Takara Leben Real Estate Investment Corporation

Takara Leben Real Estate Investment Corporation

12th Fiscal Period Semi-Annual Report

From: September 1, 2023 To: February 29, 2024

Securities code: 3492
1-14-15 Akasaka, Minato-ku, Tokyo
https://takara-reit.co.jp/en/index.html

To Our Unitholders

MIRARTH Real Estate Advisory Inc.
President

Takara Leben Real Estate Investment Corporation
Executive Director

Tetsuo Saida

We would like to express our sincere appreciation for your unwavering support of Takara Leben Real Estate Investment Corporation (the “Investment Corporation”) and its asset management company MIRARTH Real Estate Advisory Inc. (the “Asset Management Company”).

The Investment Corporation is pleased to announce the closing of its 12th fiscal period ended in February 2024. We would like to express our sincere appreciation to our unitholders for their support.

For the 12th fiscal period, operating revenue was 3,891 million yen, ordinary income was 1,886 million yen, and net income was 1,861 million yen. As a result, distributions per unit were 2,672 yen.

We will continue to aim to realize the “maximization of unitholder value,” “creation of a sustainable environment,” and “contribution to local communities and society” while securing stable earnings over the medium to long term pursuant to the investment policy of the Investment Corporation.

We would like to ask our unitholders for their continued support and encouragement.

Financial Highlights of the 12th Fiscal Period

Distribution of the 12th fiscal period (per unit)

2,672 yen

Operating revenues

3,891 million yen

Operating income

2,263 million yen

Ordinary income

1,886 million yen

Net income

1,861 million yen

Total acquisition price

132,168 million yen

63 properties

End-of-period occupancy rate

98.5 %

Appraisal NOI yield

4.7 %

LTV (Note 1)

47.1 %

NAV per unit (Note 2)

108,471 yen

(Note 1) LTV = Total interest-bearing debt at end of period/Total assets at end of period

(Note 2) NAV=Total net assets at end of period - Total distributions + (Appraisal value of real estate properties owned - Book value of real estate properties owned at the end of period)

Distribution forecast for the 13th fiscal period (per unit)

2,700 yen

Distribution forecast for the 14th fiscal period (per unit)

2,700 yen

Summary of Operating Results, Etc. of the Investment Corporation

Fiscal period		8th Fiscal Period From: September 1, 2021 To: February 28, 2022	9th Fiscal Period From: March 1, 2022 To: August 31, 2022	10th Fiscal Period From: September 1, 2022 To: February 28, 2023	11th Fiscal Period From: March 1, 2023 To: August 31, 2023	12th Fiscal Period From: September 1, 2023 To: February 29, 2024
Operating revenues	(million yen)	4,030	3,545	3,612	3,886	3,891
[Operating revenue from real estate leasing business]	(million yen)	3,309	3,297	3,475	3,886	3,891
Operating expenses	(million yen)	1,937	1,525	1,520	1,627	1,627
[Operating expenses from real estate leasing business]	(million yen)	1,049	1,122	1,227	1,309	1,305
Operating income	(million yen)	2,093	2,020	2,092	2,258	2,263
Ordinary income	(million yen)	1,806	1,727	1,743	1,886	1,886
Net income	(million yen)	1,801	1,726	1,717	1,860	1,861
Unitholders' capital (Note 2)	(million yen)	57,382	57,382	63,801	68,299	68,299
Total number of investment units issued and outstanding	(units)	575,000	575,000	638,600	691,335	691,335
Total assets	(million yen)	121,319	122,302	133,774	142,604	142,693
[Rate of period-on-period increase (decrease)]	(%)	28.7	0.8	9.4	6.6	0.1
Total net assets	(million yen)	59,320	59,255	65,769	70,397	70,449
[Rate of period-on-period increase (decrease)]	(%)	26.8	(0.1)	11.0	7.0	0.1
Net assets per unit	(yen)	103,166	103,052	102,989	101,828	101,903
Total distributions	(million yen)	1,794	1,729	1,730	1,809	1,847
Distributions per unit	(yen)	3,120	3,008	2,710	2,617	2,672
[Distributions of earnings per unit]	(yen)	3,120	3,008	2,710	2,617	2,672
Ordinary income to total assets (Note4)	(%)	1.7	1.4	1.4	1.4	1.3
[Annualized]	(%)	3.4	2.8	2.7	2.7	2.7
Return on unitholders' equity (Note 4)	(%)	3.4	2.9	2.7	2.7	2.6
[Annualized]	(%)	6.8	5.8	5.5	5.4	5.3
Unitholders' equity to total assets (Note 4)	(%)	48.9	48.4	49.2	49.4	49.4
[Period-on-period increase (decrease)]		(0.7)	(0.4)	0.7	0.2	0.0
Distribution payout ratio (Note 4)	(%)	99.6	100.2	100.7	97.2	99.3
Other reference information						
Number of days during period	(days)	181	184	181	184	182
Number of investment properties at end of period (Note 3)	(properties)	46	48	54	63	63
Depreciation	(million yen)	436	437	487	529	544
Capital expenditures	(million yen)	246	261	473	398	527
NOI (Net Operating Income) from leasing (Note 4)	(million yen)	2,696	2,611	2,734	3,105	3,130
FFO (Funds from Operation) (Note 4)	(million yen)	2,072	1,915	2,067	2,390	2,405
FFO per unit (Note 4)	(yen)	3,604	3,332	3,237	3,457	3,479
Interest-bearing debt	(million yen)	57,300	58,275	63,080	67,150	67,150
LTV (Loan to Value) (Note 4)	(%)	47.2	47.6	47.2	47.1	47.1

(Note 1) Amounts such as operating revenues do not include consumption taxes.
(Note 2) Changes in unitholders' capital due to distributing in excess of earnings from allowance for temporary difference adjustments have not been taken into account.
(Note 3) Of the number of investment properties at the end of the 8th fiscal period, the 63% quasi-co-ownership interest in Chuo Bakuromachi Building is counted as one property.
(Note 4) Calculations are based on the following formulas.

Ordinary income to total assets	Ordinary income / [(Total assets at beginning of period + Total assets at end of period) / 2] × 100
Return on unitholders' equity	Net income / [(Net assets at beginning of period + Net assets at end of period) / 2] × 100
Unitholders' equity to total assets	Net assets at end of period / Total assets at end of period × 100
Distribution payout ratio	Distributions per unit (not including distributions in excess of earnings) / Net income per unit × 100 For the 12th fiscal period, distribution payout ratio is calculated by the following formula due to changes in the number of investment units during the period following capital increase through public offering during the period. Total distributions (not including distributions in excess of earnings) / Net income × 100
NOI (Net Operating Income) from leasing	Operating revenue from real estate leasing - Operating expenses from real estate leasing + Depreciation
FFO (Funds from Operation)	Net income + Depreciation - Gain on sales of real estate properties + Loss on sales of real estate properties
FFO per unit	FFO / Total number of investment units issued and outstanding
LTV (Loan to Value)	Interest-bearing debt at end of period / Total assets at end of period × 100

(1) Balance Sheet

(Unit: thousand yen)

	11th Fiscal Period (As of August 31, 2023)	12th Fiscal Period (As of February 29, 2024)
Assets		
Current assets		
Cash and deposits	4,667,574	4,991,178
Cash and deposits in trust	2,235,695	2,163,461
Operating accounts receivable	126,790	121,926
Prepaid expenses	252,868	217,646
Other	-	1,100
Total current assets	7,282,928	7,495,312
Non-current assets		
Property, plant and equipment		
Buildings	4,136,596	4,136,596
Accumulated depreciation	(347,787)	(396,728)
Buildings, net	3,788,808	3,739,867
Structures	28,587	28,587
Accumulated depreciation	(1,501)	(1,742)
Structures, net	27,085	26,845
Machinery and equipment	47,540	47,540
Accumulated depreciation	(9,508)	(10,696)
Machinery and equipment, net	38,032	36,844
Tools, furniture and fixtures	31,481	31,929
Accumulated depreciation	(12,052)	(14,551)
Tools, furniture and fixtures, net	19,428	17,377
Land	5,617,204	5,617,204
Buildings in trust	35,474,107	35,962,365
Accumulated depreciation	(2,774,475)	(3,252,866)
Buildings in trust, net	32,699,632	32,709,499
Structures in trust	202,677	202,677
Accumulated depreciation	(10,849)	(12,959)
Structures in trust, net	191,827	189,718
Machinery and equipment in trust	56,828	68,611
Accumulated depreciation	(2,885)	(5,882)
Machinery and equipment in trust, net	53,942	62,728
Tools, furniture and fixtures in trust	119,133	144,177
Accumulated depreciation	(25,982)	(34,303)
Tools, furniture and fixtures in trust, net	93,151	109,874
Land in trust	92,353,406	92,353,406
Construction in progress in trust	18,061	20,147
Total property, plant and equipment	134,900,581	134,883,512
Intangible assets		
Software	1,042	658
Total intangible assets	1,042	658
Investments and other assets		
Long-term prepaid expenses	361,198	268,678
Leasehold and security deposits	11,000	11,000
Other	10	10
Total investments and other assets	372,208	279,688
Total non-current assets	135,273,833	135,163,858
Deferred assets		
Investment unit issuance costs	47,812	34,199
Total deferred assets	47,812	34,199
Total assets	142,604,574	142,693,370

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

(Unit: thousand yen)

	11th Fiscal Period (As of August 31, 2023)	12th Fiscal Period (As of February 29, 2024)
Liabilities		
Current liabilities		
Operating accounts payable	472,811	509,275
Current portion of long-term loans payable	9,550,000	16,900,000
Current portion of tenant leasehold and security deposits in trust	62,103	62,103
Accounts payable – other	234,523	236,578
Accrued expenses	20,355	19,058
Income taxes payable	599	599
Accrued consumption taxes	42,306	64,343
Advances received	24,248	16,673
Other	9,720	9,050
Total current liabilities	10,416,667	17,817,683
Non-current liabilities		
Long-term loans payable	57,600,000	50,250,000
Tenant leasehold and security deposits	189,146	188,968
Tenant leasehold and security deposits in trust	3,803,779	3,771,799
Deferred tax liabilities	99,420	124,705
Asset retirement obligations	83,152	83,467
Other	15,092	7,620
Total non-current liabilities	61,790,591	54,426,562
Total liabilities	72,207,258	72,244,245
Net assets		
Unitholders' equity		
Unitholders' capital	68,299,018	68,299,018
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	*1 (7,888)	*1 (7,888)
Total deduction from unitholders' capital	(7,888)	(7,888)
Unitholders' capital, net	68,291,129	68,291,129
Surplus		
Unappropriated retained earnings (undisposed loss)	2,106,185	2,157,995
Total surplus	2,106,185	2,157,995
Total unitholders' equity	70,397,315	70,449,125
Total net assets	*2 70,397,315	*2 70,449,125
Total liabilities and net assets	142,604,574	142,693,370

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

(2) Statement of Income

(Unit: thousand yen)

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Operating revenues		
Leasing business revenue	*1 3,681,324	*1 3,704,943
Other leasing business revenue	*1 204,976	*1 186,608
Total operating revenue	3,886,301	3,891,551
Operating expenses		
Expenses related to leasing business	*1 1,309,897	*1 1,305,895
Asset management fees	188,629	192,347
Asset custody and administrative service fees	27,491	32,619
Directors' compensations	2,400	2,400
Taxes and dues	27,670	27,107
Other operating expenses	71,650	67,556
Total operating expenses	1,627,738	1,627,926
Operating income	2,258,562	2,263,624
Non-operating income		
Interest income	35	33
Reversal of distributions payable	518	485
Refund of property taxes	-	260
Interest on tax refund	19	6
Income from insurance claims	7,192	302
Other	287	-
Total non-operating income	8,054	1,088
Non-operating expenses		
Interest expenses	241,821	246,063
Borrowing related expenses	124,468	118,112
Amortization of investment unit issuance costs	13,613	13,613
Total non-operating expenses	379,903	377,788
Ordinary income	1,886,713	1,886,924
Income before income taxes	1,886,713	1,886,924
Income taxes – current	605	605
Income taxes – deferred	25,223	25,285
Total income taxes	25,828	25,890
Net income	1,860,884	1,861,033
Retained earnings brought forward	245,301	296,961
Unappropriated retained earnings (undisposed loss)	2,106,185	2,157,995

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

(3) Statement of Changes in Net Assets

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

(Unit: thousand yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
Balance at beginning of period	63,801,091	(8,537)	(8,537)	63,792,554	1,976,555	1,976,555	65,769,110
Changes during the period							
Issuance of new investment units	4,497,926			4,497,926			4,497,926
Dividends of surplus					(1,730,606)	(1,730,606)	(1,730,606)
Reversal of allowance for temporary difference adjustments		648	648	648	(648)	(648)	-
Net income					1,860,884	1,860,884	1,860,884
Total changes during the period	4,497,926	648	648	4,498,575	129,629	129,629	4,628,204
Balance at end of period	*1 68,299,018	(7,888)	(7,888)	68,291,129	2,106,185	2,106,185	70,397,315

(Unit: thousand yen)

	Total net assets
Balance at beginning of period	65,769,110
Changes during the period	
Issuance of new investment units	4,497,926
Dividends of surplus	(1,730,606)
Reversal of allowance for temporary difference adjustments	-
Net income	1,860,884
Total changes during the period	4,628,204
Balance at end of period	70,397,315

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

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

(Unit: thousand yen)

	Unitholders' equity						
	Unitholders' capital				Surplus		Total unitholders' equity
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus	
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital				
Balance at beginning of period	68,299,018	(7,888)	(7,888)	68,291,129	2,106,185	2,106,185	70,397,315
Changes during the period							
Dividends of surplus					(1,809,223)	(1,809,223)	(1,809,223)
Net income					1,861,033	1,861,033	1,861,033
Total changes during the period	-	-	-	-	51,810	51,810	51,810
Balance at end of period	*1 68,299,018	(7,888)	(7,888)	68,291,129	2,157,995	2,157,995	70,449,125

(Unit: thousand yen)

	Total net assets
Balance at beginning of period	70,397,315
Changes during the period	
Dividends of surplus	(1,809,223)
Net income	1,861,033
Total changes during the period	51,810
Balance at end of period	70,449,125

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

(4) Statement of Cash Distributions

(Unit: yen)

Category	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
I. Unappropriated retained earnings	2,106,185,690	2,157,995,798
II. Distributions in excess of earnings	-	-
Distributions in excess of earnings from allowance for temporary difference adjustments	-	-
III. Reversal of distributions in excess of earnings in previous periods	-	-
Reversal of allowance for temporary difference adjustments	-	-
IV. Distributions	1,809,223,695	1,847,247,120
[Distributions per unit]	[2,617]	[2,672]
Distributions of earnings	1,809,223,695	1,847,247,120
[Distributions of earnings per unit]	[2,617]	[2,672]
Distributions in excess of earnings from allowance for temporary difference adjustments	-	-
[Distributions in excess of earnings from allowance for temporary difference adjustments per unit]	[-]	[-]
V. Retained earnings carried forward	296,961,995	310,748,678
Method of calculation of amount of cash distributions	Pursuant to the cash distribution policy defined in Article 36, Paragraph 1, Item 1 of the Articles of Incorporation of the Investment Corporation, the Investment Corporation shall distribute in excess of the amount equivalent to 90% of the distributable profit as defined in Article 67-15, Item 1 of the Act on Special Measures Concerning Taxation. In accordance with this policy, the Investment Corporation decided profit distribution (excluding the amount in excess of earnings) as 1,809,223,695 yen for the period. The amount of this profit distribution is the entire amount after deducting 296,961,995 yen as internal reserve for the purpose of stabilizing future distributions from unappropriated retained earnings. In addition, in consideration of the impact of the temporary difference between accounting and income tax (as defined in Article 2, Paragraph 2, Item 30 (a) of Ordinance on Accountings of Investment Corporations) on dividends, the Investment Corporation will distribute the amount in excess of earnings which is equivalent to such a temporary difference in accordance with Article 36, Paragraph 1, Item 2 of the Articles of Incorporation. However, no such distribution was made due to internal reserve.	Pursuant to the cash distribution policy defined in Article 36, Paragraph 1, Item 1 of the Articles of Incorporation of the Investment Corporation, the Investment Corporation shall distribute in excess of the amount equivalent to 90% of the distributable profit as defined in Article 67-15, Item 1 of the Act on Special Measures Concerning Taxation. In accordance with this policy, the Investment Corporation decided profit distribution (excluding the amount in excess of earnings) as 1,847,247,120 yen for the period. The amount of this profit distribution is the entire amount after deducting 310,748,678 yen as internal reserve for the purpose of stabilizing future distributions from unappropriated retained earnings. In addition, in consideration of the impact of the temporary difference between accounting and income tax (as defined in Article 2, Paragraph 2, Item 30 (a) of Ordinance on Accountings of Investment Corporations) on dividends, the Investment Corporation will distribute the amount in excess of earnings which is equivalent to such a temporary difference in accordance with Article 36, Paragraph 1, Item 2 of the Articles of Incorporation. However, no such distribution was made due to internal reserve.

(5) Statement of Cash Flows

(Unit: thousand yen)

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Cash flows from operating activities		
Income before income taxes	1,886,713	1,886,924
Depreciation	530,057	545,072
Amortization of investment unit issuance costs	13,613	13,613
Borrowing related expenses	115,990	108,545
Interest income	(35)	(33)
Interest expenses	241,821	246,063
Decrease (increase) in operating accounts receivable	(31,079)	4,864
Increase (decrease) in accrued consumption taxes	39,617	22,037
Decrease (increase) in prepaid expenses	(11,921)	18,111
Decrease (increase) in long-term prepaid expenses	5,649	18
Increase (decrease) in operating accounts payable	29,207	(62,702)
Increase (decrease) in accounts payable - other	23,172	3,122
Increase (decrease) in advances received	(8,569)	(7,575)
Other	(11,266)	(8,141)
Subtotal	2,822,971	2,769,919
Interest income received	35	33
Interest expenses paid	(239,797)	(247,359)
Income taxes paid	(604)	(604)
Net cash provided by (used in) operating activities	2,582,605	2,521,989
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(448)
Purchase of property, plant and equipment in trust	(12,075,868)	(388,220)
Proceeds from tenant leasehold and security deposits	104	109
Repayments of tenant leasehold and security deposits	(81)	(163)
Proceeds from tenant leasehold and security deposits in trust	49,252	13,667
Repayments of tenant leasehold and security deposits in trust	(10,101)	(64,145)
Net cash provided by (used in) investing activities	(12,036,695)	(439,200)
Cash flows from financing activities		
Proceeds from long-term loans payable	9,935,039	—
Repayments of long-term loans payable	(6,000,000)	—
Proceeds from issuance of investment units	4,473,609	—
Distributions paid	(1,730,741)	(1,808,908)
Net cash provided by (used in) financing activities	6,677,908	(1,808,908)
Net increase (decrease) in cash and cash equivalents	(2,776,181)	273,880
Cash and cash equivalents at beginning of period	6,840,931	4,064,749
Cash and cash equivalents at end of period	*1 4,064,749	*1 4,338,630

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

(6) Notes to Financial Statements

[Organization]

Takara Leben Real Estate Investment Corporation (hereinafter, the "Investment Corporation") was established with MIRARTH Real Estate Advisory Inc. (formerly Takara PAG Real Estate Advisory Ltd.; hereinafter, the "Asset Management Company") as founding planner and capital of 150 million yen (1,500 units) on September 11, 2017, and completed its registration with the Kanto Local Finance Bureau on October 11, 2017 (Registration No. 129 filed with the Director-General of the Kanto Local Finance Bureau) in accordance with the Act on Investment Trusts and Investment Corporations (Act. No. 198 of 1951, as amended; hereinafter, the "Investment Trusts Act"). Subsequently, on July 27, 2018, the Investment Corporation was listed on the Tokyo Stock Exchange, Inc. (hereinafter, the "Tokyo Stock Exchange") Real Estate Investment Trust Securities Market (Securities Code: 3492).

As of February 29, 2024, the Investment Corporation has a portfolio of 63 properties with a total acquisition price of 132,168 million yen and an occupancy rate of 98.5%.

[Basis of Presentation]

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trusts Act, the Financial Instruments and Exchange Act of Japan and other related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain aspects as to the application and disclosure requirements from International Financial Reporting Standards ("IFRS") or accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying financial statements are the translation of the financial statements presented in the securities report of the Investment Corporation submitted to the Kanto Local Finance Bureau, which have been prepared in compliance with Japanese GAAP, translated into English.

In preparing the accompanying financial statements, in order to present the financial statements published in Japan in a more familiar manner to readers overseas, specific reclassification was applied. Amounts less than one thousand yen have been omitted. As a result, the totals presented in the accompanying financial statements and notes in yen do not necessarily agree with the sums of the individual amounts. The Investment Corporation does not have subsidiaries and thus does not prepare consolidated financial statements.

The accounting periods of the Investment Corporation are six-month periods ending at the end of February and the end of August of each year.

[Going Concern Assumption]

Not applicable.

[Summary of Significant Accounting Policies]

1. Method of Depreciation of Non-Current Assets	(1) Property, plant and equipment (including property, plant and equipment in trust) Depreciation of property, plant and equipment is calculated by the straight-line method over the estimated useful lives as follows: Buildings 2 to 66 years Structures 10 to 65 years Machinery and equipment 10 to 20 years Tools, furniture and fixtures 2 to 15 years (2) Intangible assets Intangible assets are amortized by the straight-line method over the estimated useful lives as follows: Software 5 years (3) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.
2. Accounting for Deferred Assets	Amortization of investment unit issuance costs Investment unit issuance costs are amortized by the straight-line method over three years.
3. Standards for Revenue and Expense Recognition	(1) Standards regarding revenue recognition The details of main performance obligations concerning revenue from contracts with the Investment Corporation's customers and the general timing to satisfy performance obligations (general timing to recognize revenue) are as follows: 1) Sales of real estate properties The Investment Corporation recognizes revenue from sales of real estate properties when buyers, as the customers, obtain control of the real estate properties upon fulfilling its delivery obligations specified in the purchase and sales agreements. On the statement of income, an amount after deducting the "cost of sales of real estate properties" and "other sales expenses" from "revenue on sales of real estate properties" is presented as "gain on sales of real estate properties" or "loss on sales of real estate properties." 2) Utilities reimbursement revenue The Investment Corporation recognizes utilities reimbursement revenue in accordance with the supply of electricity, water, etc. to lessees, as the customers, based on the terms of the lease agreements and the supplementary agreements for the real estate properties. (2) Accounting for property tax, etc. Property-related taxes, such as property taxes, city planning taxes and depreciable asset taxes are expensed on an accrual basis. When the Investment Corporation acquires the property, the property-related taxes reimbursed to the seller for the amount related to the period from the acquisition date to the end of the calendar year in which such acquisition occurs is capitalized as acquisition costs. The amount of property-related taxes included in the acquisition cost of real estate was 30,387 thousand yen for the fiscal period ended August 31, 2023 (11th Period) and was not applicable for the fiscal period ended February 29, 2024 (12th Period).
4. Scope of Cash and Cash Equivalents on the Statement of Cash Flows	Cash and cash equivalents on the statement of cash flows include cash on hand, entrusted cash, demand deposits, entrusted bank deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash which are subject to an insignificant risk of changes in value.
5. Other Matters Serving as the Basis for Preparation of Financial Statements	(1) Accounting policy for trust beneficiary interests in real estate The Investment Corporation accounts for trust beneficiary interests by recognizing all assets and liabilities with respect to the assets in trust as assets and liabilities on the balance sheet and recognizing all income derived from and expenses related to the assets in trust on the statement of income. The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. 1) Cash and deposits in trust 2) Buildings in trust, Structures in trust, Machinery and equipment in trust, Tools, furniture and fixtures in trust, Land in trust, and Construction in progress in trust 3) Current portion of tenant leasehold and security deposits in trust, and Tenant leasehold and security deposits in trust (2) Accounting for non-deductible consumption taxes Non-deductible consumption taxes related to the acquisition of assets are included in the acquisition cost of individual assets.

[Notes to Balance Sheet]

*1 Allowance for temporary difference adjustments

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

1. Details of Allowance for Temporary Difference Adjustments

(Unit: thousand yen)

Item	Reason for provision	Initial amount	Balance at beginning of period	Provision	Reversal	Balance at end of period	Reason for reversal
Buildings in trust	Book-tax differences on recognition of asset retirement obligations	105,723 (Note)	8,537	—	(648)	7,888	Fulfillment of asset retirement obligations
Total		105,723	8,537	—	(648)	7,888	—

(Note) The initial amount for buildings in trust is the total amount of temporary differences arising from related assets, which is the basis for provision and reversals.

2. Reversal of Allowance for Temporary Difference Adjustments

(1) Buildings in trust

The allowance for temporary difference adjustments will be reversed corresponding to removal of related assets or the sale of the buildings.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

1. Details of Allowance for Temporary Difference Adjustments

(Unit: thousand yen)

Item	Reason for provision	Initial amount	Balance at beginning of period	Provision	Reversal	Balance at end of period	Reason for reversal
Buildings in trust	Book-tax differences on recognition of asset retirement obligations	97,776 (Note)	7,888	—	—	7,888	Fulfillment of asset retirement obligations
Total		97,776	7,888	—	—	7,888	—

(Note) The initial amount for buildings in trust is the total amount of temporary differences arising from related assets, which is the basis for provision and reversals.

2. Reversal of Allowance for Temporary Difference Adjustments

(1) Buildings in trust

The allowance for temporary difference adjustments will be reversed corresponding to removal of related assets or the sale of the buildings.

*2 Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

(Unit: thousand yen)

11th Fiscal Period (As of August 31, 2023)	12th Fiscal Period (As of February 29, 2024)
50,000	50,000

[Notes to Statement of Income]

*1 Breakdown of operating income from real estate leasing business

(Unit: thousand yen)

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)		12th Fiscal Period (from September 1, 2023 to February 29, 2024)	
A. Operating revenue from real estate leasing business				
Leasing business revenue				
Rental revenue	3,388,916		3,415,091	
Common area charges	178,963		180,284	
Parking revenue	87,885		87,671	
Other rental revenue	25,560	3,681,324	21,895	3,704,943
Other leasing business revenue				
Utilities reimbursement revenue	137,168		120,434	
Other revenue	67,808	204,976	66,174	186,608
Total operating revenue from real estate leasing business		3,886,301		3,891,551
B. Operating expenses from real estate leasing business				
Expenses related to leasing business				
Management fees	283,027		264,132	
Utilities expenses	126,569		122,358	
Taxes and dues	256,524		256,573	
Insurance premiums	7,632		7,643	
Repair expenses	82,312		86,355	
Trust fees	19,008		19,325	
Depreciation	529,397		544,688	
Other expenses	5,425		4,819	
Total operating expenses from real estate leasing business		1,309,897		1,305,895
C. Operating income from real estate leasing business (A-B)		2,576,404		2,585,656

[Notes to Statement of Changes in Net Assets]

*1 Total number of investment units authorized, and total number of investment units issued and outstanding

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	691,335 units	691,335 units

[Notes to Statement of Cash Flows]

*1 Reconciliation between cash and cash equivalents at end of period and relevant amount on the balance sheet

(Unit: thousand yen)

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Cash and deposits	4,667,574	4,991,178
Cash and deposits in trust	2,235,695	2,163,461
Restricted deposits (Note)	(2,838,520)	(2,816,009)
Cash and cash equivalents	4,064,749	4,338,630

(Note) Deposits and deposits in trust are reserved for the repayment of security deposits from tenants.

[Lease Transactions]

Operating lease transactions (lessor side)

Future minimum lease payments to be received under non-cancellable operating leases of properties

(Unit: thousand yen)

	11th Fiscal Period (As of August 31, 2023)	12th Fiscal Period (As of February 29, 2024)
Due within 1 year	1,631,145	1,612,053
Due after 1 year	9,630,578	8,830,058
Total	11,261,723	10,442,111

[Financial Instruments]

1. Our Policy on Financial Instruments

(1) Policy for financial instruments

The Investment Corporation's financing policy is to maintain a sound financial foundation by improving balance sheet stability for the purpose of producing stable profits and achieving continued growth of the Investment Corporation's unitholder value through equity and debt financing. The Investment Corporation effectively controls debt maturities by diversifying the repayment dates and maintains diversified funding sources and multiple financing options as well as an appropriate level of fixed interest rate ratio.

The Investment Corporation conducts equity financing at appropriate timing when the Investment Corporation needs funds to acquire properties, conducts repairs and other work, pays expenses to operate the Investment Corporation and repay the Investment Corporation's obligations upon considering the dilutive effect of equity finance and market conditions. The Investment Corporation will consider the market risk and liquidity risk when the Investment Corporation invests surplus funds.

The Investment Corporation uses financial derivative transactions only to reduce the Investment Corporation's interest rate fluctuation risk and not for speculative purposes.

(2) Financial instrument risk management

The Investment Corporation takes out borrowings to acquire the properties and repay the Investment Corporation's indebtedness and is exposed to refinancing and interest rate risks. The Investment Corporation minimizes those risks by diversifying funding sources and maintaining an appropriate level of LTV through equity financing and fixed interest rate ratio.

(3) Supplementary information on fair value of financial instruments

Certain assumptions are adopted in the calculation of the fair value of financial instruments, and there can be cases where the value may differ depending on different assumptions.

2. Fair Value of Financial Instruments

The carrying amount, the fair value, and the difference between them as of August 31, 2023, and as of February 29, 2024, are as follows. The notes for "cash and deposits" and "cash and deposits in trust" are omitted as they are cash and short-term settlements, and the fair value approximates the book value.

11th Fiscal Period (As of August 31, 2023)

	Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
(1) Current portion of long-term loans payable	9,550,000	9,576,227	26,227
(2) Long-term loans payable	57,600,000	57,537,023	(62,976)

12th Fiscal Period (As of February 29, 2024)

	Carrying amount (thousand yen)	Fair value (thousand yen)	Difference (thousand yen)
(1) Current portion of long-term loans payable	16,900,000	16,905,503	5,503
(2) Long-term loans payable	50,250,000	50,169,599	(80,400)

(Note 1) Calculation method of fair value of financial instruments

(1) Current portion of long-term loans payable; (2) Long-term loans payable

Of long-term loans payable, those with fixed interest rates are calculated by discounting the total amount of principal and interest by the interest rate assumed to be applied if a new similar loan is taken out corresponding to the remaining period. As interest rates of long-term loans payable with floating interest rates are reflected by market interest rates periodically, their fair values are considered to be approximately equal to their book values.

(Note 2) Maturity analysis of long-term loans payable (August 31, 2023)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Long-term loans payable	9,550,000	17,400,000	14,400,000	14,440,000	11,360,000	—
Total	9,550,000	17,400,000	14,400,000	14,440,000	11,360,000	—

Maturity analysis of long-term loans payable (February 29, 2024)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Long-term loans payable	16,900,000	16,600,000	13,630,000	15,130,000	4,890,000	—
Total	16,900,000	16,600,000	13,630,000	15,130,000	4,890,000	—

[Securities]

11th Fiscal Period (As of August 31, 2023)

Not applicable.

12th Fiscal Period (As of February 29, 2024)

Not applicable.

[Derivative Transactions]

1. Derivative Transactions to Which Hedge Accounting Is Not Applied

11th Fiscal Period (As of August 31, 2023)

Not applicable.

12th Fiscal Period (As of February 29, 2024)

Not applicable.

2. Derivative Transactions to Which Hedge Accounting Is Applied

11th Fiscal Period (As of August 31, 2023)

Not applicable.

12th Fiscal Period (As of February 29, 2024)

Not applicable.

[Retirement Benefits]

11th Fiscal Period (As of August 31, 2023)

Not applicable.

12th Fiscal Period (As of February 29, 2024)

Not applicable.

[Tax Effect Accounting]

1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities

(Unit: thousand yen)

	11th Fiscal Period (As of August 31, 2023)	12th Fiscal Period (As of February 29, 2024)
Deferred tax assets		
Asset retirement obligations	26,159	26,258
Deferred consumption taxes	177,324	148,291
Subtotal of deferred tax assets	203,484	174,550
Valuation allowance	(6,087)	(6,668)
Total deferred tax assets	197,396	167,882
Deferred tax liabilities		
Building and equipment corresponding to the asset retirement obligations	20,087	19,594
Non-deductible consumption taxes for property, plant and equipment	270,532	268,117
Non-deductible consumption taxes for deferred assets	6,197	4,875
Total deferred tax liabilities	296,817	292,587
Deferred tax liabilities, net	99,420	124,705

2. Reconciliation of Significant Differences Between the Statutory Tax Rate and the Effective Income Tax Rate

(Unit: %)

	11th Fiscal Period (As of August 31, 2023)	12th Fiscal Period (As of February 29, 2024)
Statutory tax rate	31.46	31.46
(Adjustments)		
Deductible distributions	(30.17)	(30.15)
Other	0.08	0.06
Effective income tax rate	1.37	1.37

[Related-Party Transactions]

1. Parent Company and Major Corporate Unitholders

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

Not applicable.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

Not applicable.

2. Affiliated Companies

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

Not applicable.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

Not applicable.

3. Fellow Subsidiaries

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

Not applicable.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

Not applicable.

4. Directors and Major Individual Unitholders

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

Type	Name	Location	Stated capital (million yen)	Business or occupation	Percentage of voting rights (owned) (%)	Relationship	Transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director	Tetsuo Saida	—	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, MIRARTH Real Estate Advisory Inc.	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, MIRARTH Real Estate Advisory Inc.	Payment of asset management fee to the Asset Management Company	300,079	Accounts payable – other	212,991

(Note 1) The transaction amount does not include consumption tax, while the balance at end of the period includes consumption tax.
(Note 2) The transaction amount is based on the terms and conditions provided in the Articles of Incorporation of the Investment Corporation and asset management agreement.
(Note 3) Asset management fees include the property acquisition fee of 111,450 thousand yen recorded as the book value of the acquired properties.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

Type	Name	Location	Stated capital (million yen)	Business or occupation	Percentage of voting rights (owned) (%)	Relationship	Transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director	Tetsuo Saida	—	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, MIRARTH Real Estate Advisory Inc.	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, MIRARTH Real Estate Advisory Inc.	Payment of asset management fee to the Asset Management Company	192,347	Accounts payable – other	211,581

(Note 1) The transaction amount does not include consumption tax, while the balance at end of the period includes consumption tax.
(Note 2) The transaction amount is based on the terms and conditions provided in the Articles of Incorporation of the Investment Corporation and asset management agreement.

[Profit or Loss of Affiliates Accounted for Under the Equity Method]

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

Not applicable.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

Not applicable.

[Asset Retirement Obligations]

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

1. Asset Retirement Obligations Booked on the Balance Sheet

(1) Overview

The Investment Corporation has recorded the asset retirement obligations to remove asbestos from Nagoya Center Plaza Building and Sendai Nikko Building, which were acquired on July 30, 2018.

(2) Measurement of the asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the expected period of use based on the useful life of the properties and using the following discount rates.

	Property name	Expected period of use	Discount rate
Asbestos	Nagoya Center Plaza Building	26 years	0.748%
	Sendai Nikko Building	31 years	0.833%

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

1. Asset Retirement Obligations Booked on the Balance Sheet

(1) Overview

The Investment Corporation has recorded the asset retirement obligations to remove asbestos from Nagoya Center Plaza Building and Sendai Nikko Building, which were acquired on July 30, 2018.

(2) Measurement of the asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the expected period of use based on the useful life of the properties and using the following discount rates.

	Property name	Expected period of use	Discount rate
Asbestos	Nagoya Center Plaza Building	26 years	0.748%
	Sendai Nikko Building	31 years	0.833%

(3) Movements of the asset retirement obligations

(Unit: thousand yen)

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Balance at beginning of period	82,835	83,152
Increase due to acquisition of properties	-	-
Decrease due to disposition of properties	-	-
Adjustment for passage of time	317	314
Balance at end of period	83,152	83,467

[Segment Information]

(Segment information)

Disclosure is omitted because the Investment Corporation operates a single segment of the real estate leasing business.

(Related information)

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

(1) Information by product and service

Disclosure is omitted because operating revenues from external customers in a single product and service category exceed 90% of operating revenues on the statement of income.

(2) Information by geographical area

1) Operating revenues

Disclosure is omitted because operating revenues from external customers in Japan exceed 90% of operating revenues on the statement of income.

2) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customers

(Unit: thousand yen)

Name of customer	Operating revenues	Related segment
Yamada Holdings Co., Ltd.	423,510	Real estate leasing business

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

(1) Information by product and service

Disclosure is omitted because operating revenues from external customers in a single product and service category exceed 90% of operating revenues on the statement of income.

(2) Information by geographical area

1) Operating revenues

Disclosure is omitted because operating revenues from external customers in Japan exceed 90% of operating revenues on the statement of income.

2) Property, plant and equipment

Disclosure is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment on the balance sheet.

(3) Information by major customers

(Unit: thousand yen)

Name of customer	Operating revenues	Related segment
Yamada Holdings Co., Ltd.	420,520	Real estate leasing business

[Investment and Rental Properties]

The Investment Corporation owns residence, office, retail, and hotel properties for the purpose of earning rental income mainly in the four major metropolitan areas and the major regional cities. The carrying amount and fair value of the properties are as follows.

(Unit: thousand yen)

		11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Carrying amount			
	Balance at beginning of period	123,395,686	134,900,581
	Increase (decrease) during the period	11,504,895	(17,069)
	Balance at end of period	134,900,581	134,883,512
Fair value at end of period		140,792,000	141,272,000

(Note 1) Carrying amount is the amount of the cost of acquisition, less accumulated depreciation.

(Note 2) In the fiscal period ended August 31, 2023, the main increase is attributable to the acquisition of trust beneficiary interests for nine properties (11,636,249 thousand yen) and the main decrease is attributable to depreciation (529,397 thousand yen). In the fiscal period ended February 29, 2024, the main increase is attributable to the capital expenditures (527,618 thousand yen) and the main decrease is attributable to depreciation (544,688 thousand yen).

(Note 3) Fair value at end of period is the disposition price for properties for which a disposition agreement has been executed, and the appraisal value by an independent real estate appraiser for other properties.

The income (loss) concerning investment and rental properties for the fiscal period ended August 31, 2023 (11th Fiscal Period) and the fiscal period ended February 29, 2024 (12th Fiscal Period) is as stated in "Notes to Statement of Income."

[Revenue Recognition]

Information about disaggregation of revenue from contracts with customers

11th Fiscal Period (from March 1, 2023 to August 31, 2023)

Major revenues generated from contracts with customers are "utilities reimbursement revenue." As for the amounts, refer to "*1 Breakdown of operating income from real estate leasing business" in the "Notes to Statement of Income" above. As for revenue from the real estate leasing business to which the Accounting Standard for Lease Transactions (ASBJ Statement No. 13) is applied, as the Standard for Revenue Recognition is not applied, they are not included in the revenues generated from contracts with customers.

12th Fiscal Period (from September 1, 2023 to February 29, 2024)

Major revenues generated from contracts with customers are "utilities reimbursement revenue." As for the amounts, refer to "*1 Breakdown of operating income from real estate leasing business" in the "Notes to Statement of Income" above. As for revenue from the real estate leasing business to which the Accounting Standard for Lease Transactions (ASBJ Statement No. 13) is applied, as the Standard for Revenue Recognition is not applied, they are not included in the revenues generated from contracts with customers.

[Per Unit Information]

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Net assets per unit	101,828 yen	101,903 yen
Net income per unit	2,694 yen	2,691 yen

(Note 1) Net income per unit is calculated by dividing net income by daily weighted average number of investment units during the period. In addition, diluted net income per unit is not stated, because there are no diluted investment units.

(Note 2) The basis for calculation of net income per unit is as follows:

	11th Fiscal Period (from March 1, 2023 to August 31, 2023)	12th Fiscal Period (from September 1, 2023 to February 29, 2024)
Net income (thousand yen)	1,860,884	1,861,033
Amount not attributable to common unitholders (thousand yen)	-	-
Net income attributable to common investment units (thousand yen)	1,860,884	1,861,033
Average number of investment units during the period (units)	690,748	691,335

[Significant Subsequent Events]

1. Issuance of New Investment Units

Pursuant to the resolutions on the issuance of new investment units made at the Board of Directors' meetings held on February 14, 2024, and February 21, 2024, the Investment Corporation issued 85,338 new investment units through public offering and 4,147 new investment units through third-party allotment, for which payment of 7,654,989,276 yen and that of 371,994,194 yen were completed on March 1, 2024, and March 26, 2024, respectively. As a result, unitholders' capital was 76,326,001,525 yen and the total number of investment units issued and outstanding was 780,820 units as of March 26, 2024.

<Issuance of New Investment Units through Public Offering>

- Number of new units issued: 85,338 units
- Issue price (offer price): 92,944 yen per unit
- Total issue price (total offer price): 7,931,655,072 yen
- Issue amount (paid-in amount): 89,702 yen per unit
- Total issue amount (total paid-in amount): 7,654,989,276 yen
- Payment date: March 1, 2024
- Purpose of funds raised: Allocation to funds for acquisition of new domestic real estate trust beneficiary interests per "3. Acquisition of Assets," below, and allocation to a portion of associated costs.

<Issuance of new investment units through third-party allotment>

- Number of new units issued: 4,147 units
- Issue amount (paid-in amount): 89,702 yen per unit
- Total issue amount (total paid-in amount): 371,994,194 yen
- Payment date: March 26, 2024
- Purpose of funds raised: The funds will be used for a portion of the repayment of borrowings or for a portion of future acquisition of specified assets.

2. Borrowing of Funds

In order to allocate funds for the acquisition of seven new domestic real estate trust beneficiary interests as described in "3. Acquisition of Assets" below as well as a portion of related expenses, the Investment Company conducted the following borrowings on March 4, 2024.

Category (Note 1)	Lender	Amount borrowed (million yen)	Interest rate (Note 3)	Drawdown date	Repayment date (Note 4)	Repayment method	Notes
Long-term loans payable	A syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation (Note 2)	3,880	Base interest rate (Note 3) +0.40% (floating interest rate)	March 4, 2024	February 26, 2027	Lump-sum repayment on maturity	Unguaranteed/unsecured
		2,400	Base interest rate (Note 3) +0.50% (floating interest rate)		February 29, 2028		
		3,590	Base interest rate (Note 3) +0.55% (floating interest rate)		August 31, 2028		
Total		9,870	-	-	-	-	-

(Note 1) "Long-term loans payable" refers to loans with a maturity of more than one year from the drawdown date to the repayment date.

(Note 2) The "syndicate of lenders" is composed of Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., SBI Shinsei Bank, Ltd., Sumitomo Mitsui Trust Bank, Ltd., Resona Bank, Limited., Aozora Bank, Ltd., The Hiroshima Bank, Ltd., The Bank of Fukuoka, Ltd., The Chiba Bank, Ltd., The Kiyo Bank, Ltd., The 77 Bank, Ltd., and Daishi Hokuetsu Bank, Ltd.

(Note 3) The first interest payment date shall be May 31, 2024, and subsequent interest payment dates shall be the last day of every third month thereafter and the principal repayment date. However, if the payment date is not a bank business day, this shall fall on the next business day, and if the next business day falls in the next month, this shall fall on the previous business day. The base interest rate is the 3-month JBA Japanese Yen TIBOR published by the JBA TIBOR Administration (JBATA). However, if the rate corresponding to such an interest period is not indicated, it will be the base interest rate calculated based on the method specified in the contract. The base interest rate corresponding to the calculation period of each interest payment due date is determined two business days immediately before the borrowing date for the first interest calculation period and two business days before the interest payment due date immediately before the interest calculation period thereafter.

(Note 4) After the borrowing commences and up to the repayment date, all or part of the borrowings may be repaid in advance upon prior written notice, provided that certain conditions are met. If the repayment date is not a bank business day, the repayment date shall become the business day immediately following the repayment date, and if the following business day is in the next month, this shall become the previous business day.

3. Acquisition of Assets

The Investment Corporation acquired the following domestic real estate trust beneficiary interests on March 4, 2024.

Category	Property number (Note 1)	Property name	Location	Acquisition price (million yen) (Note 2)	Seller
Residence	R-40	LUXENA TOYOCHO	Koto Ward, Tokyo	4,143	GK Island Ship No. 4
	R-41	La Vita Namba-Motomachi	Osaka City, Osaka	1,130	
	R-42	TLR Residence Machida	Machida City, Tokyo	2,199	
	R-43	Ark Stage I・II (Note 3)	Nagoya City, Aichi	1,064	GK Island Ship No. 5
Office	O-22	TLR Kashiwa Building	Kashiwa City, Chiba	2,905	Undisclosed (Note 5)
	O-23	solala garden OFFICE (Note 4)	Sendai City, Miyagi	1,130	
Retail	C-14	Tecc Land Hachioji Takao	Hachioji City, Tokyo	4,710	
Total			-	17,281	

(Note 1) The code "R" represents residential properties, "O" represents office properties and "C" represents retail properties.

(Note 2) "Acquisition price" refers to the purchase price (not including consumption tax, local consumption tax, and miscellaneous expenses required in acquisition) stated in the real estate trust beneficiary interests purchase agreement for each investment asset, rounded down to the nearest million yen.

(Note 3) Ark Stage I・II are registered as separate land and buildings, but since they are adjacent to each other and have development permission as one property, we evaluated and decided to acquire them as one property and treated them as one property.

(Note 4) For solala garden OFFICE, compartmentalized ownership for the office portion of 1,371.58m^2 (2nd to 4th floors) has been acquired.

(Note 5) The sellers of TLR Kashiwa Building and solala garden OFFICE are domestic stock companies, and the seller of Tecc Land Hachioji Takao is a domestic godo kaisha. However, as we have not obtained consent from the sellers to disclose the information, the information are not disclosed.

(7) Supplementary Schedules

1. Securities

(a) Shares

Not applicable.

(b) Securities Other Than Shares

Not applicable.

2. Contract Amount and Fair Value of Derivative Transactions and Forward Exchange Transactions

Not applicable.

3. Schedule of Property, Plant and Equipment and Intangible Assets

(Unit: thousand yen)

Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation		Net balance at end of period	Notes
						Depreciation during period		
[Property, plant and equipment]								
Buildings	4,136,596	-	-	4,136,596	396,728	48,940	3,739,867	
Structures	28,587	-	-	28,587	1,742	240	26,845	
Machinery and equipment	47,540	-	-	47,540	10,696	1,188	36,844	
Tools, furniture and fixtures	31,481	448	-	31,929	14,551	2,499	17,377	
Land	5,617,204	-	-	5,617,204	-	-	5,617,204	
Buildings in trust	35,474,107	488,257	-	35,962,365	3,252,866	478,391	32,709,499	
Structures in trust	202,677	-	-	202,677	12,959	2,109	189,718	
Machinery and equipment in trust	56,828	11,782	-	68,611	5,882	2,996	62,728	
Tools, furniture and fixtures in trust	119,133	25,044	-	144,177	34,303	8,321	109,874	
Land in trust	92,353,406	-	-	92,353,406	-	-	92,353,406	
Construction in progress in trust	18,061	2,085	-	20,147	-	-	20,147	
Total	138,085,625	527,618	-	138,613,243	3,729,731	544,688	134,883,512	
[Intangible assets]								
Software	6,596	-	-	6,596	5,938	384	658	
Total	6,596	-	-	6,596	5,938	384	658	
Grand total	138,092,221	527,618	-	138,619,840	3,735,669	545,072	134,884,170	

(Note) The main increases during the period are attributable to capital expenditures (527,618 thousand yen).

4. Other Specified Assets

Real estate trust beneficiary interests are included in “3. Schedule of Property, Plant and Equipment and Intangible Assets.”

5. Investment Corporation Bonds

Not applicable.

6. Borrowings

The following is the status of borrowings as of the end of the period.

Category (Note 1)	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,365,000	-	-	1,365,000	0.71580 (Note 7)	August 30, 2024	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/ unsecured
	SBI Shinsei Bank, Limited	1,000,000	-	-	1,000,000					
	Aozora Bank, Ltd.	1,000,000	-	-	1,000,000					
	The Nishi-Nippon City Bank, Ltd.	1,000,000	-	-	1,000,000					
	The Hiroshima Bank, Ltd.	1,000,000	-	-	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000					
	Mizuho Bank, Ltd.	585,000	-	-	585,000					
	Resona Bank, Limited	500,000	-	-	500,000					
	The Kiyo Bank, Ltd.	250,000	-	-	250,000					
	The Iyo Bank, Ltd.	100,000	-	-	100,000					
	Sumitomo Mitsui Banking Corporation	2,200,000	-	-	2,200,000	0.76226 (Note 7)	July 31, 2025	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	1,400,000	-	-	1,400,000					
	The Asahi Shinkin Bank	1,300,000	-	-	1,300,000					
	Sumitomo Mitsui Trust Bank, Limited	1,200,000	-	-	1,200,000					
	SBI Shinsei Bank, Limited	900,000	-	-	900,000					
	Resona Bank, Limited	800,000	-	-	800,000					
	Aozora Bank, Ltd.	800,000	-	-	800,000					
	The Nishi-Nippon City Bank, Ltd.	600,000	-	-	600,000					
	The Minato Bank, Ltd.	600,000	-	-	600,000					
	The Tochigi Bank, Ltd.	150,000	-	-	150,000					
	The Ashikaga Bank, Ltd.	100,000	-	-	100,000					
	Daishi Hokuetsu Bank, Ltd.	700,000	-	-	700,000	0.45176 (Note 7)	July 31, 2024	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/ unsecured
	The Nishi-Nippon City Bank, Ltd.	700,000	-	-	700,000					
	The Asahi Shinkin Bank	300,000	-	-	300,000					
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000					
	The Iyo Bank, Ltd.	150,000	-	-	150,000					
	Sumitomo Mitsui Banking Corporation	2,120,000	-	-	2,120,000	0.66443 (Note 7)	July 31, 2026	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	1,300,000	-	-	1,300,000					
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	-	-	1,000,000					
	SBI Shinsei Bank, Limited	1,000,000	-	-	1,000,000					
	Resona Bank, Limited	800,000	-	-	800,000					
	Aozora Bank, Ltd.	700,000	-	-	700,000					
	The Minato Bank, Ltd.	700,000	-	-	700,000					
	The Ashikaga Bank, Ltd.	130,000	-	-	130,000					
	The Tochigi Bank, Ltd.	100,000	-	-	100,000					

Category (Note 1)	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,650,000	-	-	1,650,000	0.49915 (Note 7)	February 28, 2025	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	700,000	-	-	700,000					
	Aozora Bank, Ltd.	650,000	-	-	650,000					
	SBI Shinsei Bank, Limited	650,000	-	-	650,000					
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000					
	Daishi Hokuetsu Bank, Ltd.	500,000	-	-	500,000					
	The Minato Bank, Ltd.	500,000	-	-	500,000					
	The Bank of Yokohama, Ltd.	500,000	-	-	500,000					
	The 77 Bank, Ltd.	500,000	-	-	500,000					
	Kansai Mirai Bank, Limited	300,000	-	-	300,000					
	The Chiba Bank, Ltd.	300,000	-	-	300,000					
	The Nishi-Nippon City Bank, Ltd.	250,000	-	-	250,000					
	The Aichi Bank, Ltd.	150,000	-	-	150,000					
	Resona Bank, Limited	100,000	-	-	100,000					
	Sumitomo Mitsui Banking Corporation	1,650,000	-	-	1,650,000	0.60088 (Note 7)	February 27, 2026	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	700,000	-	-	700,000					
	Aozora Bank, Ltd.	650,000	-	-	650,000					
	SBI Shinsei Bank, Limited	650,000	-	-	650,000					
	Sumitomo Mitsui Trust Bank, Limited	600,000	-	-	600,000					
	Daishi Hokuetsu Bank, Ltd.	500,000	-	-	500,000					
	The Minato Bank, Ltd.	500,000	-	-	500,000					
	The Bank of Yokohama, Ltd.	500,000	-	-	500,000					
	Kansai Mirai Bank, Limited	300,000	-	-	300,000					
	The Nishi-Nippon City Bank, Ltd.	250,000	-	-	250,000					
	The Aichi Bank, Ltd.	150,000	-	-	150,000					
	Resona Bank, Limited	100,000	-	-	100,000					
	Sumitomo Mitsui Banking Corporation	890,000	-	-	890,000	0.92375 (Note 7)	July 30, 2027	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	650,000	-	-	650,000					
	SBI Shinsei Bank, Limited	550,000	-	-	550,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000					
	Resona Bank, Limited	450,000	-	-	450,000					
	Daishi Hokuetsu Bank, Ltd.	400,000	-	-	400,000					
	The Nishi-Nippon City Bank, Ltd.	350,000	-	-	350,000					
	The Minato Bank, Ltd.	350,000	-	-	350,000					
	The Bank of Fukuoka, Ltd.	350,000	-	-	350,000					
	The Iyo Bank, Ltd.	350,000	-	-	350,000					
	The Ashikaga Bank, Ltd.	170,000	-	-	170,000					
	The Tochigi Bank, Ltd.	50,000	-	-	50,000					

Category (Note 1)	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
Long-term loans payable	Sumitomo Mitsui Banking Corporation	890,000	-	-	890,000	1.06250 (Note 7)	July 31, 2028	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	650,000	-	-	650,000					
	SBI Shinsei Bank, Limited	550,000	-	-	550,000					
	Sumitomo Mitsui Trust Bank, Limited	500,000	-	-	500,000					
	Aozora Bank, Ltd.	500,000	-	-	500,000					
	Resona Bank, Limited	450,000	-	-	450,000					
	The Nishi-Nippon City Bank, Ltd.	350,000	-	-	350,000					
	The Minato Bank, Ltd.	350,000	-	-	350,000					
	The Bank of Fukuoka, Ltd.	350,000	-	-	350,000					
	The Asahi Shinkin Bank	300,000	-	-	300,000					
	Sumitomo Mitsui Banking Corporation	1,500,000	-	-	1,500,000	0.85940 (Note 7)	February 26, 2027	Lump-sum repayment on maturity	(Note 4) (Note 5)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	1,000,000	-	-	1,000,000					
	SBI Shinsei Bank, Limited	500,000	-	-	500,000					
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000					
	Aozora Bank, Ltd.	400,000	-	-	400,000					
	Daishi Hokuetsu Bank, Ltd.	400,000	-	-	400,000					
	The Asahi Shinkin Bank	400,000	-	-	400,000					
	The Aichi Bank, Ltd.	400,000	-	-	400,000					
	The Bank of Fukuoka, Ltd.	300,000	-	-	300,000					
	The Chiba Bank, Ltd.	300,000	-	-	300,000					
	The Yamagata Bank, Ltd.	180,000	-	-	180,000					
	Sumitomo Mitsui Banking Corporation	900,000	-	-	900,000	0.67017	February 29, 2028	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	600,000	-	-	600,000					
	SBI Shinsei Bank, Limited	400,000	-	-	400,000					
	Sumitomo Mitsui Trust Bank, Limited	400,000	-	-	400,000					
	Aozora Bank, Ltd.	400,000	-	-	400,000					
	Resona Bank, Limited	350,000	-	-	350,000					
	Kansai Mirai Bank, Limited	250,000	-	-	250,000					
	The Chiba Bank, Ltd.	250,000	-	-	250,000					
	The Yamagata Bank, Ltd.	220,000	-	-	220,000					
	The Kiyo Bank, Ltd.	150,000	-	-	150,000					
	The 77 Bank, Ltd.	150,000	-	-	150,000					
	Sumitomo Mitsui Banking Corporation	840,000	-	-	840,000	0.98500 (Note 7)	August 31, 2027	Lump-sum repayment on maturity	(Note 6)	Unguaranteed/ unsecured (Green loans)
	Mizuho Bank, Ltd.	350,000	-	-	350,000					
	SBI Shinsei Bank, Limited	600,000	-	-	600,000					
	Sumitomo Mitsui Trust Bank, Limited	360,000	-	-	360,000					
	Aozora Bank, Ltd.	300,000	-	-	300,000					
	Resona Bank, Limited	300,000	-	-	300,000					
	The Nishi-Nippon City Bank, Ltd.	300,000	-	-	300,000					
	The Hiroshima Bank, Ltd.	300,000	-	-	300,000					
	The Kiyo Bank, Ltd.	250,000	-	-	250,000					

Category (Note 1)	Lender	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
Long-term loans payable	Sumitomo Mitsui Banking Corporation	525,000	-	-	525,000	0.62000	February 29, 2028	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/ unsecured
	Mizuho Bank, Ltd.	235,000	-	-	235,000					
	SBI Shinsei Bank, Limited	400,000	-	-	400,000					
	Sumitomo Mitsui Trust Bank, Limited	240,000	-	-	240,000					
	Aozora Bank, Ltd.	200,000	-	-	200,000					
	Resona Bank, Limited	200,000	-	-	200,000					
	The Nishi-Nippon City Bank, Ltd.	200,000	-	-	200,000					
	The Hiroshima Bank, Ltd.	200,000	-	-	200,000					
	The Iyo Bank, Ltd.	200,000	-	-	200,000					
	Subtotal	67,150,000	-	-	67,150,000	-	-	-	-	-
Total		67,150,000	-	-	67,150,000					

(Note 1) Long-term loans payable includes the current portion of long-term loans payable.
(Note 2) "Average interest rate" is the weighted average interest rate during the period for each loan agreement as at the end of the period.
(Note 3) If the repayment date is not a bank business day, the repayment date shall become the business day immediately following the repayment date, and if the following business day is in the next month, this shall become the previous business day.
(Note 4) The funds are used for the acquisition of real estate trust beneficiary interests or real estate and for the payment of a portion of the related expenses.
(Note 5) The funds are used for repayment of existing borrowings.
(Note 6) The funds are used for repayment of borrowings required for the acquisition of eligible green assets.
(Note 7) The borrowing has a fixed interest rate.
(Note 8) The following is the amount of long-term loans payable scheduled to be due for repayment in each year within five years of the balance sheet date.

(Unit: thousand yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years
Long-term loans payable	16,900,000	16,600,000	13,630,000	15,130,000	4,890,000

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Independent Auditor's Report

To the Board of Directors of Takara Leben Real Estate Investment Corporation

THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Takara Leben Real Estate Investment Corporation (the Company), which comprise the balance sheet as at February 29, 2024, and the statement of income, statement of changes in net assets, statement of cash distributions and statement of cash flows for the six months period then ended, and notes to the financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2024, and its financial performance and its cash flows for the six months period 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 the Company 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 "Significant Subsequent Events" in the financial statements, which states the issuance of new investment units, borrowing of funds and acquisition of assets.
Our opinion is not qualified in respect of this matter.

Other Information

The other information comprises the information included in the semi-annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Company's reporting process of the other information.

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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 the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Company'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 an 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 purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company'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 the Company'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 the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

FEE-RELATED INFORMATION

In connection with our audit of the financial statements for the six months period ended February 29, 2024, the amounts of fees for the audit and the other services charged to the Company by PricewaterhouseCoopers Japan LLC and other PwC Network firms are ¥12 million and ¥3 million, respectively.

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

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

鶴　田　光　夫

Mitsuo Tsuruta

Designated Engagement Partner
Certified Public Accountant

佐　藤　　孝

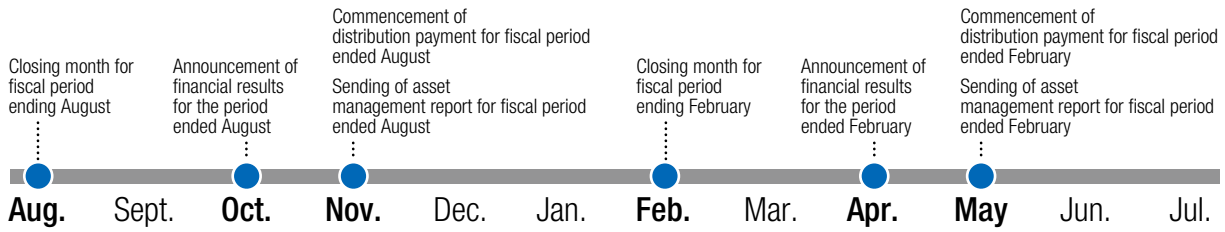
Takashi Sato

Designated Engagement Partner
Certified Public Accountant

May 27, 2024

Unitholder Information

IR Schedule



Unitholders' Memo

End of the fiscal period	The end of February and August of each year
General meeting of unitholders	In principle, at least once every 2 years
Date of finalizing unitholders with voting rights	Date stipulated in the Articles of Incorporation of the Investment Corporation
Record date of cash distribution payment	At the end of February and August of each year (distributions will be paid within 3 months of the record date of cash distribution payment)
Listed financial instruments exchange	Tokyo Stock Exchange (Securities code: 3492)
Newspaper for public notice	The Nikkei
Unitholder register administrator	4-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited **[Mail Address/Phone Contact]** 8-4 Izumi 2-chome, Suginami-ku, Tokyo 168-0063 Stock Transfer Agency Dept., Sumitomo Mitsui Trust Bank, Limited 0120-782-031 (toll free in Japan) Open: Weekdays 9:00am-5:00pm (JST)

▶ Procedures for change of address, etc.

Please contact the securities company where you have an account for any change of address, name, etc.

▶ Receipt of distributions

You can receive distributions when you bring your "Dividend Receipt" to your nearest local office of Japan Post Bank or a post office. If the receipt period has expired, please specify the method of receipt on the reverse side of the "Dividend Receipt" and mail it to the above Unitholder Register Administrator (Stock Transfer Agency Dept, Sumitomo Mitsui Trust Bank, Limited) or collect it at the head office or branch office of the said bank. Furthermore, please contact your securities firm, etc., if you would like to request procedures for designating bank transfers with respect to future distributions.

Our Website Information

https://takara-reit.co.jp/en/index.html

Please visit our website for IR information and other detailed information on the characteristics and current status of the Investment Corporation.