OINMAE RESIDENCE	November 29, 2021	641	536	Chuo Real Estate Appraisal Co., Ltd.	May 31, 2021
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(Note) Acquisition price and Transfer price do not include expenses necessary for the acquisition or transfer of the real estate, etc. (intermediary fees, taxes and public dues, etc.) (transfer amount stated in the sales agreement, etc.).

(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 (June 1, 2021 to November 30, 2021) were nine 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	11,080,000	641,000
Breakdown of transactions with interested parties, etc. (Note 1)		
Heiwa Real Estate Co., Ltd.	8,770,000 (79.2%)	— (—%)
Total	8,770,000 (79.2%)	— (—%)

## (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:	676,617	Heiwa Real Estate Co., Ltd. (Note 4)	(Note 5) 143,920	21.3%
		Heiwa Real Estate Property Management Co., Ltd. (Note 4)	83,352	12.3%
Brokerage fee	39,230	Heiwa Real Estate Co., Ltd.	19,230	49.0%
Non-life insurance premiums	8,627	Heiwa Real Estate Property Management Co., Ltd.	8,413	97.5%

(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) As a result of the restructuring of the Heiwa Real Estate Group, the master lease and property management of 22 of the 23 office properties subject to management consignment were transferred from Heiwa Real Estate Co., Ltd. to Heiwa Real Estate Property Management Co., Ltd. as of October 1, 2021.

(Note 5) 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. 77,079 thousand yen

Third parties other than Heiwa Real Estate Property Management Co., Ltd. 34,489 thousand yen

(Note 6) Amounts paid to interested parties, etc., including the cost of repairs, other than the transactions above in the 40th fiscal period are as stated below.

Heiwa Real Estate Property Management Co., Ltd. 31,403 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 (%)
31st FP May 31, 2017	3,334	337	0.3
32nd FP November 30, 2017	3,334	337	0.3
33rd FP May 31, 2018	3,334	337	0.3
34th FP November 30, 2018	3,334	337	0.3
35th FP May 31, 2019	3,334	337	0.3
36th FP November 30, 2019	3,334	337	0.3
37th FP May 31, 2020	3,334	337	0.3
38th FP November 30, 2020	3,334	337	0.3
39th FP May 31, 2021	3,334	337	0.3
40th FP November 30, 2021	3,334	337	0.3

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

## 8. Other

## (1) Notice

The 18th General Meeting of Investors was held during the fiscal period under review. An outline of the proposals approved by the said General Meeting of Investors is as follows.

Date of approval	Item	Summary
August 27, 2021	Partial amendment to the Articles of Incorporation	Regarding the deemed approval system, Provisions for exceptions were newly established for cases in which the said system is not applied.
	Election of One Executive Director	Aya Motomura was appointed as Executive Director.
	Election of One Substitute Executive Director	Masanori Hirano was appointed as Substitute Executive Director
	Election of Two Supervisory Directors	Noriyuki Katayama and Toshio Suzuki were appointed as Supervisory Directors.

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

Not applicable.

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

Not applicable.

## (4) Rounding of amounts and percentages

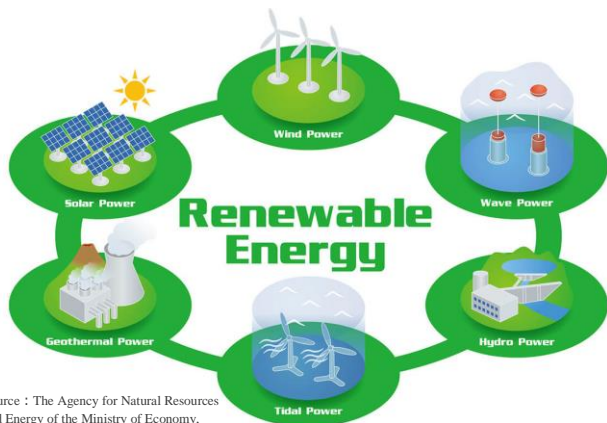
In this report, unless otherwise stated, fractions are rounded down and percentages are rounded off.

## 9. Sustainability Initiatives

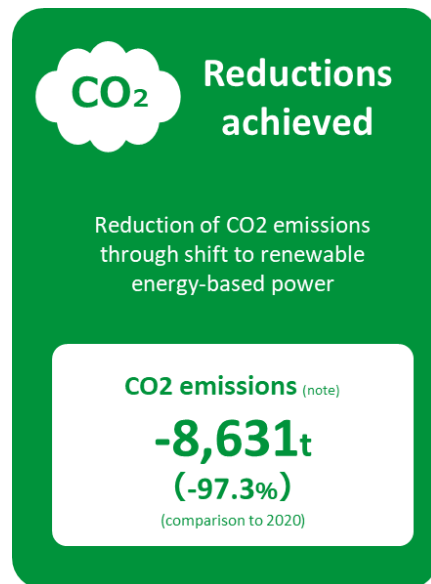
### (1) Renewable Energy

#### Toward the Realization of Low-carbon Society : Shift to renewable energy

The Investment Corporation will change the power used in all properties that it owns to power from renewable energy. Shift generally to power plans conforming to the RE100 standards was completed at all 106 properties subject to the shift by the end of the fiscal period under review. The shift is expected to result in the reduction of CO2 emissions by 8,631 tons (down 97.3%) compared to the level in 2020. The Investment Corporation plans to apply the shift to properties acquired from now on. It aims to reduce CO2 emissions by 90% compared to the level in 2020 in the future and as a member of society, contributing to the realization of a low-carbon society. 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



(Note) Renewable power will be introduced at all properties except properties where a management association manages power, such as properties whose ownership is shared and properties owned by unit owners, and properties where contracts with tenants are unusual. The individually owned portions of residential properties are excluded.

### (2) TCFD

#### Toward the Realization of Low-carbon Society : Shift to renewable energy

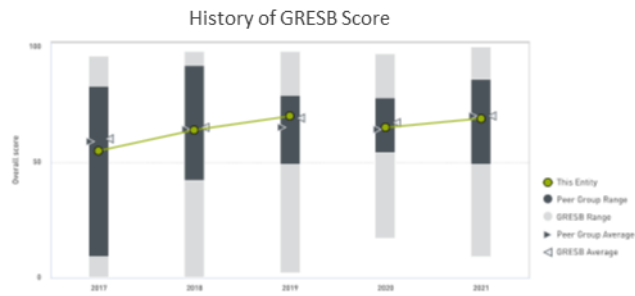
Heiwa Real Estate Asset Management Co., Ltd., Asset Management Company of the Investment Corporation, announced its support for the proposals of the TCFD and joined the TCFD Consortium in December 2021. The Investment Corporation announced its planned efforts to help realize a low-carbon society in its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



Recommendations and Supporting Recommended Disclosures			
Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
<b>Recommended Disclosures</b> a) Describe the board's oversight of climate-related risks and opportunities.  b) Describe management's role in assessing and managing climate-related risks and opportunities.	<b>Recommended Disclosures</b> a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.  b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.  c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<b>Recommended Disclosures</b> a) Describe the organization's processes for identifying and assessing climate-related risks.  b) Describe the organization's processes for managing climate-related risks.	<b>Recommended Disclosures</b> a) Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.  b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.  c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

(3) Sustainability

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 fifth consecutive year “Green Star”, which is awarded to participants who are highly rated for their actions to address environmental consideration and sustainability in terms of both “Management & Policy” and “Implementation & Measurement” in the GRESB Real Estate Assessment in 2020. Figure on the right is an extract of GRESB Standing Investment Benchmark Report from GRESB 2020. The score has been continuously improving except in 2020 when the evaluation standard was significantly changed.

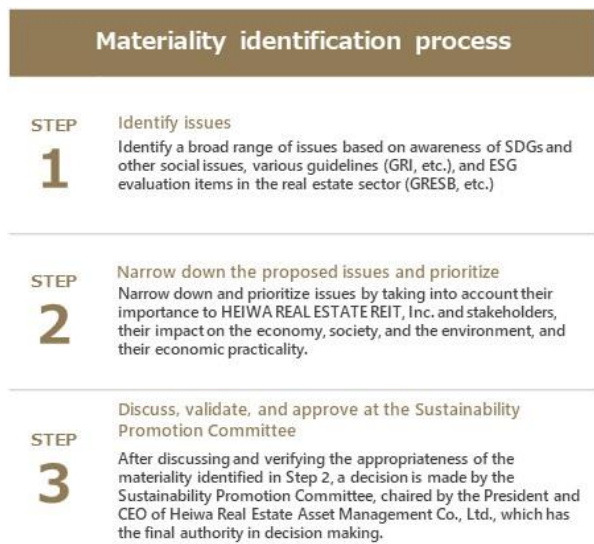
Initiatives of Heiwa Real Estate Group

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 Investment Corporation and the Asset Management Company also strive to gain the trust of their stakeholders.



Determining materiality

Sustainability promotion rules were established in March 2020. In April, a committee meeting was held. The committee has identified material issues at the Investment Corporation. The chart below describes material issues and the process for determining material issues.



	Materiality	Basic Policy	Main initiatives	Applicable SDGs
Environment	<ul style="list-style-type: none"> <li>Environmentally friendly business operations</li> <li>Environmentally friendly business operations</li> </ul>	<ul style="list-style-type: none"> <li>Environmentally friendly business operations</li> <li>Climate change mitigation (Improvement of building performance and equipment capacity for energy conservation)</li> <li>Adapting to climate change (Flood control measures)</li> <li>Confirming the results of sustainability activities by obtaining external certification</li> </ul>	<ul style="list-style-type: none"> <li>Formulating green policy for properties under ownership</li> <li>Paperless meetings, introducing vegetable oil ink, switching to non-plastic materials</li> <li>Obtaining repair engineering reports and systematically carrying out large-scale repairs</li> <li>Acquiring properties located outside the areas on the flood hazard map</li> <li>Obtaining energy conservation-related certifications such as CASBEE and BEU</li> </ul>	
Social	<ul style="list-style-type: none"> <li>Providing tenants with security and peace of mind</li> <li>Contributing to local communities</li> <li>Creating a rewarding work environment</li> </ul>	<ul style="list-style-type: none"> <li>Tenants: Improving tenant satisfaction and increasing the value of properties under ownership by providing safety and security through barrier-free and disaster preparedness measures</li> <li>Local community: Adopting practices that solve social problems faced by local communities and that create healthy urban development, by enhancing childcare, healthcare, and government facilities</li> <li>HEIWA Industry: Fostering the future leader base and contributing to the development of the REIT industry through HEIWA industry educational activities</li> <li>PA&amp;M: Promoting sustainability in cooperation with PA companies and operators that manage working assets</li> <li>Employees: Creating strong business results through employees' healthy minds and bodies and enhanced expertise, by managing health, ensuring the workplace environment, enhancing work-life balance, and providing support to undergo training and career development</li> </ul>	<ul style="list-style-type: none"> <li>Improving the safety factors of disaster, installing emergency supplies cabinets, conducting evacuation drills</li> <li>Acquiring properties with barrier-free access and parking spaces for the physically disabled, installing AEDs</li> <li>Conducting regular tenant satisfaction surveys</li> <li>Using disaster prevention, healthcare, childcare support and government-related facilities to attract tenants</li> <li>Providing sites for community events and donating to and participating in these events</li> <li>Obtaining Green Star rating in GRESB evaluation</li> <li>Participating in HEIWA awareness activities and contribution activities through healthy environment and disaster response such as securities companies</li> <li>Conducting community contribution by HEIWA and HEIWA companies</li> <li>Engaging certification as a healthy company</li> <li>Improving work environment, introducing stress checks, enhancing work-life balance, conducting employee satisfaction surveys</li> </ul>	
Governance	<ul style="list-style-type: none"> <li>Strengthening corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Promoting initiatives to ensure corporate ethics across the board</li> <li>Establishing a governance system that ensures the impartiality and diversity of investment corporation directors</li> <li>Promoting investment management with an emphasis on unitholder returns</li> <li>Ensuring transparency</li> </ul>	<ul style="list-style-type: none"> <li>Conducting corporate ethics training</li> <li>Conducting internal audits by external reports</li> <li>Appointing directors of the investment corporation from outside the Heiwa Real Estate Group, ensuring diversity of gender, work experience, qualifications, etc.</li> <li>Including AED reports that include a pandemic response management component, and reviewing and improving them</li> <li>Formulating anti-bribe measures by contract, internal management components, and reviewing and improving them</li> <li>Same-day disclosure of materials in Japanese and English</li> <li>Obtaining external assessment of the level of SDG initiatives through engaging participation in GRESB</li> </ul>	

(4) Environment

Promotion of Green lease contract



Source : MLIT

The Investment Corporation aims for a win-win relationship that benefits both building owners and tenants through reduced utilities expenses by establishing written agreements and memoranda on the reduction of environmental burdens through efforts such as energy conservation at properties owned and improvement of the working environment in cooperation with tenants. As of now, it has signed a contract with one tenant.

The Investment Corporation will strive to achieve this goal despite difficulties in implementing this in medium-sized offices.

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 112 properties of all 114 properties owned, excluding properties that have been acquired recently. Equipment that consumes less energy will be introduced during air-conditioner replacement.



HF HAKUSAN RESIDENCE

Eco-friendly initiatives: FSC paper and Glassine

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











Source : FSCJapan



Source : Japan Printing Ink Makers Association



Environmental Certificates - Total floor area ratio 20.3% (overlaps eliminated)

HF SAKURADORI BUILDING  DBJ Green Building 2018 〇〇〇〇	KAYABACHO HEIWA BUILDING  DBJ Green Building 2020 〇〇	ARK Mori Building  CASBEE	HF NIHONBASHI HAMACHO BUILDING  CASBEE	HF TABATA RESIDENCE  BELS
HF KOMAZAWA-KOEN RESIDENCE TOWER  DBJ Green Building 2020 〇〇〇〇	HF SENDAI HONCHO BUILDING  DBJ Green Building 2020 〇〇	HF SAKURADORI BUILDING  CASBEE	HF UENO BUILDING  CASBEE	KOBE KYUKYORYUCHI HEIWA BUILDING  BELS
HF SHIROKANE TAKANAWA RESIDENCE  DBJ Green Building 2020 〇〇	HF SENDAI HONCHO BUILDING  CASBEE	KABUTO-CHO UNI-SQUARE  CASBEE		

DBJ Green Building: Total floor ratio 12.6%      CASBEE: Total floor ratio 11.1.%      BELS: Total floor ratio 2.9%

(5) Social

Community Involvement

- Supplying drinking water at the time of disaster

The Investment Corporation 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 Investment Corporation will supply drinking water from a water receiving tank installed in HF HATCHOBORI BUILDING, through the Bureau of Waterworks.

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



- Cleaning around Kabuto-cho district

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

• Supporting local restaurants

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



Community Involvement

Sponsoring a jazz event



A jazz event was held at the Tokyo Stock Exchange (TSE Hall) on December 15, 2021. It was a live concert with the themes of “a fusion of music and financial services” and “the development of young musicians,” where young and talented musicians, who will carry on the future jazz culture, gathered and played together. It involved the local community and many residents participated. Continuing from last year, the Asset Management Company and Heiwa Real Estate, as the sponsor, also cooperated in the event.

Promotion of diversity

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

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

Investment Corporation		Asset Management Company (incl. duplication)	
Lawyer	2	Real estate notary	22
Certified public accountant	1	ARES Certified Master	19
		Certified Building Administrator	14
		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 2021 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 third consecutive certification since FY2019. In addition, the company received Silver Certification as a Healthy Company by the Tokyo Federation of the National Federation of Health Insurance Societies. Moving forward, we will continue working to promote health management as we pursue further operational achievements.



- Improvement of work environment



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

- Development of human resources and support for qualification acquisition

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

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

- Work-life balance

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

- List of employee programs

Programs
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

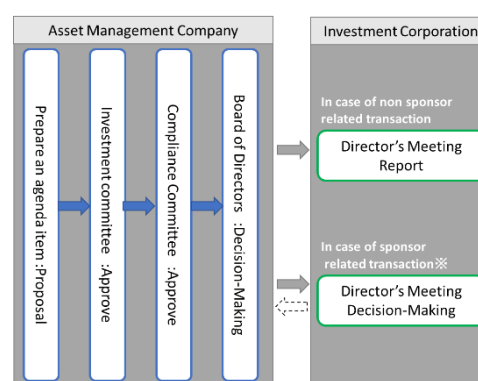
## (6) Governance

### Corporate Governance

The organization of this investment corporation consists of one executive officer with no conflicted interest in Investment Corporation 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 Investment Corporation, 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 Investment Corporation.

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 Investment Corporation 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 Investment Corporation 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/>

### Three-tiered same-boat investment

#### • Same-boat investment by the Sponsor

Heiwa Real Estate’s same-boat investment ratio is one of the highest in the REIT industry. Heiwa Real Estate is supporting the administration of the Investment Corporation, taking on great responsibilities as its sponsor. The number of investment units held by Heiwa Real Estate increased to 143,845 (13.63%) at the end of the fiscal period under review with additional 8,000 units acquired through a public offering in June 2021.

#### • Same-boat investment by the Asset Management Company

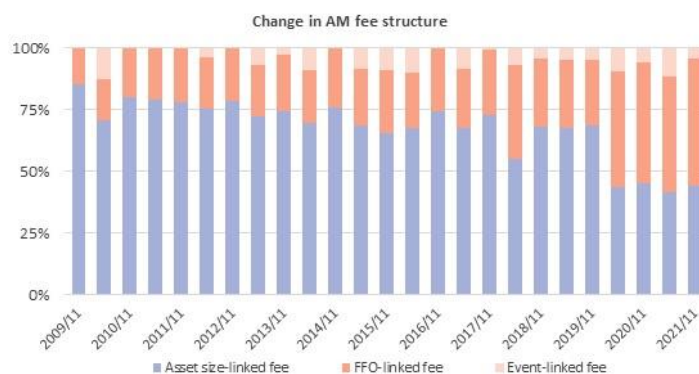
Heiwa Real Estate Asset Management holds 3,334 units (0.32%) of the Investment Corporation’s investment units and that works as an incentive to manage assets from the perspective of unitholders.

#### • Same-boat investment by employees

A system for the purchase of investment units through a cumulative investment system has been introduced for employees of the Asset Management Company. This means that an employee of the Asset Management Company is also a unitholder and that works as an incentive to manage assets from the perspective of unitholders.

### Change in AM fee structure

The Investment Corporation has been reforming its asset management fee structure. It works to increase correlation between investor interests and profit of Asset Management Company by reducing the ratio of asset size-linked compensation and raising the ratio of performance-linked remuneration such as distribution-linked pay.





## Independent auditor's report

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

### Opinion

We have audited the accompanying financial statements of HEIWA REAL ESTATE REIT, Inc. (“HEIWA REAL ESTATE REIT”), which comprise the balance sheets as at November 30, 2021 and, May 31, 2021, and the statements of income and retained earnings, statements of changes in net assets and statements of cash flows for each of the six-month periods then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HEIWA REAL ESTATE REIT as at November 30, 2021 and, May 31, 2021, and its financial performance and cash flows for each of the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

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

### Emphasis of Matter

We draw attention to Note 21 to the financial statements, which states acquisition of properties and borrowing of funds. Our opinion is not modified in respect of this matter.

### 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 including 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.

森本 洋平

Yohei Morimoto

Designated Engagement Partner

Certified Public Accountant

倉持 奈美子

Namiko Kuramochi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

February 28, 2022



# HEIWA REAL ESTATE REIT, Inc.

## BALANCE SHEETS

As of November 30, 2021 and May 31, 2021

	As of	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
<b>Assets</b>		
Current Assets:		
Cash and deposits (Note 3)	¥ 11,223,174	¥ 9,860,611
Cash and deposits in trust (Note 3)	3,679,559	3,598,834
Tenant receivables	49,214	45,813
Prepaid expenses	133,505	123,590
Consumption taxes receivable	—	23,524
Other current assets	2,291	8,869
Allowance for doubtful accounts	—	(65)
Total Current Assets	15,087,745	13,661,177
Investment Properties (Notes 5 and 6):		
Land	37,030,448	35,263,625
Buildings	19,561,237	17,358,394
Structures	93,449	82,953
Machinery and equipment	309,926	304,860
Tools, furniture and fixtures	304,341	279,806
Land in trust	92,536,504	87,877,511
Buildings in trust	47,674,408	47,287,495
Structures in trust	256,542	258,604
Machinery and equipment in trust	654,281	612,447
Tools, furniture and fixtures in trust	1,195,765	1,154,449
Less: accumulated depreciation	(19,963,343)	(19,084,709)
Leasehold rights	4,310,194	1,910,049
Leasehold rights in trust	3,315,665	3,315,665
Total Investment Properties, Net	187,279,421	176,621,154
Other Assets:		
Software	5,054	5,818
Lease and guarantee deposits	19,617	14,617
Long-term prepaid expenses	244,361	229,149
Derivative assets (Note 4)	77,088	29,163
Deferred investment units issuance costs	41,820	—
Deferred investment corporation bond issuance costs	42,355	46,459
Others	409,161	379,283
Total Other Assets	839,460	704,492
<b>Total Assets</b>	¥ 203,206,627	¥ 190,986,824

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

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

As of November 30, 2021 and May 31, 2021

	As of	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
<b>Liabilities</b>		
Current Liabilities:		
Operating accounts payable	¥ 575,667	¥ 352,179
Investment corporation bonds due within one year (Notes 4 and 8)	1,000,000	—
Long-term debt due within one year (Notes 4 and 7)	11,149,000	11,869,000
Accrued expenses	749,663	715,622
Income taxes payable	275	595
Accrued consumption taxes	76,297	—
Advances received	1,152,702	1,104,773
Other current liabilities	36,119	14,020
<b>Total Current Liabilities</b>	14,739,726	14,056,190
Long-Term Liabilities:		
Investment corporation bonds (Notes 4 and 8)	6,900,000	7,900,000
Long-term debt (Notes 4 and 7)	71,808,200	68,298,200
Tenant security deposits	898,601	823,499
Tenant security deposits in trust	4,557,342	4,514,754
Derivative liabilities (Note 4)	110,052	210,744
<b>Total Long-Term Liabilities</b>	84,274,196	81,747,198
<b>Total Liabilities</b>	99,013,923	95,803,389
<b>Net Assets (Notes 9)</b>		
Unitholders' Equity:		
Unitholders' capital	90,063,406	81,370,715
Units authorized: 8,000,000 units		
Units issued and outstanding: 1,055,733 units as of November 30, 2021 and 999,933 units as of May 31, 2021		
Capital surplus	7,406,652	7,406,652
Deduction from capital surplus	(1,699,990)	(1,699,990)
Reserve for reduction entry	415,683	415,683
Reserve for temporary difference adjustment (Note 10)	1,962,702	2,002,699
Retained earnings	6,083,325	5,871,290
<b>Total Unitholders' Equity</b>	104,231,778	95,367,050
Valuation and translation adjustments:		
Deferred gains or losses on hedges	(39,074)	(183,615)
<b>Total valuation and translation adjustments</b>	(39,074)	(183,615)
<b>Total Net Assets</b>	104,192,703	95,183,434
<b>Total Liabilities and Net Assets</b>	¥ 203,206,627	¥ 190,986,824

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

# HEIWA REAL ESTATE REIT, Inc.

## STATEMENTS OF INCOME AND RETAINED EARNINGS

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

	For the six months ended	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
<b>Operating Revenues (Note 11):</b>		
Rental revenues (Note 12)	¥ 6,132,363	¥ 5,831,007
Other revenues related to property leasing (Note 12)	499,776	494,939
Gain on sales of investment properties (Notes 13 and 19)	244,144	404,961
<b>Total Operating Revenues</b>	<b>6,876,253</b>	<b>6,730,908</b>
<b>Operating Expenses:</b>		
Property-related expenses (Notes 12 and 19)	2,697,443	2,617,359
Asset management fees	617,975	600,615
Asset custody fees	11,979	11,626
Administrative service fees	29,968	27,705
Directors' compensation	6,102	6,293
Independent auditors' fees	11,660	11,660
Other operating expenses	139,167	146,594
<b>Total Operating Expenses</b>	<b>3,514,297</b>	<b>3,421,854</b>
<b>Operating Income</b>	<b>3,361,956</b>	<b>3,309,053</b>
<b>Non-Operating Revenues:</b>		
Interest income	928	1,110
Reversal of distributions payable	425	457
Insurance income	9,601	4,612
Other non-operating revenues	809	628
<b>Total Non-Operating Revenues</b>	<b>11,764</b>	<b>6,809</b>
<b>Non-Operating Expenses:</b>		
Interest expenses	309,550	317,120
Borrowing related expenses	49,462	50,599
Interest expenses on investment corporation bonds	25,085	25,085
Amortization of deferred investment corporation bond issuance costs	4,104	4,104
Amortization of deferred investment units issuance costs	8,364	—
Other non-operating expenses	4,700	2,122
<b>Total Non-Operating Expenses</b>	<b>401,266</b>	<b>399,032</b>
<b>Ordinary Income</b>	<b>2,972,454</b>	<b>2,916,830</b>
<b>Income Before Income Taxes</b>	<b>2,972,454</b>	<b>2,916,830</b>
Income taxes – current	605	605
Income Taxes (Note 15)	605	605
<b>Net Income</b>	<b>2,971,849</b>	<b>2,916,225</b>
<b>Retained Earnings Brought Forward</b>	<b>3,111,475</b>	<b>2,955,065</b>
<b>Retained Earnings at End of Period</b>	<b>¥ 6,083,325</b>	<b>¥ 5,871,290</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 November 30, 2021 and May 31, 2021

	Unitholders' Equity							
	Number of Units	Unitholders' Capital	Capital Surplus	Deduction from Capital Surplus	Reserve for Reduction Entry	Reserve for Temporary Difference Adjustment	Retained Earnings	Total Unitholders' Equity
	(Units)	(Thousands of Yen)						
<b>Balance as of November 30, 2020</b>	999,933	¥ 81,370,715	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,704,003	¥ 5,933,582	¥ 95,130,645
Cash distributions declared	—	—	—	—	—	—	(2,679,820)	(2,679,820)
Net income	—	—	—	—	—	—	2,916,225	2,916,225
Provision of reserve for temporary difference adjustment	—	—	—	—	—	338,693	(338,693)	—
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(39,997)	39,997	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	—
<b>Balance as of May 31, 2021</b>	999,933	¥ 81,370,715	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 2,002,699	¥ 5,871,290	¥ 95,367,050
Cash distributions declared	—	—	—	—	—	—	(2,799,812)	(2,799,812)
Net income	—	—	—	—	—	—	2,971,849	2,971,849
Issuance of new investment units	55,800	8,692,691	—	—	—	—	—	8,692,691
Reversal of reserve for temporary difference adjustment	—	—	—	—	—	(39,997)	39,997	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	—
<b>Balance as of November 30, 2021</b>	1,055,733	¥ 90,063,406	¥ 7,406,652	¥ (1,699,990)	¥ 415,683	¥ 1,962,702	¥ 6,083,325	¥ 104,231,778

### Valuation and Translation Adjustments

	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets
	(Thousands of Yen)		
<b>Balance as of November 30, 2020</b>	¥ (220,434)	¥ (220,434)	¥ 94,910,211
Cash distributions declared	—	—	(2,679,820)
Net income	—	—	2,916,225
Provision of reserve for temporary difference adjustment	—	—	—
Reversal of reserve for temporary difference adjustment	—	—	—
Net changes of items other than unitholders' equity	36,818	36,818	36,818
<b>Balance as of May 31, 2021</b>	¥ (183,615)	¥ (183,615)	¥ 95,183,434
Cash distributions declared	—	—	(2,799,812)
Net income	—	—	2,971,849
Issuance of new investment units	—	—	8,692,691
Reversal of reserve for temporary difference adjustment	—	—	—
Net changes of items other than unitholders' equity	144,540	144,540	144,540
<b>Balance as of November 30, 2021</b>	¥ (39,074)	¥ (39,074)	¥ 104,192,703

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

# HEIWA REAL ESTATE REIT, Inc.

## STATEMENTS OF CASH FLOWS

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

	For the six months ended	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 2,972,454	¥ 2,916,830
Depreciation and amortization	970,080	955,925
(Decrease) increase in allowance for doubtful accounts	(65)	63
Amortization of deferred investment corporation bond issuance costs	4,104	4,104
Amortization of deferred investment units issuance costs	8,364	—
Interest income	(928)	(1,110)
Interest expenses	334,635	342,205
Increase in tenant receivables	(4,850)	(5,592)
Decrease (increase) in consumption taxes receivable	23,524	(23,524)
Increase (decrease) in accrued consumption taxes	76,297	(160,415)
(Increase) decrease in long-term prepaid expenses	(15,211)	6,078
Increase (decrease) in operating accounts payable	95,517	(174,485)
Increase (decrease) in accrued expenses	25,252	(11,449)
Increase in advances received	47,929	33,031
Increase (decrease) in deposits received	7,288	(54)
Decrease due to sale of investment properties in trust	364,157	702,521
Other, net	(21,130)	2,645
Interest income received	2,151	63
Interest expenses paid	(325,846)	(347,268)
Income taxes paid	(924)	(281)
<b>Net Cash Provided by Operating Activities</b>	<b>4,562,800</b>	<b>4,239,285</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from withdrawals of time deposits	3,000,000	—
Payment for deposits of time deposits	(1,000,000)	—
Payment for purchases of investment properties other than intangible assets	(3,964,151)	(5,116,394)
Payment for purchases of investment properties in trust	(5,502,363)	(2,252,335)
Payment for purchases of intangible assets	(2,400,386)	(3,206)
Proceeds from tenant security deposits	116,845	144,672
Refunds of tenant security deposits	(41,404)	(41,292)
Proceeds from tenant security deposits in trust	229,401	276,126
Refunds of tenant security deposits in trust	(186,812)	(131,507)
Proceeds from payment of trust deposits corresponding to tenant security deposits in trust	5,852	525
Deposit of trust deposits corresponding to tenant security deposits in trust	(130,548)	(92,227)
Payment for deposit of lease and guarantee deposits	(5,000)	—
<b>Net Cash Used in Investing Activities</b>	<b>(9,878,568)</b>	<b>(7,215,640)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from long-term debt	8,810,000	7,784,200
Repayments of long-term debt	(6,020,000)	(5,884,200)
Proceeds from issuance of investment corporation bonds	8,692,691	—
Payment for acquisition of treasury investment units	(50,184)	—
Distributions paid	(2,798,147)	(2,678,748)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>8,634,359</b>	<b>(778,748)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>3,318,591</b>	<b>(3,755,103)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>9,957,540</b>	<b>13,712,643</b>
<b>Cash and Cash Equivalents at End of Period (Note 3)</b>	<b>¥ 13,276,131</b>	<b>¥ 9,957,540</b>

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

# HEIWA REAL ESTATE REIT, Inc.

## Notes to Financial Statements

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

### Note 1 – Organization and Basis of Presentation

#### (a) Organization

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

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

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

As of November 30, 2021, HEIWA REAL ESTATE REIT has ownership or trust beneficiary interests in 114 properties with approximately 273,746.54 square meters of rentable space and has leased space to 5,591 tenants. The occupancy rate for the properties is approximately 97.70%.

#### (b) Basis of Presentation

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

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

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

(c) *Significant Accounting Estimates*

Impairment loss on investment properties

(1) Carrying amount on the accompanying financial statements

	As of	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
Investment properties	¥ 187,279,421	¥ 176,621,154

(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.

(d) *Changes in Accounting Policy*

Adoption of Accounting Standard for Revenue Recognition

From the beginning of the fiscal period ended November 30, 2021, HEIWA REAL ESTATE REIT has adopted “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020) and other related guidance. HEIWA REAL ESTATE REIT recognizes revenue at the time of the transfer of promised goods or services to customers in an amount that reflects the consideration to which HEIWA REAL ESTATE REIT expects to be entitled in exchange for those goods or services. The effect of adopting these standard and guidance on financial statements is immaterial.

Adoption of Accounting Standard for Fair Value Measurement

From the beginning of the fiscal period ended November 30, 2021, HEIWA REAL ESTATE REIT has adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other related standard and guidance. The new accounting policies set forth by these standards and guidance are applied prospectively in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The effect of adopting these standards and guidance on financial statements is immaterial.

## 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 Corporation Bond Issuance Costs

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

### (g) 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.



*(h) 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>November 30, 2021</b>	<b>May 31, 2021</b>
	<b>(Thousands of Yen)</b>	
Capitalized real estate taxes	¥ 18,581	¥ 16,605

*(i) Consumption Taxes*

Consumption taxes are excluded from transaction amounts. Non-deductible consumption taxes related to the acquisition of properties are treated as the cost of the applicable properties.

*(j) 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.

*(k) 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.

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

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

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

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

### Note 3 – Cash and Cash Equivalents

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

	As of	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
Cash and deposits	¥ 11,223,174	¥ 9,860,611
Cash and deposits in trust	3,679,559	3,598,834
Trust deposits retained for repayment of tenant security deposits	(626,602)	(501,905)
Time deposits with maturities exceeding three months	(1,000,000)	(3,000,000)
Cash and cash equivalents	¥ 13,276,131	¥ 9,957,540

### 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 and cash and deposits in trust 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.

	<b>As of November 30, 2021</b>			<b>As of May 31, 2021</b>		
	(Thousands of Yen)			(Thousands of Yen)		
	<b>Book value</b>	<b>Fair value</b>	<b>Difference</b>	<b>Book value</b>	<b>Fair value</b>	<b>Difference</b>
Investment corporation bonds due within one year	¥ 1,000,000	¥ 998,600	¥ (1,400)	¥ —	¥ —	¥ —
Long-term debt due within one year	11,149,000	11,160,797	11,797	11,869,000	11,869,000	—
Investment corporation bonds	6,900,000	6,864,280	(35,720)	7,900,000	7,829,260	(70,740)
Long-term debt	71,808,200	71,800,687	(7,512)	68,298,200	68,307,006	8,806
<b>Liabilities total</b>	<b>¥ 90,857,200</b>	<b>¥ 90,824,365</b>	<b>¥ (32,834)</b>	<b>¥ 88,067,200</b>	<b>¥ 88,005,266</b>	<b>¥ (61,933)</b>
<b>Derivatives (*)</b>	<b>¥ (39,074)</b>	<b>¥ (80,433)</b>	<b>¥ (41,359)</b>	<b>¥ (183,615)</b>	<b>¥ (247,139)</b>	<b>¥ (63,524)</b>

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

Note:

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

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

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

Derivatives:

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

Derivatives to which hedge accounting is applied are as follows:

Hedge accounting method	Type	Hedged item	As of November 30, 2021		
			Contractual amount		Fair value (*)
			Total	Due after one year	
(Thousands of Yen)					
Deferral hedge accounting method	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	¥ 68,267,200	¥ 59,018,200	¥ (39,074)
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	4,880,000	(41,359)
			¥ 73,147,200	¥ 63,898,200	¥ (80,433)

Hedge accounting method	Type	Hedged item	As of May 31, 2021		
			Contractual amount		Fair value (*)
			Total	Due after one year	
(Thousands of Yen)					
Deferral hedge accounting method	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	¥ 58,433,000	¥ 46,364,000	¥ (183,615)
Special treatment for interest rate swaps	Interest rate swaps Receive floating/ Pay fixed	Long-term debt	4,880,000	4,880,000	(63,524)
			¥ 63,313,000	¥ 51,244,000	¥ (247,139)

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

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

As of November 30, 2021	Due within one year	Due after one year to two years	Due after two years to three years	Due after three years to four years	Due after four years to five years	Due after five years
	(Thousands of Yen)					
Investment corporation bonds due within one year	¥ 1,000,000	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt due within one year	11,149,000	—	—	—	—	—
Investment corporation bonds	—	—	1,000,000	—	—	5,900,000
Long-term debt	—	11,760,000	11,935,000	12,172,000	13,262,000	22,679,200
<b>Total</b>	¥ 12,149,000	¥ 11,760,000	¥ 12,935,000	¥ 12,172,000	¥ 13,262,000	¥ 28,579,200

As of May 31, 2021	Due within one year	Due after one year to two years	Due after two years to three years	Due after three years to four years	Due after four years to five years	Due after five years
	(Thousands of Yen)					
Long-term debt due within one year	¥ 11,869,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	1,000,000	1,000,000	—	—	5,900,000
Long-term debt	—	10,400,000	11,285,000	11,607,000	12,477,000	22,529,200
<b>Total</b>	¥ 11,869,000	¥ 11,400,000	¥ 12,285,000	¥ 11,607,000	¥ 12,477,000	¥ 28,429,200

## Note 5 – Investment Properties

Investment properties consist of the following:

	As of November 30, 2021			As of May 31, 2021		
	(Thousands of Yen)			(Thousands of Yen)		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	¥ 37,030,448	¥ —	¥ 37,030,448	¥ 35,263,625	¥ —	¥ 35,263,625
Buildings	19,561,237	(5,127,067)	14,434,170	17,358,394	(4,876,000)	12,482,393
Structures	93,449	(48,145)	45,303	82,953	(45,546)	37,407
Machinery and equipment	309,926	(232,000)	77,926	304,860	(223,986)	80,874
Tools, furniture and fixtures	304,341	(175,785)	128,555	279,806	(163,576)	116,230
Land in trust	92,536,504	—	92,536,504	87,877,511	—	87,877,511
Buildings in trust	47,674,408	(13,149,047)	34,525,360	47,287,495	(12,600,139)	34,687,355
Structures in trust	256,542	(105,443)	151,443	258,604	(100,926)	157,677
Machinery and equipment in trust	654,281	(316,852)	337,428	612,447	(305,245)	307,202
Tools, furniture and fixtures in trust	1,195,765	(809,000)	386,764	1,154,449	(769,288)	385,161
Leasehold rights	4,310,194	—	4,310,194	1,910,049	—	1,910,049
Leasehold rights in trust	3,315,665	—	3,315,665	3,315,665	—	3,315,665
<b>Total</b>	<b>¥ 207,242,764</b>	<b>¥(19,963,343)</b>	<b>¥ 187,279,421</b>	<b>¥ 195,705,864</b>	<b>¥ (19,084,709)</b>	<b>¥ 176,621,154</b>

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

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

	As of	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
<b>Book value:</b>		
Balance at beginning of period	¥ 176,621,154	¥ 170,652,876
Change during the period	10,658,267	5,968,277
Balance at end of period	¥ 187,279,421	¥ 176,621,154
<b>Fair value</b>	¥ 232,826,000	¥ 218,920,000

Notes:

1. Book value represents acquisition costs after deducting accumulated depreciation.
2. For the six months ended November 30, 2021, the increases are primarily due to acquisition of OSAKI CN BUILDING and five other properties (¥11,476,323 thousand), and the decreases are primarily due to disposal of HF KYUDAIBYOINMAE RESIDENCE (¥364,157 thousand) and depreciation (¥970,080 thousand). For the six months ended May 31, 2021, the increases are primarily due to acquisition of HF SENDAI ICHIBANCHO BUILDING and four other properties (¥7,249,230 thousand, at total), and the decreases are primarily due to disposal of HF TAKANAWA RESIDENCE (¥702,521 thousand) and depreciation (¥955,925 thousand).
3. Fair value is determined based on appraisal values provide by external real estate appraisers.

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

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

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

	As of	
	November 30, 2021	May 31, 2021
(Thousands of Yen)		
<b>Long-term debt</b>		
0.35% - 1.04% unsecured loans due 2021 (Notes 1 and 2)	¥ —	¥ 6,020,000
0.27% - 1.24% unsecured loans due 2022 (Notes 1 and 2)	11,149,000	10,669,000
0.33% - 1.08% unsecured loans due 2023 (Notes 1 and 2)	9,060,000	9,060,000
0.37% - 1.21% unsecured loans due 2024 (Notes 1 and 2)	11,935,000	10,755,000
0.51% - 0.94% unsecured loans due 2025 (Notes 1 and 2)	14,872,000	14,872,000
0.51% - 0.98% unsecured loans due 2026 (Notes 1 and 2)	13,262,000	12,362,000
0.57% - 0.67% unsecured loans due 2027 (Notes 1 and 2)	8,870,000	8,870,000
0.57% - 0.69% unsecured loans due 2028 (Notes 1 and 2)	11,809,200	6,559,200
0.68% - 0.69% unsecured loans due 2029 (Notes 1 and 2)	2,000,000	1,000,000
Less: amount due within one year	(11,149,000)	(11,869,000)
<b>Total long-term debt due after one year</b>	<b>¥ 71,808,200</b>	<b>¥ 68,298,200</b>

Notes:

- Interest rates presented are average interest rates applicable to individual loans during the period ended November 30, 2021. 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.

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

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



## Note 8 – Investment Corporation Bonds

Investment corporation bonds consist of the following:

	Issued date	Maturity date	Interest rate	As of	
				November 30, 2021	May 31, 2021
				(Thousands of Yen)	
1st unsecured bonds	June 30, 2017	June 30, 2022	0.30%	¥ 1,000,000	¥ 1,000,000
2nd unsecured bonds	June 30, 2017	June 30, 2027	0.65%	1,800,000	1,800,000
3rd unsecured bonds	May 7, 2018	May 2, 2028	0.70%	1,000,000	1,000,000
4th unsecured bonds	June 4, 2019	May 31, 2024	0.41%	1,000,000	1,000,000
5th unsecured bonds	June 4, 2019	May 31, 2029	0.82%	1,600,000	1,600,000
6th unsecured bonds	November 25, 2020	November 25, 2030	0.75%	1,500,000	1,500,000
<b>Total</b>				¥ 7,900,000	¥ 7,900,000

## Note 9 – Net Assets

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

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

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

## Note 10 – Reserve for Temporary Difference Adjustment

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

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

Notes:

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

For the six months ended May 31, 2021	Original amount	Balance as of December 1, 2020	Provision during the period	Reversal during the period	Balance as of May 31, 2021	Reason for provision or reversal
(Thousands of Yen)						
Gain on bargain purchase (Note 1)	¥ 2,497,604	¥ 1,704,003	¥ —	¥ (39,997)	¥ 1,664,005	Allocation for distributions
Part of differences between tax and accounting due to gain on sale of investment properties (Note 2)	¥ 338,693	¥ —	¥ 338,693	¥ —	¥ 338,693	Provision of a part of differences between tax and accounting due to gain on sale of investment properties

Notes:

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

## 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>November 30, 2021</b>	<b>May 31, 2021</b>
	(Thousands of Yen)	
<b>Revenues from property leasing:</b>		
Rental revenues:		
Base rents	¥ 5,450,274	¥ 5,182,402
Common area charges	682,088	648,605
Total rental revenues	6,132,363	5,831,007
Other revenues related to property leasing:		
Parking space rental revenues	162,415	149,489
Utility charge revenues	191,614	174,952
Incidental income	127,676	139,379
Cancellation penalty income	3,558	3,654
Others	14,510	27,462
Total other revenues related to property leasing	499,776	494,939
Total revenues from property leasing	6,632,139	6,325,946
<b>Property-related expenses:</b>		
Rental expenses:		
Property management expenses	676,617	672,432
Taxes and dues	413,747	401,283
Utilities expenses	205,687	180,577
Repair expenses	247,833	235,032
Insurance expenses	8,627	8,055
Trust fees	32,252	32,851
Depreciation	970,080	955,925
Others	142,597	131,199
Total property-related expenses	2,697,443	2,617,359
<b>Operating income from property leasing</b>	<b>¥ 3,934,696</b>	<b>¥ 3,708,587</b>

(Change in method of presentation)

“Utility charge revenue” which is formerly included in “Incidental income” is separately presented from the six months ended November 30, 2021 to improve clarity of disclosure. Comparative amounts in the table above were reclassified for consistency.

As a result, ¥174,952 thousand is reclassified from “Incidental income” to “Utility charge revenue”.

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

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

#### For the six months ended November 30, 2021

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

#### For the six months ended May 31, 2021

	(Thousands of Yen)	
<b>HF TAKANAWA RESIDENCE:</b>		
Proceeds from sales of investment properties	¥	1,130,000
Cost of sales of investment properties		702,521
Other expenses related to sales		22,517
Gain on sales of investment properties	¥	404,961

### Note 14 – Leases

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

	As of			
	November 30, 2021		May 31, 2021	
	(Thousands of Yen)			
Due within one year	¥	174,436	¥	174,436
Due after one year		116,290		203,508
<b>Total</b>	¥	290,726	¥	377,944

## Note 15 – Income Taxes

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

	For the six months ended	
	November 30, 2021	May 31, 2021
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(30.48)	(29.94)
Changes in valuation allowance	(0.98)	(1.52)
Others	0.02	0.02
Effective tax rate	0.02%	0.02%

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

	As of	
	November 30, 2021	May 31, 2021
	(Thousands of Yen)	
<b>Deferred tax assets:</b>		
Allowance for doubtful accounts	¥ —	¥ 20
Deferred gains or losses on hedges	12,292	57,765
Valuation differences due to merger	2,038,552	2,067,807
<b>Total deferred tax assets</b>	<b>2,050,845</b>	<b>2,125,593</b>
Valuation allowance	(2,050,845)	(2,125,593)
<b>Net deferred tax assets</b>	<b>¥ —</b>	<b>¥ —</b>

## Note 16 – Distribution Information

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

	For the six months ended	
	November 30, 2021	May 31, 2021
	(Yen)	
Unappropriated retained earnings	¥ 6,083,325,127	¥ 5,871,290,874
Reversal of reserve for temporary difference adjustment (Note)	79,219,037	39,997,320
Cash distributions declared	3,051,068,370	2,799,812,400
(Cash distributions per unit)	(2,890)	(2,800)
Retained earnings carried forward	¥ 3,111,475,794	¥ 3,111,475,794

Note: In accordance with transitional measures of the Supplementary Provisions paragraph No. 3 of the Ordinance on Accounting of Investment Corporations (Cabinet Office Order No. 27 of 2015), HEIWA REAL ESTATE REIT provided reserve for temporary difference adjustment of ¥2,497,604,770, which was the outstanding amount allocated to gain on bargain purchase recognized in past periods from unappropriated retained earnings in the statement of distributions for the six months ended November 30, 2015. The provided amount has been reversed every period by an amount equal to or more than the initial amount divided by 50 years from the six months ended May 31, 2016. HEIWA REAL ESTATE REIT reversed ¥75,832,102 and ¥36,610,385 for the six months ended November 30, 2021 and May 31, 2021, respectively.

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

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

Based on the policy, HEIWA REAL ESTATE REIT declared total distributions of ¥3,051,068,370 and ¥2,799,812,400 for the six months ended November 30, 2021 and May 31, 2021, respectively, which are the amount calculated by adding reversal of reserve for temporary difference adjustment of ¥ 79,219,037 to net income of ¥ 2,971,849,333 for the six months ended November 30, 2021 and the amount calculated by adding reversal of reserve for temporary difference adjustment of ¥39,997,320 to the amount calculated by deducting ¥156,410,159 from net income of 2,916,225,239 for the six months ended May 31, 2021, respectively. Furthermore, HEIWA REAL ESTATE REIT does not make cash distributions in excess of profit as set forth in Article 32(2) of HEIWA REAL ESTATE REIT's Articles of Incorporation.

## Note 17 – Per Unit Information

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

	For the six months ended	
	November 30, 2021	May 31, 2021
<b>Earnings per unit:</b>	(Yen)	
Net income per unit	¥ 2,816	¥ 2,916
Weighted average number of units outstanding (units)	1,055,319	999,933
	As of	
	November 30, 2021	May 31, 2021
	(Yen)	
Net assets per unit	¥ 98,692	¥ 95,189

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

## Note 18 – Related-Party Transactions

Related-party transactions are as follows:

For the six months ended November 30, 2021

Classification	Name	Location	Capital stock (Thousands of Yen)	Principal business	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Note 1) (Thousands of Yen)	Account	Balance at the end of period (Note 1) (Thousands of Yen)
Major corporate unitholder	HEIWA REAL ESTATE CO., LTD.	Chuo-ku, Tokyo	¥21,492,822	Real estate	13.6% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Notes 3 and 4)	¥ 143,920	Operating accounts payable	¥ 789
							Purchase of trust beneficiary interests in real estate (Note 5)	5,168,983	-	-
							Purchase of real estate (Note 6)	3,617,490	-	-
							Payment of brokerage fees	19,230	-	-
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Note 7)	Chuo-ku, Tokyo	134,000	Property management	-	Provision of property management services	Payment of property management fees (Note 3)	83,352	Operating accounts payable	35,990
							Payment of insurance premium	8,413	-	-
							Payment of repair work	31,403	Operating accounts payable	24,648
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 7)		295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees	691,335 (Note 8)	Accrued expenses	686,824

Notes:

- Consumption taxes are not included in transaction amounts, but are included in the balance at the end of the period.
- Terms and conditions of transactions are determined based on market price.
- In association with the reorganization of Heiwa Real Estate Group, the contractual status of the property management services for 22 properties out of 23 office properties for which the property management services were entrusted have been transferred from HEIWA REAL ESTATE to HEIWA REAL ESTATE Property Management Co., Ltd.
- The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractors.
  - HEIWA REAL ESTATE Property Management Co., Ltd. ¥77,079 thousand
  - Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd. ¥34,489 thousand
- The purchase of trust beneficiary interests in real estate is related to OSAKI CN BUILDING. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The purchase of real estate is related to HF SHOKOJI AKABANE RESIDENCE, HF YAHIRO RESIDENCE and HF SETAGAYAKAMIMACHI RESIDENCE. The amount of transaction includes the transfer price stated in the transfer agreement and related property taxes and city planning taxes settled between the seller, but not include other ancillary expenses related to the acquisition.
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The asset management fees include acquisition fees and transfer fees of ¥73,360 thousand.



**For the six months ended May 31, 2021**

Classification	Name	Location	Capital stock (Thousands of Yen)	Principal business	Ratio of voting rights	Relation to the related party	Nature of transaction	Amount of transaction (Note 1) (Thousands of Yen)	Account	Balance at the end of period (Note 1) (Thousands of Yen)
Major corporate unitholder	HEIWA REAL ESTATE CO., LTD.	Chuo-ku, Tokyo	¥21,492,822	Real estate	13.5% (directly owned) 0.3% (indirectly owned)	Provision of property management services	Payment of property management fees (Note 4)	¥ 213,374	Operating accounts payable	¥ 30,519
Companies whose majority of voting rights are owned by a major corporate unitholder	HEIWA REAL ESTATE Property Management Co., Ltd. (Notes 3 and 5)	Chuo-ku, Tokyo	134,000	Property management	-	Provision of property management services	Payment of property management fees	4,897	Operating accounts payable	816
							Payment of insurance premium	7,993	-	-
							Payment of repair work	43,306	Operating accounts payable	14,368
	HEIWA REAL ESTATE Asset Management CO., LTD. (Note 5)		295,575	Investment management	0.3% (directly owned)	Provision of asset management services	Payment of asset management fees	680,510 (Note 6)	Accrued expenses	660,677

Notes:

- Consumption taxes are not included in transaction amounts, but are included in the balance at the end of the period.
- Terms and conditions of transactions are determined based on market price.
- Heiwa Service Co., Ltd. was renamed to HEIWA REAL ESTATE Property Management Co., Ltd. as of March 1, 2021.
- The property management fees include building management fees which HEIWA REAL ESTATE paid to the following subcontractors.  

HEIWA REAL ESTATE Property Management Co., Ltd.	¥103,113 thousand
Third parties other than HEIWA REAL ESTATE Property Management Co., Ltd.	¥37,559 thousand
- The major corporate unitholder, HEIWA REAL ESTATE, directly owns 100% of voting rights of these companies.
- The asset management fees include acquisition fees and transfer fees of ¥79,895 thousand.

**Note 19 – Transactions with Major Unitholders**

Amounts of transactions with major unitholders are as follows:

	<b>For the six months ended</b>	
	<b>November 30, 2021</b>	<b>May 31, 2021</b>
	(Thousands of Yen)	
Gain on sales of investment properties (Other expenses related to sales)	¥ (19,230)	¥ —
Property-related expenses	143,920	213,374

## **Note 20 – Segment Information**

### ***Segment Information***

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

### ***Related Information***

#### *Information about Products and Services*

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

#### *Information by Geographic Areas*

##### (1) Operating revenues

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

##### (2) Investment properties

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

#### *Information on Major Tenants*

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

## Note 21 – Subsequent Events

### A. Acquisition of Assets

HEIWA REAL ESTATE REIT acquired one real estate on December 22, 2021, one real estate trust beneficiary right on December 23, 2021, and one real estate on December 24, 2021 and one real estate on February 28, 2022 as described below.

#### Re-99 HF UENO IRIYA RESIDENCE

Type of specified asset (Note1)	Real estate
Agreement date	December 14, 2021
Acquisition date	December 22, 2021
Acquisition price (Note2)	¥900,000 thousand
Location (lot number)	1-12-1, Iriya, Taito-ku, Tokyo
Purpose of use	Residential complex
Construction date	August 31, 2016
Structure	Reinforced concrete with flat roof, 12 floors above ground
Total floor space	1,146.77m <sup>2</sup>
Total rentable space	993.85m <sup>2</sup>

Notes:

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

#### Of-49 Inter Planet ESAKA Building

Type of specified asset	Real estate trust beneficiary right
Agreement date	December 14, 2021
Acquisition date	December 23, 2021
Acquisition price (Note)	¥2,500,000 thousand
Location (lot number)	1-13-48 Esakacho, Suita City, Osaka
Purpose of use	Office
Construction date	June 5, 2008
Structure	Steel construction with flat roof, 9 floors above ground
Total floor space	4,025.10m <sup>2</sup>
Total rentable space	3,047.22m <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-48 Faret East Building (Additional acquisition)

Type of specified asset	Real estate
Agreement date	December 14, 2021
Acquisition date	December 24, 2021
Acquisition price (Note1)	¥600,000 thousand
Location (lot number)	2-34-7 Akebonocho, Tachikawa City, Tokyo
Purpose of use	Office, store and storage
Construction date	December 15, 1994
Structure	Steel-framed reinforced concrete with flat roof, 1 floor below ground and 12 floors above ground
Total floor space (Notes 2 and 3)	1,662.07m <sup>2</sup>
Total rentable space	1,056.04m <sup>2</sup>

Notes:

1. “Acquisition price” is the price described in the real estate purchase agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.
2. HEIWA REAL ESTATE REIT acquired section 701. Ownership share of the land is 10.2557%.
3. The building is a sectional owned building and the total floor space is calculated by multiplying the total floor space of the building by the ownership share of 10.2557%.

Re-100 HF TSUJIDO RESIDENCE

Type of specified asset	Real estate
Agreement date	February 2, 2022
Acquisition date	February 28, 2022
Acquisition price (Note)	¥1,870,000 thousand
Location (lot number)	2-2-26, Tsujidokandai, Fujisawa-city, Kanagawa
Purpose of use	Residence and store
Construction date	March 7, 2011
Structure	Reinforced concrete (partially steel construction) 14 floors above ground
Total floor space	3,604.50m <sup>2</sup>
Total rentable space	3,272.90m <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.

**B. Borrowing of Funds**

HEIWA REAL ESTATE REIT borrowed funds as described below (total borrowing amount of ¥5,900,000 thousand) to partly fund for acquisition of one residence property acquired on December 22, 2021, one office property acquired on December 23, 2021, one office property acquired on December 24, 2021 and one residence property acquired on February 28, 2022 (as described in A. Acquisition of Assets above.)

Term loan-56

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Mizuho Trust & Banking Co., Ltd.	¥900,000	December 22, 2021	May 31, 2029 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

Term loan-57-1

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Sumitomo Mitsui Banking Corporation	¥500,000	December 23, 2021	December 30, 2022 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

Term loan-57-2

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Nippon Life Insurance Company	¥1,000,000	December 23, 2021	December 22, 2028 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

Term loan-57-3

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	December 23, 2021	November 29, 2030 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

#### Commitment Line

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., Resona Bank, Limited.	¥600,000	December 24, 2021	February 24, 2022 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

#### Term loan-59-1

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Resona Bank, Limited.	¥700,000	February 28, 2022	May 31, 2029 (Note)	Lump-sum repayment	To fund for acquisition of property and others	Unsecured/ non-guaranteed

#### Term loan-59-2

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Shinsei Bank, Limited.	¥1,200,000	February 28, 2022	November 30, 2029 (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.

HEIWA REAL ESTATE REIT borrowed funds as described below (borrowing amount of ¥600,000 thousand) to refinance the borrowing based on commitment line contracts as described above (borrowing amount of ¥600,000 thousand) which matured February 24, 2022.

#### Term loan-58

Lender	Borrowing Amount (Thousands of Yen)	Borrowing date	Maturity Date	Repayment Method	Usage of Fund	Collateral and Guarantee
Mizuho Trust & Banking Co., Ltd.	¥600,000	February 24, 2022	November 30, 2029 (Note)	Lump-sum repayment	To fund for repayment of existing borrowings	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.