

May 22, 2023

This notice is the English translation of the Japanese announcement on May 22, 2023

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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Aya Motomura, Executive Director

(Securities Code: 8966)

Asset Management Company

HEIWA REAL ESTATE Asset Management CO., LTD.

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Notice Concerning Acquisition of Assets

(Kitahama 1-Chome Heiwa Building and Heiwa Real Estate Kitahama Building)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced today that HEIWA REAL ESTATE Asset Management CO., LTD. (the “Asset Management Company”), the company to which the Investment Corporation entrusts its asset management operations, decided to execute the acquisition (the “Acquisition”) of assets (the “Assets to be acquired”). The details are as follows.

As Heiwa Real Estate Co., Ltd., the seller of the assets to be acquired is considered an interested party, etc. as defined by the Financial Instruments and Exchange Act (the “FIEA”) and the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”) as well as an interested party under the Regulations to Prevent Acts in Conflict of Interest of the Asset Management Company, the Asset Management Company has performed decision-making procedures required under the said regulations and other rules prior to conducting a transaction with the counterparty.

Details

1. Overview of the acquisition

Property Number	Property Name	Type of Specified Asset	Investment Category	Investment Area (Note 1)	Proposed Acquisition Price (million yen) (Note 2)	Appraisal Value (million yen)
Of-55	Kitahama 1-Chome Heiwa Building	Trust beneficial interest in real estate (quasi-co-ownership interest: 75%)	Office	Regional investment area (Osaka-City, Osaka)	3,370	3,495
Of-56	Heiwa Real Estate Kitahama Building	Trust beneficial interest in real estate	Office	Regional investment area (Osaka-City, Osaka)	1,650	1,770
Total					5,020	5,265

(Note 1) The Primary Investment Area refers to the 23 Wards of Tokyo, the Secondary Investment Area refers to Tokyo excluding the Primary Investment Area, major urban areas in Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture, and the Regional Investment Area refers to major urban areas in the metropolitan area excluding the Primary Investment Area and the Secondary Investment Area. The

metropolitan area is the urban area and the surrounding municipalities that are socially and economically connected to Tokyo and the central cities of the metropolitan area are the special wards of Tokyo and the government-designated cities. The same will apply below.

(Note 2) "Proposed acquisition price" is the price described in the trust beneficial interest transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc

- (1) Agreement execution date: May 22, 2023
- (2) Scheduled acquisition date: June 6, 2023
- (3) Seller: Heiwa Real Estate Co., Ltd.
- (4) Acquisition financing: The proceeds from the issuance of new investment units (Note) and cash on hand
- (5) Payment method: Lump-sum payment at time of delivery
- (6) Brokerage: Not applicable

(Note) For more details, please refer to "Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units" announced today.

## 2. Reason for the acquisition

The Investment Corporation will continue to implement its basic principles, namely the steady growth of its investment portfolio and the achievement of medium and long term sustainable profit. We will aim to maximize unitholder value by striking a balance between steady growth & sustainable profit. We have decided on the acquisition because we expect strong and sustained external growth, further improvement of portfolio quality and profitability, and the increase of unitholder value through public offerings and property acquisitions for three consecutive years (2021, 2022 and 2023).

Each of the assets to be acquired was constructed as part of a redevelopment project for Kitahama district in Osaka conducted by Heiwa Real Estate Co., Ltd. (referred to as "Heiwa Real Estate" in 2. Reason for the Acquisition), the sponsor. The construction completion of Osaka Securities Exchange Building., Hotel Brighton City Osaka Kitahama and Kitahama Tower & Plaza was followed by that of Heiwa Real Estate Kitahama Building in 2011 and Kitahama 1-chome Heiwa Building in 2015. The Kitahama district in Osaka where the assets to be acquired are located had a long history as a prosperous financial center, bringing together many money exchangers, etc. It still forms a vibrant financial district around Osaka Securities Exchange. The assets to be acquired were constructed on the site of the former main wing and annex of Osaka Shoken Kaikan Building, which were home to many securities brokerage firms. Moreover, on the land where Kitahama 1-chome Heiwa Building is located was a Japanese restaurant where Okubo Toshimichi, Kido Takayoshi, Itagaki Taisuke held the Osaka Conference of 1875. The restaurant still exists in the new building with a stone monument at its gate, giving a feeling of the depth of the history of the district as one of Japan's political and economic centers. We decided on the acquisition considering that the acquisition of two office buildings in Kitahama district, which is an important base of Heiwa Real Estate in Kansai district and is deeply related to its origin, will be of great benefit to the Investment Corporation's portfolio management in the future.

### (1) Kitahama 1-Chome Heiwa Building

The acquired property has direct access through an underpass to Kitahama Station of the Osaka Metro Sakaisuji Line and the Keihan Railway's Keihan Main Line and Yodoyabashi Station of the Osaka Metro Midosuji Line, offering excellent convenience of transportation. On the north side of the acquired property is the spectacular scenery of Nakanoshima Park located on the other side of the Tosabori River. It is a sophisticated office building that can offer comfortable office space, with a terrace along the Tosabori River.

In terms of the level of the facilities provided, the acquired property has a ceiling height of 2,700mm, a 100mm office automation equipment floor, individual air-conditioning, vibration control systems (TMD dampers and oil dampers), LED lighting for the entire building and installation of solar power generation panels. Moreover, the property has received the highest evaluation rank of S based on the CASBEE scale, which assesses and certifies the environmental performance of buildings. As the property has excellent environmental features, it is expected to contribute to the Investment Corporation's initiatives towards the realization of a low-carbon society.

(2) Heiwa Real Estate Kitahama Building

The acquired property has direct access through an underpass to Kitahama Station of the Osaka Metro Sakaisuji Line and the Keihan Railway's Keihan Main Line and Yodoyabashi Station of the Osaka Metro Midosuji Line, offering excellent convenience of transportation. The acquired property is located approximately 250m away from Kitahama 1-chome Heiwa Building on the Tosabori Street and offers, from the north side of the building through the glass curtain wall, an unbroken view of Nakanoshima Park and peripheral area, in the same manner as Kitahama 1-chome Heiwa Building.

In terms of the level of the facilities provided, the acquired property has a ceiling height of 2,700mm, a 100mm office automation equipment floor and individual air-conditioning, making it highly competitive compared to other properties in the peripheral area.

3. Details of the properties to be acquired

Of-55 Kitahama 1-Chome Heiwa Building

Property number / Property name		Of-55 Kitahama 1-Chome Heiwa Building
Type of asset		Trust beneficial interest in real estate (quasi-co-ownership interest: 75%)
Trustee (Planned)		Mitsubishi UFJ Trust and Banking Corporation
Trust term (Planned)		From June 6, 2023 to June 30, 2033
Location (Note 1)		(Building address on real estate registry) 1-29-1, Kitahama, Chuo-ku, Osaka City, Osaka, and 7 others (Lot number) 1-1-14, Kitahama, Chuo-ku, Osaka City, Osaka
Land	Form of ownership	Ownership
	Area (Note 1)	Entire site: 651.63 m <sup>2</sup> Interest in the right of site: 488.72 m <sup>2</sup> (Note 5)
	Use district (Note 2)	Commercial district
	Building coverage ratio (Note 3)	80%
	Floor area ratio (Note 4)	800%
Building	Form of ownership	Ownership
	Use (Note 1)	Office, store, parking
	Structure/Floors (Note 1)	Steel beam / steel-framed reinforced concrete Flat roof 1 floor below ground and 9 floors above ground
	Total floor space (Note 1)	Total floor space: 5,475.33 m <sup>2</sup> Proprietary area: 4,106.49 m <sup>2</sup> (Note 5)
	Construction completion date (Note 1)	February 28, 2015
Collateral		None
Property management company		Heiwa Real Estate Property Management Co., Ltd.

Master lease company	Heiwa Real Estate Property Management Co., Ltd.	
Master lease type	Pass through	
Tenant details (Note 6)		
Total number of tenants	17	
Total rent income (Note 7)	147,617 thousand yen	
Leasehold and security deposits (Note 7)	106,130 thousand yen	
Total leased floor space (Note 7)	2,626.03 m <sup>2</sup>	
Total leasable floor space (Note 7)	2,714.28 m <sup>2</sup>	
Occupancy rates (Based on Floor Space)	96.7% (as of March 31, 2023)	
NOI yield (Note 8)	4.3%	
Outline of the engineering report	Survey company	Tokyo Bldg.-Tech Center Co., Ltd.
	Survey date	August 19, 2022
	Replacement value (Note 9)	952,500 thousand yen
	Probable maximum loss (PML)	14.1%
	Long-term repairs (next 15years) (Note 10)	119,332 thousand yen
Overview of real estate appraisal report	Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
	Value date	April 1, 2023
	Appraisal value	3,495,000 thousand yen
Other items of special note	<ul style="list-style-type: none"> <li>• The Investment Corporation plans to acquire 75% quasi-co-ownership interest in the trust beneficiary right and to conclude a letter of agreement with the other quasi-co-owner (Heiwa Real Estate) to specify that the quasi-co-ownership interest in the trust beneficiary right may not be transferred to any third party, other than the beneficiaries, except for cases in which Heiwa Real Estate transfers 25% quasi-co-ownership interest in the trust beneficiary right to the Investment Corporation and in which the other beneficiary gives prior consent in writing.</li> <li>• A deck built above the river that is adjacent to north side of the real estate in trust is in use. – A deck built above the river that is adjacent to north side of the real estate in trust is in use. If the real estate in trust is transferred with the said deck, it would be necessary to conclude a memorandum of understanding on installation and operation of the deck above the river with Kitahama Waterfront Committee, which has obtained permission for occupancy of the deck above the river from the river management authority, and to perform other prescribed procedures. The Investment Corporation will perform the said procedures when it acquires the property.</li> <li>• Part of the underground structure in the land in trust crosses over the boundary to the adjacent land on the south side. A memorandum has been concluded regarding the crossing of the boundary.</li> </ul>	

(Note 1) “Location (excluding indication of residential address),” “Area,” “Use,” “Structure/Floor” “Total floor space” and “Construction completion date” are as stated in the real estate registry.

(Note 2) “Use district” is the type of use district as listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.

(Note 3) Building-to-land ratio is the ratio of building area to site area as stipulated in Article 53 of the Building Standards Act, and is a figure determined by city planning according to zoning and other factors. The acquired property is a fireproof building in a commercial district and a fire prevention district, so the building-to-land ratio has been relaxed to 100%.

(Note 4) Floor-area ratio is the ratio of the total floor area of a building to the site area as stipulated in Article 52 of the Building Standards Act, and is a figure determined by city planning according to zoning and other factors.

(Note 5) “Interest in the right of site” is calculated by multiplying the site area or the total floor area of one building by quasi-co-ownership interest ratio (75%), rounded down to two decimal places.

- (Note 6) Figures in “Tenant details” are as of March 31, 2023 and the amounts are rounded down to the nearest thousand yen. Furthermore, “Total rent income” is the annualized figure (multiplied by 12) of the monthly rent (including common expenses but not including fees for the usage of parking, storage rooms and such as well as consumption tax) as of March 31, 2023, based on lease agreements and sub-leasing agreements concluded between the trustee or the Investment Corporation and the master lease company or end tenants, with amounts below a thousand yen round off.
- (Note 7) The figure is equivalent to the quasi-co-ownership interest in the trust beneficiary right (75%), which the Investment Corporation plans to acquire.
- (Note 8) “NOI yield” indicates the NOI yield calculated by using the net operating income (NOI) for the 12 months, which serves as the assumption for the value indicated by the income approach under the direct capitalization method shown in the appraisal report for the property, and is rounded to the first decimal place.
- (Note 9) The replacement value is calculated by multiplying the replacement value of one building as stated in the engineering report by the quasi-co-ownership interest ratio of 75%, rounded down to the nearest thousand yen.
- (Note 10) The long-term repairs are calculated by multiplying The long-term repairs of one building as stated in the engineering report by the quasi-co-ownership interest ratio of 75%, rounded down to the nearest thousand yen.

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

Property number / Property name		Of-56 Heiwa Real Estate Kitahama Building
Type of asset		Trust beneficial interest in real estate
Trustee (Planned)		Mitsubishi UFJ Trust and Banking Corporation
Trust term (Planned)		From June 6, 2023 to June 30, 2033
Location (Note 1)		(Building address on real estate registry) 2-85-3, 2-86-1, 2-87-1, Kitahama, Chuo-ku, Osaka City, Osaka (Lot number) 2-1-5 Kitahama, Chuo-ku, Osaka City, Osaka
Land	Form of ownership	Ownership
	Area (Note 1)	287.71 m <sup>2</sup>
	Use district (Note 2)	Commercial district
	Building coverage ratio (Note 3)	80%
	Floor area ratio (Note 4)	800%
Building	Form of ownership (Note 5)	Ownership
	Use (Note 1)	Office, store
	Structure/Floors (Note 1)	Steel beam / steel-framed reinforced concrete Flat roof 1 floor below ground and 10 floors above ground
	Total floor space (Note 1)	2,315.59 m <sup>2</sup>
	Construction completion date (Note 1)	October 1, 2011
Collateral		None
Property management company		Heiwa Real Estate Property Management Co., Ltd.
Master lease company		Heiwa Real Estate Property Management Co., Ltd.
Master lease type		Pass through
Tenant details (Note 5)		
	Total number of tenants	14
	Total rent income	74,637 thousand yen
	Leasehold and security deposits	48,522 thousand yen
	Total leased floor space	1,464.52 m <sup>2</sup>
	Total leasable floor space	1,623.62 m <sup>2</sup>
	Occupancy rates (Based on Floor Space)	90.2% (as of March 31, 2023)
NOI yield (Note 6)		4.5%

Outline of the engineering report	Survey company	Tokyo Bldg.-Tech Center Co., Ltd.
	Survey date	August 19, 2022
	Replacement value	518,000 thousand yen
	Probable maximum loss (PML)	15.8%
	Long-term repairs (next 15years)	79,070 thousand yen
Overview of real estate appraisal report	Appraiser	Tanizawa Sogo Appraisal Co., Ltd.
	Value date	April 1, 2023
	Appraisal value	1,770,000 thousand yen
Other items of special note	<ul style="list-style-type: none"> <li>• We received a notice of cancellation dated September 14, 2022 from one tenant (leased floor space: 82.82 m<sup>2</sup>) to the effect that the tenant will cancel the property on June 15, 2023.</li> <li>• A deck built above the river that is adjacent to north side of the real estate in trust is in use. – A deck built above the river that is adjacent to north side of the real estate in trust is in use. If the real estate in trust is transferred with the said deck, it would be necessary to conclude a memorandum of understanding on installation and operation of the deck above the river with Kitahama Waterfront Committee, which has obtained permission for occupancy of the deck above the river from the river management authority, and to perform other prescribed procedures. The Investment Corporation will perform the said procedures when it acquires the property.</li> </ul>	

(Note 1) “Location (excluding indication of residential address),” “Area,” “Use,” “Structure/Floor” “Total floor space” and “Construction completion date” are as stated in the real estate registry.

(Note 2) “Use district” is the type of use district as listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.

(Note 3) Building-to-land ratio is the ratio of building area to site area as stipulated in Article 53 of the Building Standards Act, and is a figure determined by city planning according to zoning and other factors. The acquired property is a fireproof building in a commercial district and a fire prevention district, so the building-to-land ratio has been relaxed to 100%.

(Note 4) Floor-area ratio is the ratio of the total floor area of a building to the site area as stipulated in Article 52 of the Building Standards Act, and is a figure determined by city planning according to zoning and other factors.

(Note 5) Figures in “Tenant details” are as of March 31, 2023 and the amounts are rounded down to the nearest thousand yen. Furthermore, “Total rent income” is the annualized figure (multiplied by 12) of the monthly rent (including common expenses but not including fees for the usage of parking, storage rooms and such as well as consumption tax) as of March 31, 2023, based on lease agreements and sub-leasing agreements concluded between the trustee or the Investment Corporation and the master lease company or end tenants, with amounts below a thousand yen round off.

(Note 6) “NOI yield” indicates the NOI yield calculated by using the net operating income (NOI) for the 12 months, which serves as the assumption for the value indicated by the income approach under the direct capitalization method shown in the appraisal report for the property, and is rounded to the first decimal place.

#### 4. Overview of the seller

Name	Heiwa Real Estate Co., Ltd.	
Head office address	1-10 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo	
Name and title of representative	Kiyoyuki Tsuchimoto, Representative Executive Officer, President and CEO	
Line of business	1. Building Business 2. Asset Management Business	
Capital stock	21,492 million yen (Note1)	
Date of incorporation	July 1947	
Consolidated net assets	119,324 million yen (Note1)	
Consolidated total assets	398,333 million yen (Note1)	
Major shareholders and shareholding ratio (Note2)	The Master Trust Bank of Japan, Ltd. (trust account)	15.10%
	Mitsubishi Estate Co., Ltd.	11.88%
	CGML PB CLIENT ACCOUNT/COLLATERAL	10.85%
Relationship with the Investment Corporation and the Asset Management Company and the Company		

Capital relationship	Heiwa Real Estate Co., Ltd. owns 143,845 units (12.92% of total investment units issued) of the Investment Corporation's investment units as of November 30, 2022. In addition, Heiwa Real Estate owns 4,968 shares (100% of total shares issued) of the Asset Management Company's shares, and falls within the scope of interested persons, etc. as defined in the FIEA and the Investment Trusts Act.
Personnel relationship	Of the officers and employees of the Asset Management Company, 3 persons (excluding part-time directors) is dispatched from Heiwa Real Estate as of today.
Business relationship	In the fiscal period ended November 30, 2022 (42nd period), the Investment Corporation acquired assets (5 properties) from the seller Heiwa Real Estate Co., Ltd. and transferred assets (50% of quasi-co-ownership interest) to the buyer Heiwa Real Estate Co., Ltd. Moreover, in the fiscal period ended May 31, 2023 (43rd period), the Investment Corporation transferred assets (50% of quasi-co-ownership interest) to the buyer Heiwa Real Estate Co., Ltd.
Whether or not a related party	Heiwa Real Estate falls under related party of the Investment Corporation and the Asset Management Company. In addition, Heiwa Real Estate falls under interested party of the Asset Management Company.

(Note1) Figures are as of March 31, 2023.

(Note2) Figures are as of September 30, 2022.

#### 5. Status of previous owner, etc. of the properties to be acquired

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

	Current owner	Previous owner
Name	Heiwa Real Estate Co., Ltd. (Regarding a certain portion of the land, the status of the Osaka Shoken Building Incorporated at the time of acquisition was succeeded as a result of the merger.)	Person other than specially-interested party
Relationship with specially interested party	Please refer to 4. Overview of the seller “Relationship with the Investment Corporation and the Asset Management Company”	—
Course, reason, etc. leading to acquisition	Development property	—
Acquisition price	The acquisition price for the land is omitted because it has been owned by the current owner for more than a year. The acquisition price for the building is omitted because it has been developed by the current owner.	—
Time of acquisition	July 31, 1964 May 22, 2012 (Land) February 28, 2015 (Building completed)	—

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

	Current owner	Previous owner
Name	Heiwa Real Estate Co., Ltd. (The status of the Osaka Shoken Building Incorporated at the time of acquisition was succeeded as a result of the merger.)	Person other than specially-interested party
Relationship with specially interested party	Please refer to 4. Overview of the seller “Relationship with the Investment Corporation and the Asset Management Company”	—
Course, reason, etc. leading to acquisition	Development property	—
Acquisition price	The acquisition price for the land is omitted because it has been owned by the current owner for more than a year. The acquisition price for	—

	the building is omitted because it has been developed by the current owner.	
Time of acquisition	August 26, 1969 (Land) October 1, 2011 (Building completed)	—

## 6. Broker profile

None

## 7. Transactions with interested parties

In addition to interested persons, etc. as defined in the FIEA and the Investment Trusts Act, the Asset Management Company regulates transactions involving conflicts of interest with interested parties, stipulating in the Regulations to Prevent Acts in Conflict of Interest that an “interested party” shall refer collectively to: (i) A company, etc. that holds more than 10% of the voting rights of all shareholders of the Asset Management Company; (ii) A company, etc. in which more than 50% of the voting rights of all its shareholders are held by (i); or (iii) A company, etc. to which (i) or (ii) provides advice, etc. on the management and administration of its assets.

As Heiwa Real Estate Co., Ltd., the seller of the assets to be acquired, is an interested party, etc. the acquisition was resolved at a meeting of the Board of Directors of the Investment Corporation held today, upon receiving the unanimous approval of the Investment Committee, Compliance Committee and the Board of Directors, respectively, in accordance with the Regulations to Prevent Acts in Conflict of Interest and other rules.

## 8. Outlook

As for the management status forecast following the acquisition, please refer to “Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2023 (43rd Fiscal Period) and Fiscal Period Ending November 2023 (44th Fiscal Period) and Forecasts for Fiscal Period Ending May 2024 (45th Fiscal Period)” dated today.

## 9. Overview of the appraisal report

Property number / Property name		Of-55 Kitahama 1-Chome Heiwa Building	
Appraisal value		3,495,000 thousand yen	
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.	
Value date		April 1, 2023	
Item		Content (thousand yen) (Note 1) (Note 2)	Overview, etc.
Value		3,495,000	Estimated by linking indicated value by DCF method and indicated value by direct capitalization method.
Value indicated by the income approach (direct capitalization method)		3,592,500	
Effective gross income		186,880	
Potential total profits		194,674	Appraised based on market rents compiled mainly using current rent levels and examples of renting in the area, among other factors, as reference.
Losses from vacancies, etc.		7,794	Appraised based on vacancy rates standardized on a medium- to long-term basis.
Operating expenses		43,630	
Management fees		10,821	Estimated based on the integrated building management service agreement and actual results.
Property management fee		3,531	Estimated based on cases of earnings and actual results.
Utilities expenses		9,045	Estimated based on actual results, etc.



		Maintenance and repair cost	1,905	Assessed based on figures stated in the engineering report and similar cases by distributing them into repair expenses and capital expenditure in the proportion of 3:7.
		Tenant advertisement expenses, etc.	1,489	Appraised based on the assumption that 10.0% of tenants will be replaced annually.
		Public charges and taxes	14,777	Estimated based on actual results.
		Casualty insurance premiums	190	Posted in reference to actual numbers from past fiscal years.
		Other expenses	1,868	Estimated based on actual results, etc.
	Net operating income (NOI)		143,249	
	Interest on lump-sum payments		1,207	Estimated based on an assessed investment yield of 1.0%.
	Capital expenditures		4,286	Assessed based on figures stated in the engineering report and similar cases by distributing them into repair expenses and capital expenditure in the proportion of 3:7.
	Net cash flow (NCF)		140,170	
	Capitalization rate		3.9%	Appraised by comparing and examining several market capitalization rates for properties situated in neighboring or similar districts in the same market area, while simultaneously taking into account anticipated variations in future net cash flows and paying attention to relevance to discount rates.
	Value indicated by the income approach (discounted cash flow method)		3,450,000	
		Discount rate	4.0%	Assessed by determining the base yield of the office building using the accumulation method, etc. based on the yields of financial instruments, and taking into account the individual risks of the acquired property.
		Terminal capitalization rate	4.1%	Assessed using the capitalization rate as the standard and by evaluating the uncertainty of future projections.
Value indicated by the cost approach using the cost accounting method		2,752,500		
	Percentage of land		69.2%	
	Percentage of building		30.8%	
Other notable items regarding the appraisal as stated by the appraiser			—	

(Note 1) The “appraisal value” is the appraisal value stated in the appraisal report and “details” are the figures relating to the building and the site stated in the appraisal report, respectively, multiplied by the quasi-co-ownership interest in the trust beneficiary right (75%) that the Investment Corporation plans to acquire.

(Note 2) The balance above is based on that in the appraisal report and is not that of the Investment Corporation or the Asset Management Company. The same will apply below.

Property number / Property name		Of-56 Heiwa Real Estate Kitahama Building	
Appraisal value		1,770,000 thousand yen	
Appraiser		Tanizawa Sogo Appraisal Co., Ltd.	
Value date		April 1, 2023	
Item		Content (thousand yen) (Note)	Overview, etc.
Value		1,770,000	Estimated by linking indicated value by DCF method and indicated value by direct capitalization method.
	Value indicated by the income approach (direct capitalization method)	1,850,000	
	Effective gross income	102,915	
	Potential total profits	107,044	Appraised based on market rents compiled mainly using current rent levels and examples of renting in the area, among other factors, as reference.
	Losses from vacancies, etc.	4,128	Appraised based on vacancy rates standardized on a medium- to long-term basis.
	Operating expenses	28,123	
	Management fees	6,429	Estimated based on the integrated building management service agreement and actual results.
	Property management	1,910	Estimated based on cases of earnings and actual results.

		fee		
		Utilities expenses	6,624	Estimated based on actual results, etc.
		Maintenance and repair cost	1,295	Assessed based on figures stated in the engineering report and similar cases by distributing them into repair expenses and capital expenditure in the proportion of 3:7.
		Tenant advertisement expenses, etc.	682	Appraised based on the assumption that 10.0% of tenants will be replaced annually.
		Public charges and taxes	9,791	Estimated based on actual results.
		Casualty insurance premiums	103	Estimated based on actual results, etc.
		Other expenses	1,286	Estimated based on actual results, etc.
		Net operating income (NOI)	74,792	
		Interest on lump-sum payments	637	Estimated based on an assessed investment yield of 1.0%.
		Capital expenditures	3,108	Assessed based on figures stated in the engineering report and similar cases by distributing them into repair expenses and capital expenditure in the proportion of 3:7.
		Net cash flow (NCF)	72,322	
		Capitalization rate	3.9%	Appraised by comparing and examining several market capitalization rates for properties situated in neighboring or similar districts in the same market area, while simultaneously taking into account anticipated variations in future net cash flows and paying attention to relevance to discount rates.
		Value indicated by the income approach (discounted cash flow method)	1,740,000	
		Discount rate	4.0%	Assessed by determining the base yield of the office building using the accumulation method, etc. based on the yields of financial instruments, and taking into account the individual risks of the acquired property.
		Terminal capitalization rate	4.1%	Assessed using the capitalization rate as the standard and by evaluating the uncertainty of future projections.
		Value indicated by the cost approach using the cost accounting method	1,700,000	
		Percentage of land	77.7%	
		Percentage of building	22.3%	
		Other notable items regarding the appraisal as stated by the appraiser	—	

\* Investment Corporation Website: <https://www.heiwa-re.co.jp/en/>

【Attachment】

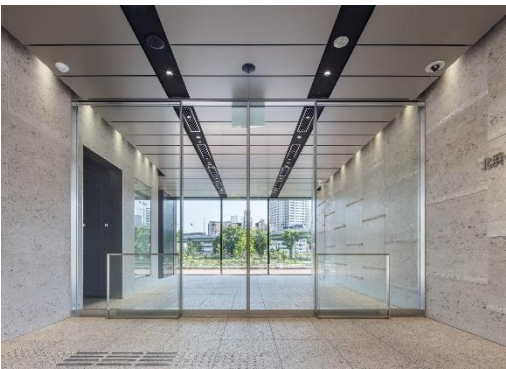
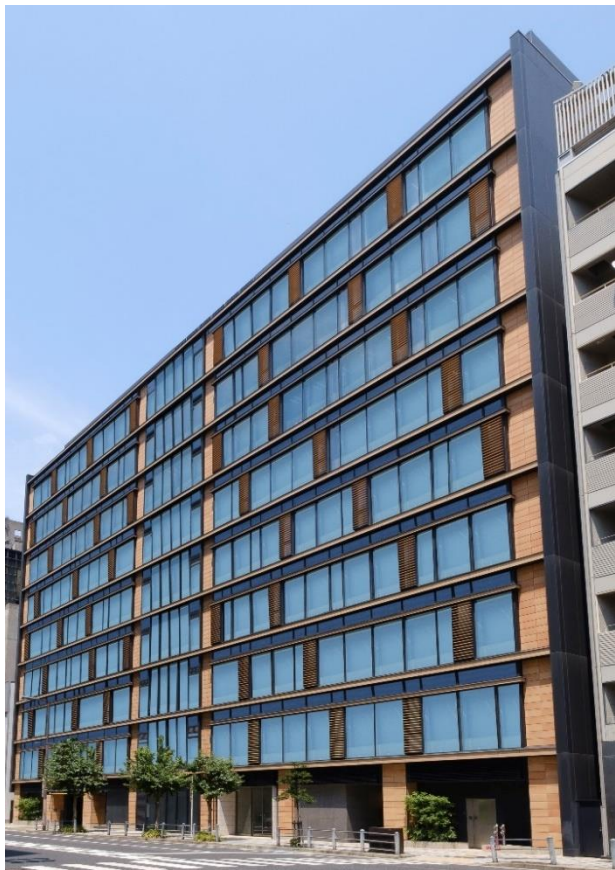
(Attachment 1) Pictures and maps of the properties to be acquired

(Attachment 2) Portfolio list after acquisition and transfer of HF HATCHOBORI RESIDENCE III

(Attachment 1) Pictures and maps of the properties to be acquired

(Pictures)

Of-55 Kitahama 1-Chome Heiwa Building

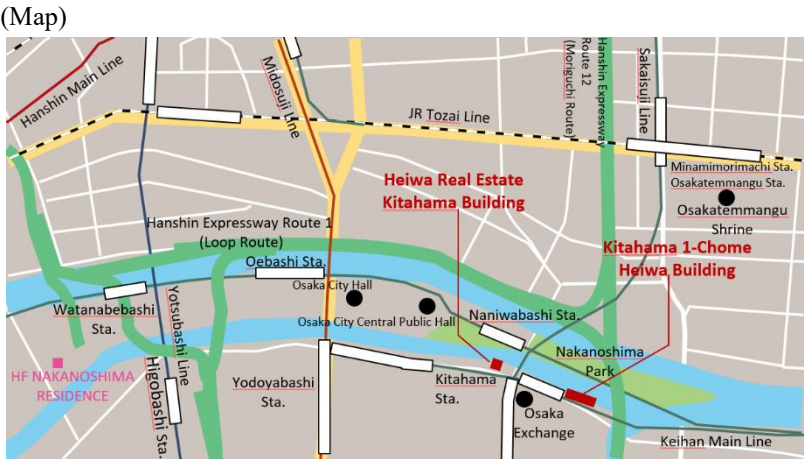


(A view from Kitahama 1-chome Heiwa Building)





Of-56    Heiwa Real Estate Kitahama Building



## (Attachment 2) Portfolio list after acquisition and transfer of HF HATCHOBORI RESIDENCE III

	Property No.	Property Name (Note 1)	Location	Investment Area (Note 2)	(Scheduled) Acquisition Price (million yen) (Note 3)	Investment Ratio (%) (Note 3)
Office	Of-05	SUITENGU HEIWA BUILDING	Chuo-ku, Tokyo	I	1,550	0.69
	Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	I	2,500	1.11
	Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	I	1,530	0.68
	Of-08	HF TAMEIKE BUILDING	Minato-ku, Tokyo	I	2,700	1.20
	Of-11	HF NIHONBASHI ODENMACHO BUILDING	Chuo-ku, Tokyo	I	2,150	0.95
	Of-12	HF HATCHOBORI BUILDING	Chuo-ku, Tokyo	I	3,092	1.37
	Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	I	1,110	0.49
	Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	I	3,418	1.52
	Of-20	FUNABASHI FACE BUILDING	Funabashi City, Chiba	II	3,900	1.73
	Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	I	640	0.28
	Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	I	1,314	0.58
	Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	I	1,624	0.72
	Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	I	4,798	2.13
	Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe City, Hyogo	III	2,310	1.03
	Of-29	SAKAE MINAMI BUILDING	Nagoya City, Aichi	III	1,580	0.70
	Of-30	HF SAKURADORI BUILDING	Nagoya City, Aichi	III	4,900	2.18
	Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	I	1,900	0.84
	Of-32	HF SENDAI HONCHO BUILDING	Sendai City, Miyagi	III	2,700	1.20
	Of-33	HF UENO BUILDING	Taito-ku, Tokyo	I	3,400	1.51
	Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	I	1,350	0.60
	Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	I	2,720	1.21
	Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	I	3,150	1.40
	Of-37	NISSO 5 BUILDING	Yokohama City, Kanagawa	II	3,100	1.38
	Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	I	3,750	1.66
	Of-39	SENJU MILDIX II	Adachi-ku, Tokyo	I	1,650	0.73
	Of-40	ARK Mori Building	Minato-ku, Tokyo	I	3,085	1.37
	Of-41	Nihonbashi Horidomecho First	Chuo-ku, Tokyo	I	2,140	0.95
	Of-42	Southern Sky Tower Hachioji	Hachioji City, Tokyo	II	1,600	0.71
	Of-43	HAMACHO HEIWA BUILDING	Chuo-ku, Tokyo	I	3,100	1.38
	Of-44	KINSICHO SQUARE BUILDING	Sumida-ku, Tokyo	I	2,840	1.26
	Of-45	HF NIHONBASHI KABUTOCHO BUILDING	Chuo-ku, Tokyo	I	3,580	1.59
	Of-46	HF SENDAI ICHIBANCHO BUILDING	Sendai City, Miyagi	III	2,501	1.11
	Of-47	OSAKI CN BUILDING	Shinagawa-ku, Tokyo	I	5,160	2.29
	Of-48	Faret East Building	Tachikawa City, Tokyo	II	1,610	0.71

	Property No.	Property Name (Note 1)	Location	Investment Area (Note 2)	(Scheduled) Acquisition Price (million yen) (Note 3)	Investment Ratio (%) (Note 3)
	Of-49	HF ESAKA BUILDING	Suita City, Osaka	III	2,500	1.11
	Of-50	Shinsaibashi FRONT Building	Osaka City, Osaka	III	7,300	3.24
	Of-51	SAKAE CENTER BUILDING	Nagoya-City, Aichi	III	4,000	1.78
	Of-52	IWAMOTOCHO TWIN BUILDING	Chiyoda-ku, Tokyo	I	3,380	1.50
	Of-53	IWAMOTOCHO TWIN SAKAE BUILDING	Chiyoda-ku, Tokyo	I	400	0.18
	Of-54	STAGE NISHIKI	Nagoya-City, Aichi	III	2,100	0.93
	Of-55	Kitahama 1-Chome Heiwa Building	Osaka-City, Osaka	III	3,370	1.50
	Of-56	Heiwa Real Estate Kitahama Building	Osaka-City, Osaka	III	1,650	0.73
Office Subtotal					113,152	50.23
Residence	Re-03	HF ICHIKAWA RESIDENCE	Ichikawa City, Chiba	II	430	0.19
	Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	I	660	0.29
	Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	I	650	0.29
	Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	3,610	1.60
	Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	I	1,560	0.69
	Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	I	1,370	0.61
	Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	I	1,000	0.44
	Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	I	1,100	0.49
	Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,210	0.54
	Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	I	690	0.31
	Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	I	4,030	1.79
	Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	I	1,070	0.47
	Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,130	0.50
	Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	I	950	0.42
	Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	I	1,100	0.49
	Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	I	5,940	2.64
	Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama City, Kanagawa	II	3,350	1.49
	Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	I	1,630	0.72
	Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	I	1,650	0.73
	Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	I	1,050	0.47
	Re-34	HF TANASHI RESIDENCE	Nishi-tokyo City, Tokyo	II	911	0.40
	Re-38	LA RESIDENCE DE SHIROKANEDAI	Minato-ku, Tokyo	I	730	0.32
	Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	I	1,460	0.65
	Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	I	1,890	0.84
	Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	I	944	0.42

	Property No.	Property Name (Note 1)	Location	Investment Area (Note 2)	(Scheduled) Acquisition Price (million yen) (Note 3)	Investment Ratio (%) (Note 3)
Residence	Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	I	6,520	2.89
	Re-45	HF NAKANOSHIMA RESIDENCE	Osaka City, Osaka	III	453	0.20
	Re-46	HF AWAZA RESIDENCE	Osaka City, Osaka	III	577	0.26
	Re-47	HF MARUNOUCHI RESIDENCE	Nagoya City, Aichi	III	624	0.28
	Re-48	HF HIRAO RESIDENCE	Fukuoka City, Fukuoka	III	1,780	0.79
	Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto City, Kyoto	III	534	0.24
	Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto City, Kyoto	III	1,820	0.81
	Re-54	LA RESIDENCE DE SENDAGI	Bunkyo-ku, Tokyo	I	820	0.36
	Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	I	870	0.39
	Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	615	0.27
	Re-57	HF MUSASHIKOYAMA RESIDENCE	Shinagawa-ku, Tokyo	I	842	0.37
	Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji City, Tokyo	II	839	0.37
	Re-59	HF HISAYAODORI RESIDENCE	Nagoya City, Aichi	III	1,080	0.48
	Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto City, Kyoto	III	572	0.25
	Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	I	1,990	0.88
	Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	I	1,170	0.52
	Re-63	HF HIGASHI-SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	I	1,360	0.60
	Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka City, Osaka	III	566	0.25
	Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai City, Miyagi	III	809	0.36
	Re-66	HF ATAGOBASHI RESIDENCE	Sendai City, Miyagi	III	684	0.30
	Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	I	771	0.34
	Re-69	HF ICHIBANCHO RESIDENCE	Sendai City, Miyagi	III	834	0.37
	Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	I	942	0.42
	Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	I	2,090	0.93
	Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	I	872	0.39
	Re-74	HF WAKAMATSU KAWATA RESIDENCE	Shinjuku-ku, Tokyo	I	1,158	0.51
	Re-75	HF SENDAI RESIDENCE EAST	Sendai City, Miyagi	III	1,638	0.73
	Re-76	HF NISHIKOEN RESIDENCE	Sendai City, Miyagi	III	1,310	0.58
	Re-77	HF BANSUI-DORI RESIDENCE	Sendai City, Miyagi	III	790	0.35
	Re-78	HF KANNAI RESIDENCE	Yokohama City, Kanagawa	II	1,800	0.80
	Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya City, Aichi	III	2,160	0.96

	Property No.	Property Name (Note 1)	Location	Investment Area (Note 2)	(Scheduled) Acquisition Price (million yen) (Note 3)	Investment Ratio (%) (Note 3)
Residence	Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo City, Hokkaido	III	1,560	0.69
	Re-81	HF HAKATA-HIGASHI RESIDENCE	Fukuoka City, Fukuoka	III	880	0.39
	Re-82	HF SENDAI ITSUTSUBASHI RESIDENCE	Sendai City, Miyagi	III	850	0.38
	Re-83	HF TABATA RESIDENCE	Kita-ku, Tokyo	I	1,100	0.49
	Re-84	HF RYOGOKU RESIDENCE	Sumida-ku, Tokyo	I	1,400	0.62
	Re-85	HF HACHIOJI RESIDENCE	Hachioji City, Tokyo	II	1,120	0.50
	Re-86	HF MITA RESIDENCE II	Minato-ku, Tokyo	I	1,210	0.54
	Re-87	HF MONZEN-NAKACHO RESIDENCE	Koto-ku, Tokyo	I	945	0.42
	Re-88	HF MINAMI-SUNAMACHI RESIDENCE	Koto-ku, Tokyo	I	900	0.40
	Re-89	HF SENDAI NAGAMACHI RESIDENCE	Sendai City, Miyagi	III	1,030	0.46
	Re-90	HF SHOKOJI AKABANE RESIDENCE	Kita-ku, Tokyo	I	1,150	0.51
	Re-91	HF SENDAI HONCHO RESIDENCE	Sendai City, Miyagi	III	1,070	0.47
	Re-92	HF OHORI RESIDENCE BAYSIDE	Fukuoka City, Fukuoka	III	1,150	0.51
	Re-93	HF HAKATA-HIGASHI RESIDENCE II	Fukuoka City, Fukuoka	III	1,198	0.53
	Re-94	HF FUKUOKA RESIDENCE EAST	Fukuoka City, Fukuoka	III	1,180	0.52
	Re-95	HF SHOKOJI AKABANE RESIDENCE II	Kita-ku, Tokyo	I	1,690	0.75
	Re-96	HF YAHIRO RESIDENCE	Sumida-ku, Tokyo	I	1,220	0.54
	Re-97	HF SETAGAYAKAMIMACHI RESIDENCE	Setagaya-ku, Tokyo	I	700	0.31
	Re-98	HF SOKA RESIDENCE	Soka-City, Tokyo	II	1,300	0.58
	Re-99	HF UENO IRIYA RESIDENCE	Taito-ku, Tokyo	I	900	0.40
	Re-100	HF TSUJIDO RESIDENCE	Fujisawa-City, Kanagawa	II	1,870	0.83
	Re-101	HF KAWAGUCHIEKIMAE RESIDENCE	Kawaguchi-City, Saitama	II	1,260	0.56
	Re-102	HF HIGASHIOGU RESIDENCE	Arakawa-ku, Tokyo	I	1,210	0.54
	Re-103	HF IMAIKE-MINAMI RESIDENCE	Nagoya-City, Aichi	III	860	0.38
	Re-104	HF FUSHIMI RESIDENCE	Nagoya-City, Aichi	III	610	0.27
	Re-105	HF NAKANO-SAKAUE RESIDENCE	Nakano-ku, Tokyo	I	1,050	0.47
	Re-106	HF UENO RESIDENCE EAST	Taito-ku, Tokyo	I	2,500	1.11
	Re-107	HF OMORIMACHI RESIDENCE	Ota-ku, Tokyo	I	1,200	0.53
Residence Subtotal					112,912	49.77
Portfolio Total					225,271	100.00

(Note 1) Re-103 HF IMAIKE-MINAMI RESIDENCE, Re-104 HF FUSHIMI RESIDENCE, Re-105 HF NAKANO-SAKAUE RESIDENCE, Re-106 HF UENO RESIDENCE EAST and Re-107 HF OMORIMACHI RESIDENCE are to be renamed on September 1, 2023.

(Note 2) The Investment Area column entries are as follows:

I: Investment in the Primary Investment Area (The 23 Wards of Tokyo)

II: Investment in the Secondary Investment Area (Tokyo, outside the Primary Investment Area), and major urban areas in Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture)

III: Investment in the Regional Investment Area (major urban areas in the metropolitan area excluding the Primary Investment Area and the Secondary Investment Area).



The metropolitan area is the urban area including the central wards that are the main districts of Tokyo, the government-designated cities, and the surrounding municipalities that are socially and economically connected to Tokyo.

(Note 3) Figures for the (scheduled) acquisition price are rounded off to the nearest specified unit, and figures for the investment ratio are rounded to the second decimal place. Accordingly, the figures may not necessarily add up to the figures in the total columns.

(Note 4) Re-41 HF HATCHOBORI RESIDENCE III will be transferred as of August 31, 2023. For details, please refer to “Notice Concerning Transfer of Asset (HF HATCHOBORI RESIDENCE III)” released publicly on April 25, 2023.