

7th Fiscal Period Semi-Annual Report



Takara Leben Real Estate Investment Corporation

From: March 1, 2021 To: August 31, 2021

To Our Unitholders

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, Takara PAG Real Estate Advisory Ltd. (the “Asset Management Company”).

We offer our deepest condolences to those who have lost loved ones to the novel coronavirus (COVID-19) pandemic, and extend our heartfelt sympathies to those suffering from the disease.

Investment Environment

During the current fiscal period (7th fiscal period), the Japanese economy continued to suffer under a harsh environment, with several states of emergency declared in some areas in response to COVID-19. However, Japan showed signs of a full-fledged resumption of economic activities due to progress in vaccinations and other factors. In the real estate trading market, appetites remained strong for investment in high-quality, income-generating real estate among various market participants, including publicly listed and privately placed REITs, domestic and overseas private funds, real estate agents, and general business corporations, and transaction prices remained high. The trend in the real estate leasing market was generally strong, but the outlook for hotels continues to be uncertain in the long-term due to re-declared states of emergency and concerns over the re-emergence of COVID-19.

Investment Performance

The Investment Corporation attempted to minimize the impact of COVID-19 on operations by focusing on internal growth. The Investment Corporation negotiated rent increases and reduced costs in accordance with the four investment strategies of “steady expansion of asset size,” “improvement of portfolio quality and stability,” “realization of solid internal growth,” and “implementation of financial strategies and other measures.” In addition, the Investment Corporation took proactive actions to conduct replacement of portfolio assets, selling 70% of its quasi-co-ownership interest in Almost Blue in March 2021 and selling Alpha Space Toritsudai in July 2021, while acquiring AEON STYLE Onomichi (Land) in March 2021; DCM Daiki Onomichi (Land), LUXENA KADOMA and Yoyogi 1-chome Building in April 2021; BIGMOTOR Sapporo Kiyota (Land) in May 2021, and Cainz Omiya in July 2021.

As a result of these investment activities, operating revenues of 3,061 million yen, ordinary income of 1,621 million yen, and net income of 1,563 million yen were recorded as investment performance for the current fiscal period. Despite the decision to retain a portion of distributable income to stabilize future distributions per unit, distributions per unit were 3,156 yen, 56 yen higher than the forecast of 3,100 yen per unit (including distributions in excess of earnings) announced in the “(REIT) Financial Report for Fiscal Period Ended February 28, 2021” dated April 13, 2021.

External Growth

Since the previous fiscal period (6th fiscal period), the Investment Corporation has been conducting replacement of portfolio assets in the order of sale first. In the current fiscal period, the Investment Corporation also took proactive action to conduct replacement of portfolio assets as described under “Investment Performance” to improve the quality of the entire portfolio and also aim for stable cash flows over the medium to long term. In the next fiscal period, 12 properties (total acquisition price: 26.3 billion yen) have been newly acquired on September 2, 2021, by conducting a capital increase through public offering, the second since listing, in September 2021. Out of the 12 properties acquired, 8 properties are acquisitions from Takara Leben (the main sponsor) or a bridge fund arranged by Takara Leben, improving portfolio quality by reducing the average age of the portfolio and such in efforts to enhance unitholder value.

The Investment Corporation will continue to aim for “stable management” and “steady external growth,” and also keep aiming to realize “maximization of unitholder value,” “creation of a sustainable environment” and “contribution to local communities and society.”

The continued guidance and support of unitholders would be greatly appreciated.

Masayuki Ishihara

Executive Director

Takara Leben Real Estate Investment Corporation

1. Outline of Asset Management

(1) Summary of Operating Results, Etc. of the Investment Corporation

Fiscal period		3rd Fiscal Period	4th Fiscal Period	5th Fiscal Period	6th Fiscal Period	7th Fiscal Period
		From: Mar. 1, 2019 To: Aug. 31, 2019	From: Sept. 1, 2019 To: Feb. 29, 2020	From: Mar. 1, 2020 To: Aug. 31, 2020	From: Sept. 1, 2020 To: Feb. 28, 2021	From: Mar. 1, 2021 To: Aug. 31, 2021
Operating revenues	(million yen)	2,916	3,076	2,750	2,874	3,061
[Operating revenue from real estate leasing business]	(million yen)	2,175	2,758	2,727	2,687	2,604
Operating expenses	(million yen)	1,156	1,163	1,139	1,171	1,217
[Operating expenses from real estate leasing business]	(million yen)	944	937	917	915	943
Operating income	(million yen)	1,760	1,912	1,611	1,702	1,843
Ordinary income	(million yen)	1,620	1,707	1,399	1,500	1,621
Net income	(million yen)	1,619	1,706	1,399	1,476	1,563
Unitholders' capital ^(Note 4)	(million yen)	31,991	45,189	45,189	45,189	45,189
Total number of investment units issued and outstanding	(units)	345,500	462,500	462,500	462,500	462,500
Total assets	(million yen)	72,736	94,517	94,466	94,380	94,281
[Rate of period-on-period increase (decrease)]	(%)	4.6	29.9	(0.1)	(0.1)	(0.1)
Net assets	(million yen)	33,526	46,829	46,553	46,644	46,784
[Rate of period-on-period increase (decrease)]	(%)	1.3	39.7	(0.6)	0.2	0.3
Net assets per unit	(yen)	97,036	101,252	100,656	100,853	101,156
Total distributions	(million yen)	1,621	1,708	1,400	1,433	1,459
Distributions per unit	(yen)	4,693	3,693	3,029	3,100	3,156
[Distributions of earnings per unit]	(yen)	4,680	3,689	3,025	3,100	3,156
[Distributions in excess of earnings per unit] ^(Note 5)	(yen)	13	4	4	—	—
Ordinary income to total assets ^(Note 7)	(%)	2.3	2.0	1.5	1.6	1.7
[Annualized]	(%)	4.5	4.1	2.9	3.2	3.4
Return on unitholders' equity ^(Note 7)	(%)	4.9	4.2	3.0	3.2	3.3
[Annualized]	(%)	9.6	8.5	6.0	6.4	6.6
Unitholders' equity to total assets ^(Note 7)	(%)	46.1	49.5	49.3	49.4	49.6
[Period-on-period increase (decrease)]	(%)	(1.5)	3.5	(0.3)	0.1	0.2
Distribution payout ratio ^(Note 7)	(%)	99.9	100.0	100.0	97.1	93.3
Other reference information						
Number of days during period	(days)	184	182	184	181	184
Number of investment properties at end of period ^(Note 6)	(properties)	29	35	36	33	37
Depreciation	(million yen)	258	321	330	325	334
Capital expenditures	(million yen)	194	150	276	231	253
NOI (Net Operating Income) from leasing ^(Note 7)	(million yen)	1,489	2,142	2,140	2,097	1,995
FFO (Funds from Operation) ^(Note 7)	(million yen)	1,139	1,711	1,706	1,618	1,441
FFO per unit ^(Note 7)	(yen)	3,297	3,699	3,689	3,499	3,115
Interest-bearing debt	(million yen)	35,980	43,400	43,400	43,400	43,400
LTV (Loan to Value) ^(Note 7)	(%)	49.5	45.9	45.9	46.0	46.0

(Note 1) The business periods of Takara Leben Real Estate Investment Corporation (hereinafter, the "Investment Corporation") are each six-month periods that are in each year from March 1 to the last day of August and from September 1 to the last day of February of the following year.

(Note 2) Amounts such as operating revenues do not include consumption taxes.

(Note 3) Unless otherwise specified, numerical values are each rounded down to the nearest specified unit and percentage figures are each rounded off to the first decimal place.

(Note 4) Changes in unitholders' capital due to distributing in excess of earnings from allowance for temporary difference adjustments have not been taken into account.

(Note 5) Distributions in excess of earnings per unit consist only of the allowance for temporary difference adjustments. There is no distribution under tax law resulting in a decrease of investment capital.

(Note 6) Of the number of investment properties at the end of the 3rd fiscal period, the 30% quasi-co-ownership interest in TTS Minami Aoyama Building is counted as one property. Of the number of investment properties at the end of the 6th fiscal period, the 70% quasi-co-ownership interest in Almost Blue is counted as one property.

(Note 7) Calculations are based on the following formulas.

Ordinary income to total assets	$\text{Ordinary income} / [(\text{Total assets at beginning of period} + \text{Total assets at end of period}) / 2] \times 100$
Return on unitholders' equity	$\text{Net income} / [(\text{Net assets at beginning of period} + \text{Net assets at end of period}) / 2] \times 100$
Unitholders' equity to total assets	$\text{Net assets at end of period} / \text{Total assets at end of period} \times 100$
Distributions per unit	$\text{Distributions per unit (not including distributions in excess of earnings)} / \text{Net income per unit} \times 100$
Distribution payout ratio	For the 4th 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. $\text{Total distributions (not including distributions in excess of earnings)} / \text{Net income} \times 100$
NOI (Net Operating Income) from leasing	$\text{Operating revenue from real estate leasing} - \text{Operating expenses from real estate leasing} + \text{Depreciation}$
FFO (Funds from Operation)	$\text{Net income} + \text{Depreciation} - \text{Gain on sales of real estate properties} + \text{Loss on sales of real estate properties}$
FFO per unit	$\text{FFO} / \text{Total number of investment units issued and outstanding}$
LTV (Loan to Value)	$\text{Interest-bearing debt at end of period} / \text{Total assets at end of period} \times 100$

(2) Developments in Management of Assets in the Current Fiscal Period

1) Key Events of the Investment Corporation

The Investment Corporation 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) with Takara PAG Real Estate Advisory Ltd. (formerly PAG Real Estate Advisory Ltd.; hereinafter, the “Asset Management Company”) as founding planner 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). The total number of investment units issued and outstanding as of the end of the current fiscal period (August 31, 2021) is 462,500 units.

2) Investment Environment and Performance

Investment Environment:

During the current fiscal period, the Japanese economy continued to suffer under a harsh environment, with several states of emergency declared in some areas in response to COVID-19. However, Japan showed signs of a full-fledged resumption of economic activity due to progress in vaccination and other factors. In the real estate trading market, appetites remained strong for investment in high-quality, income-generating real estate among various market participants, including publicly listed and privately placed REITs, domestic and overseas private funds, real estate agents, and general business corporations, and transaction prices remained high. The real estate leasing market generally trended strongly, with the exception of certain asset types. For office space, although vacancy rates trended upward in the key office space markets of Tokyo, Nagoya, and Osaka with increased corporate needs for cost-cutting due to COVID-19 and other factors, demand for office space is expected to recover if economic activity makes a full-fledged resumption. As for residential properties, COVID-19 had limited impact, and the market remained stable. In retail facilities, although retail sales declined, lifestyle-oriented retail facilities still trended strongly. The outlook for hotels continues to be uncertain due to re-declared states of emergency and concerns over re-emergence of COVID-19.

Investment Performance:

The Investment Corporation attempted to minimize the impact of COVID-19 on operations by focusing on internal growth. The Investment Corporation negotiated rent increases and reduced costs in accordance with the four investment strategies of “steady expansion of asset size,” “improvement of portfolio quality and stability,” “realization of solid internal growth,” and “implementation of financial strategies and other measures.” In addition, the Investment Corporation took proactive action to conduct replacement of portfolio assets, selling 70% of its quasi-co-ownership interest in Almost Blue in March 2021 and selling Alpha Space Toritsudai in July 2021, while acquiring each of the following: AEON STYLE Onomichi (Land) in March 2021, DCM Daiki Onomichi (Land), LUXENA KADOMA, and Yoyogi 1-chome Building in April 2021, BIGMOTOR Sapporo Kiyota (Land) in May 2021, and Cainz Omiya in July 2021.

As a result of these investment activities, operating revenues were 3,061 million yen, ordinary income was 1,621 million yen, and net income was 1,563 million yen for the current fiscal period. Despite the decision to retain a portion of distributable income to stabilize future distributions per unit, distributions per unit were 3,156 yen, 56 yen higher than the forecast of 3,100 yen per unit (including distributions in excess of earnings) announced in the “(REIT) Financial Report for Fiscal Period Ended February 28, 2021” dated April 13, 2021.

3) Overview of Funds Procurement

The Investment Corporation refinanced 10,000 million yen (repayment date: July 30, 2021) borrowed from the syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation on July 30, 2018 (2,150 million yen (repayment date: July 31, 2024) and 7,850 million yen (repayment date: July 31, 2026)) on July 30, 2021. As a result, the balance of borrowings as of the end of the current fiscal period (August 31, 2021) was 43,400 million yen, and the ratio of interest-bearing debt to total assets (LTV) was 46.0%.

On March 22, 2021, Rating and Investment Information, Inc. (R&I) assigned an “A-/Stable” issuer credit rating to the Investment Corporation, and on June 29, 2021, Japan Credit Rating Agency, Ltd. (JCR) changed its long-term issuer credit rating from “A-/Stable” to “A-/Positive.”

4) Overview of Performance and Dividends

As a result of the aforementioned investment activities, the Investment Corporation recorded operating revenues of 3,061 million yen, operating income of 1,843 million yen, ordinary income of 1,621 million yen, and net income of 1,563 million yen for the current fiscal period.

Dividend amounts shall exceed the amount equivalent to 90/100 of the amount of dividends available to the Investment Corporation as stipulated in Article 36, Paragraph 1 (1) of the Articles of Incorporation and Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the same shall apply hereinafter). In determining the distribution amount for the current fiscal period, the Investment Corporation planned to retain a portion of the dividends available for internal use in order to stabilize future distributions per unit, while giving consideration to the distribution level. Specifically, the Investment Corporation decided to reserve 150 million yen internally in order to stabilize future distributions, considering that 457 million yen in gain on sales of real estate, etc. was generated, and to distribute as a profit distribution the entire amount of 1,459 million yen after deducting reversal of retained earnings and the allowance for temporary difference adjustments (which is defined in Article 2, Paragraph 2, Item 30 of the Regulation on Accounting at Investment Corporations) from unappropriated retained earnings at the end of the current fiscal period. In addition, in consideration of the impact of the discrepancy in excess of income tax (as defined in Article 2, Paragraph 2, Item 30(a) of the Regulation on Accounting at Investment Corporations of Japan) on dividends, the Investment Corporation will distribute excess earnings in accordance with Article 36, Paragraph 1 (2) of the Articles of Incorporation as an amount equivalent to the discrepancy in excess income tax as determined by the Investment Corporation. However, in the current fiscal period, no distribution in excess of earnings was made due to internal reserves. As a result of the above, distributions for the current fiscal period totaled 1,459 million yen, with distributions per unit of 3,156 yen (distributions of earnings per unit of 3,156 yen and distributions in excess of earnings per unit of 0 yen).

(3) Status of Capital Increase, Etc.

The changes in unitholders' capital and the total number of investment units issued and outstanding since the establishment of the Investment Corporation until August 31, 2021, are as follows:

Date	Notes	Unitholders' capital (thousand yen) (Note 2)		Total number of investment units issued and outstanding (units)		Remarks
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
September 11, 2017 (Note 1)	Establishment through private placement	150,000	150,000	150	150	(Note 3)
April 21, 2018	Investment unit split	—	150,000	1,350	1,500	(Note 4)
July 26, 2018	Capital increase through public offering	31,841,672	31,991,672	344,000	345,500	(Note 5)
September 2, 2019	Capital increase through public offering	13,197,600	45,189,272	117,000	462,500	(Note 6)

(Note 1) The Investment Corporation was incorporated on September 11, 2017.

(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) New investment units were issued at an offer price of 1,000,000 yen per unit upon the establishment of the Investment Corporation.

(Note 4) The Investment Corporation has conducted a 10-for-1 unit split of its investment units held by unitholders listed or recorded in the final register of unitholders, with April 21, 2018, as the record date and effective date.

(Note 5) New investment units were issued through public offering at an issue price of 96,000 yen (paid-in amount of 92,563 yen) per unit for the purpose of acquisition of properties.

(Note 6) New investment units were issued through public offering at an issue price of 117,000 yen (paid-in amount of 112,800 yen) per unit for the purpose of acquisition of properties, repayment of borrowings.

[Changes in Market Price of Investment Securities]

The following is the fiscal period high and low (closing price) on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market on which the Investment Corporation's investment securities are listed.

Fiscal period	3rd Fiscal Period From: Mar. 1, 2019 To: Aug. 31, 2019	4th Fiscal Period From: Sept. 1, 2019 To: Feb. 29, 2020	5th Fiscal Period From: Mar. 1, 2020 To: Aug. 31, 2020	6th Fiscal Period From: Sept. 1, 2020 To: Feb. 28, 2021	7th Fiscal Period From: Mar. 1, 2021 To: Aug. 31, 2021
High (yen)	133,200	133,100	113,200	115,500	131,500
Low (yen)	89,200	107,700	60,000	83,300	104,600

(Note) The Investment Corporation's investment securities were listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market on July 27, 2018.

(4) Distributions and Related Performance

Dividend amounts shall exceed the amount equivalent to 90/100 of the amount of dividends available to the Investment Corporation as stipulated in Article 36, Paragraph 1 (1) of the Articles of Incorporation and Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the same shall apply hereinafter). In determining the distribution amount for the current fiscal period, the Investment Corporation planned to retain a portion of the dividends available for internal use in order to stabilize future distributions per unit, while giving consideration to the distribution level. Specifically, the Investment Corporation decided to reserve 150 million yen internally in order to stabilize future distributions, considering that 457 million yen in gain on sales of real estate, etc. was generated, and to distribute as a profit distribution the entire amount of 1,459 million yen after deducting reversal of retained earnings and the allowance for temporary difference adjustments (which is defined in Article 2, Paragraph 2, Item 30 of the Regulation on Accounting at Investment Corporations) from unappropriated retained earnings at the end of the current fiscal period. In addition, in consideration of the impact of the discrepancy in excess of income tax (as defined in Article 2, Paragraph 2, Item 30(a) of the Regulation on Accounting at Investment Corporations of Japan) on dividends, the Investment Corporation will distribute excess earnings in accordance with Article 36, Paragraph 1 (2) of the Articles of Incorporation as an amount equivalent to the discrepancy in excess income tax as determined by the Investment Corporation. However, in the current fiscal period, no distribution in excess of earnings was made due to internal reserves. As a result of the above, distributions for the current fiscal period totaled 1,459 million yen, with distributions per unit of 3,156 yen (distributions of earnings per unit of 3,156 yen and distributions in excess of earnings per unit of 0 yen).

Fiscal period		3rd Fiscal Period	4th Fiscal Period	5th Fiscal Period	6th Fiscal Period	7th Fiscal Period
		From: Mar. 1, 2019 To: Aug. 31, 2019	From: Sept. 1, 2019 To: Feb. 29, 2020	From: Mar. 1, 2020 To: Aug. 31, 2020	From: Sept. 1, 2020 To: Feb. 28, 2021	From: Mar. 1, 2021 To: Aug. 31, 2021
Total unappropriated retained earnings	(thousand yen)	1,699,667	1,789,030	1,461,254	1,505,288	1,619,897
Retained earnings carried forward	(thousand yen)	82,727	62,215	28,961	55,935	150,055
Total distributions	(thousand yen)	1,621,431	1,708,012	1,400,912	1,433,750	1,459,650
[Distributions per unit]	(yen)	[4,693]	[3,693]	[3,029]	[3,100]	[3,156]
Total distributions of earnings	(thousand yen)	1,616,940	1,706,162	1,399,062	1,433,750	1,459,650
[Distributions of earnings per unit]	(yen)	[4,680]	[3,689]	[3,025]	[3,100]	[3,156]
Distributions in excess of earnings	(thousand yen)	4,491	1,850	1,850	—	—
[Distributions in excess of earnings per unit]	(yen)	[13]	[4]	[4]	[—]	[—]
Distributions in excess of earnings from allowance for temporary difference adjustments	(thousand yen)	4,491	1,850	1,850	—	—
[Distributions in excess of earnings from allowance for temporary difference adjustments per unit]	(yen)	[13]	[4]	[4]	[—]	[—]
Distributions in excess of earnings from distributions under tax law resulting in a redemption of unitholders' capital	(thousand yen)	—	—	—	—	—
[Distributions in excess of earnings from distributions under tax law resulting in a redemption of unitholders' capital per unit]	(yen)	[—]	[—]	[—]	[—]	[—]

(Note) For the Investment Corporation's distribution policy and overview of distributions for the current fiscal period, please refer to "(2) Developments in Management of Assets in the Current Fiscal Period; (4) Overview of Performance and Dividends" earlier in this document.

(5) Future Investment Policy and Tasks to Address

1) Future Investment Policy

In the pursuit of “external growth,” as well as “stable investment and internal growth,” the Investment Corporation’s basic policy is to target achieving external growth through asset acquisitions leveraging PAG Investment Management Limited’s (PAG’s) information collection capabilities and investment decisions and expertise capable of adapting flexibly to the market environment, and leveraging the stable property supply from the Takara Leben Group (refers to Takara Leben Co., Ltd., its subsidiaries and affiliates; the same shall apply hereinafter), an entity with high development capabilities. This basic policy also includes targeting stable investment and internal growth by combining the Takara Leben Group’s value chain with PAG’s asset management expertise in the Japanese real estate market, as well as the unique networks and investment expertise cultivated for individual asset classes of Kyoritsu Maintenance Co., Ltd. and Yamada Holdings Co., Ltd.

Furthermore, based on the four investment strategies of “steady expansion of asset size,” “improvement of portfolio quality and stability,” “realization of solid internal growth,” and “implementation of financial strategies and other measures,” the Investment Corporation will take the measures of “expanding asset size through stronger property acquisition,” “active investment and stable management leveraging comprehensive REIT strengths,” “solid portfolio management amid the COVID-19 pandemic,” and “expanding financing methods and acquiring external evaluations with a focus on medium to long-term strategies” in order to improve unitholder value.

The impact of the spread of COVID-19 will continue to be monitored closely, and a certain degree of impact is also expected on the Investment Corporation’s operating results.

2) External Growth Strategy

The Investment Corporation aims to achieve external growth by leveraging the development capabilities of the Takara Leben Group and the sourcing capabilities of PAG, both of which are backed by extensive track records. Aiming to create a well-balanced portfolio, we will acquire mainly development properties from the Takara Leben Group, and acquire carefully selected properties from PAG in areas and scales undeveloped by the Takara Leben Group. In addition, we will consider asset replacement, etc. in consideration of improving our portfolio quality.

3) Internal Growth Strategy

The Investment Corporation will conduct stable investment in real estate by receiving and utilizing expertise on real estate management suited to various asset classes from the sponsors.

4) Financial Strategy

The Investment Corporation’s basic policy is to build a stable and sound financial base for the purpose of securing stable earnings over the medium to long term and achieving sustainable growth in the property portfolio. In order to realize this basic policy, the Investment Corporation shall procure and manage funds in accordance with the following policies.

a. Funds Procurement (Equity Financing)

We may flexibly issue additional investment units for the purpose of property acquisitions, repair of properties, payment of management expenses of the Investment Corporation including repayment of borrowings or other activities, and are mindful of the potential of dilution of our investment units in considering economic conditions and other factors.

b. Funds Procurement (Debt Financing)

The Investment Corporation may borrow funds or issue investment corporation bonds (including short-term investment corporation bonds) contributing to the steady growth of investment assets and efficient and stable management of the Investment Corporation’s assets for the purpose of asset acquisition, payment of repair expenses or distributions, funding required for the Investment Corporation’s management, or repayment of debts (including refund of leasehold and security deposits, repayment of borrowings, and redemption of investment corporation bonds).

With regard to lenders, the Investment Corporation will establish a stable bank formation that focuses on procurement from major financial institutions, and will consider various borrowing methods including commitment lines, and give consideration to the fixed and floating ratio and diversification of repayment deadlines.

c. LTV

LTV^(Note) shall be in principle no higher than 60%, with attention paid to securing sufficient funds.

(Note) $LTV (\%) = a / b \times 100 (\%)$

a = Balance of interest-bearing debt at end of period

b = Total assets at end of period

(6) Significant Subsequent Events

1) Issuance of New Investment Units

At its the Board of Directors' meetings held on August 13, 2021, and August 23, 2021, the Investment Corporation resolved to issue 112,500 new investment units through public offering, for which payment of 12,192,862,500 yen was completed on September 1, 2021. As a result, unitholders' capital is 57,382,134 thousand yen and the total number of investment units issued and outstanding is 575,000 units as of September 1, 2021.

<Issuance of New Investment Units Through Public Offering>

- Number of new investment units issued 112,500 units
- Issue price (offer price) 112,417 yen per unit
- Total issue price (offer price) 12,646,912,500 yen
- Issue amount (paid-in amount) 108,381 yen per unit
- Total issue price (paid-in amount) 12,192,862,500 yen
- Payment date September 1, 2021
- Purpose of funds raised Allocation to acquisition of new domestic real estate trust beneficiary interests described in "3. Acquisition of Assets," below, and allocation to a portion of associated costs.

2) Borrowing of Funds

In order to allocate funds to acquisition of new domestic real estate trust beneficiary interests described in "3. Acquisition of Assets," below, and to allocate to a portion of associated costs, the Investment Corporation conducted the following borrowings on September 2, 2021.

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)	7,350	0.49915%	September 2, 2021	February 28, 2025	Lump-sum repayment on maturity	Unguaranteed/ unsecured
		6,550	0.60088%		February 27, 2026		
Total		13,900	—	—	—	—	—

(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., Aozora Bank, Ltd., Shinsei Bank, Limited, Sumitomo Mitsui Trust Bank, Limited, Daishi Hokuetsu Bank, Ltd., The Minato Bank, Ltd., The Bank of Yokohama, Ltd., Kansai Mirai Bank, Limited, The 77 Bank, Ltd., The Nishi-Nippon City Bank, Ltd., The Aichi Bank, Ltd., The Chiba Bank, Ltd., and Resona Bank, Limited.

(Note 3) The first interest payment date shall be the last day of November 2021, and subsequent interest payment dates shall be the last day of February, May, August and November of every year thereafter and the principal repayment date. However, if the payment date is not a bank business day, this shall become on the next business day, and if the next business day is in the next month, this shall become on the previous business day.

(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 be the business day immediately following the repayment date, and if the following business day is in the next month, this shall become on the previous business day.

3) Acquisition of Assets

The Investment Corporation acquired the following domestic real estate trust beneficiary interests on September 2, 2021.

Category	Property number (Note 1)	Property name	Location	Acquisition price (million yen) (Note 2)	Seller
Office	O-20	Kawagoe West Building	Kawagoe City, Saitama	2,600	Undisclosed (Note 3)
	O-21	HAKATA REISENMACHI Building	Fukuoka City, Fukuoka	2,700	
Residence	R-11	LUXENA TODAKOEN	Toda City, Saitama	910	Takara Leben Co., Ltd.
	R-12	LUXENA TODAKOEN II	Toda City, Saitama	1,200	
	R-13	LUXENA AKIHABARA	Taito Ward, Tokyo	2,300	
	R-14	Fiore Residence Dejima Kaigan Dori	Sakai City, Osaka	560	
	R-15	LUXENA MUSASHI-SHINJO	Kawasaki City, Kanagawa	1,900	GK Island Ship No. 3
	R-16	LUXENA NAGAREYAMA OOTAKANOMORI	Nagareyama City, Chiba	2,840	
	R-17	PRIME SQUARE	Funabashi City, Chiba	620	
	R-18	Winbell Chorus SeisekiSakuragaoka	Tama City, Tokyo	730	
Retail and other assets	C-11	APiTA NAGOYA-MINAMI	Nagoya City, Aichi	7,800	Undisclosed (Note 3)
	C-12	(Tentative name) BIGMOTOR Konosu (Land)	Konosu City, Saitama	2,150	Nippon Commercial Development Co., Ltd.
Total			—	26,310	

(Note 1) The code “O” represents offices, “R” represents residential properties, and “C” represents retail and other properties.

(Note 2) “Acquisition price” refers to the purchase price (excluding consumption taxes and other expenses required in acquisition) stated in the real estate trust beneficiary interests purchase agreement, rounded down to the nearest million yen.

(Note 3) Sellers for the Kawagoe West Building, HAKATA REISENMACHI Building, and APiTA NAGOYA-MINAMI are not disclosed as consent for disclosure has not been obtained from the sellers.

2. Outline of the Investment Corporation

(1) Status of Investment Capital

Fiscal period		3rd Fiscal Period (As of August 31, 2019)	4th Fiscal Period (As of February 29, 2020)	5th Fiscal Period (As of August 31, 2020)	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Total number of investment units authorized	(units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding	(units)	345,500	462,500	462,500	462,500	462,500
Unitholders' capital ^(Note)	(million yen)	31,991	45,189	45,189	45,189	45,189
Number of unitholders	(persons)	15,483	18,961	21,569	22,794	22,816

(Note) Changes in unitholders' capital due to distributing in excess of earnings from allowance for temporary difference adjustments have not been taken into account.

(2) Matters Concerning Investment Units

Of the unitholders as of August 31, 2021, the major unitholders are as follows:

Name	Number of investment units owned (units)	Number of investment units owned as a percentage of total number of investment units issued and outstanding (%) ^(Note)
Custody Bank of Japan, Ltd. (Trust Account)	42,234	9.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,563	8.77
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	14,576	3.15
Takara Leben Co., Ltd.	14,385	3.11
PAG JREIT CO-INVEST LIMITED	10,400	2.24
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	8,882	1.92
SMBC Nikko Securities Inc.	6,868	1.48
JPMorgan Securities Japan Co., Ltd.	6,235	1.34
Kinkisangyo Shinkumi Bank	5,590	1.20
Leben Community Co., Ltd.	5,200	1.12
Total	154,933	33.49

(Note) "Number of investment units owned as a percentage of total number of investment units issued and outstanding" is rounded down to the second decimal place.

(3) Matters Concerning Directors, Etc.

1) Executive Director, Supervisory Directors and Accounting Auditor in the Current Fiscal Period

Position	Name	Key concurrent holding of positions, etc.	Total amount of compensation for each position during period (thousand yen)
Executive Director ^(Note 1)	Masayuki Ishihara	Executive Chairman and CEO, Takara PAG Real Estate Advisory Ltd.	— ^(Note 2)
Supervisory Director ^(Note 1)	Norifusa Hashimoto	Partner, Kaynex Law Offices	1,200
	Toshiaki Kawashima	Kawashima CPA Firm	1,200
Accounting Auditor	PricewaterhouseCoopers Aarata LLC	—	11,000 ^(Note 3)

(Note 1) None of the executive director or supervisory directors own the Investment Corporation's investment units in their own name or in the name of another. In addition, supervisory directors may be directors of other corporations other than those stated above, but none of them, including those above, have vested interest in the Investment Corporation or the Asset Management Company.

(Note 2) The executive director does not collect compensation from the Investment Corporation in the current fiscal period.

(Note 3) The compensation for the accounting auditor includes compensation for comfort letter preparation services (4,000 thousand yen).

2) Policy for Deciding on Dismissal and Refusal of Reappointment of the Accounting Auditor

The policy is to decide on the dismissal of the accounting auditor in accordance with the provisions of the Investment Trusts Act and the refusal of reappointment of the accounting auditor by taking into account the various circumstances in a comprehensive manner at a general meeting of unitholders.

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

The asset management company, asset custodian and general administrators as of August 31, 2021, are as follows:

Entrustment category	Name
Asset management company	Takara PAG Real Estate Advisory Ltd.
Asset custodian	Sumitomo Mitsui Trust Bank, Limited
General administrator (operation of administrative instruments, etc.)	Sumitomo Mitsui Trust Bank, Limited
General administrator (transfer agent)	Sumitomo Mitsui Trust Bank, Limited
General administrator (accounting, etc.)	Sumitomo Mitsui Trust Bank, Limited

3. Status of Investment Assets of the Investment Corporation

(1) Composition of Assets of the Investment Corporation

The composition of assets of the Investment Corporation is as follows:

Type of assets	Primary use	Geographic area ^(Note 1)	6th Fiscal Period (As of February 28, 2021)		7th Fiscal Period (As of August 31, 2021)	
			Total amount held (million yen) ^(Note 2)	As a percentage of total assets (%) ^(Note 3)	Total amount held (million yen) ^(Note 2)	As a percentage of total assets (%) ^(Note 3)
Real estate	Office	Four major metropolitan areas	713	0.8	712	0.8
		Major regional cities	—	—	—	—
	Residence	Four major metropolitan areas	720	0.8	2,759	2.9
		Major regional cities	—	—	—	—
	Hotel	Four major metropolitan areas	—	—	—	—
		Major regional cities	2,468	2.6	2,441	2.6
	Retail and other assets	Four major metropolitan areas	507	0.5	505	0.5
		Major regional cities	—	—	3,769	4.0
	Real estate subtotal		4,410	4.7	10,189	10.8
	Real estate in trust	Office	Four major metropolitan areas	40,109	42.5	42,044
Major regional cities			4,921	5.2	4,941	5.2
Residence		Four major metropolitan areas	9,869	10.5	9,242	9.8
		Major regional cities	1,198	1.3	1,193	1.3
Hotel		Four major metropolitan areas	2,492	2.6	2,512	2.7
		Major regional cities	4,456	4.7	4,441	4.7
Retail and other assets		Four major metropolitan areas	9,887	10.5	7,827	8.3
		Major regional cities	5,069	5.4	5,046	5.4
Real estate in trust subtotal		78,004	82.6	77,249	81.9	
Deposits and other assets		11,965	12.7	6,842	7.3	
Total amount of assets		94,380	100.0	94,281	100.0	

(Note 1) Japan's "four major metropolitan areas" refers to the Tokyo, Nagoya, Osaka, and Fukuoka metropolitan areas. "Tokyo metropolitan area" refers to Tokyo, Kanagawa, Chiba, and Saitama prefectures. "Osaka metropolitan area" refers to Osaka, Kyoto, and Hyogo prefectures. "Nagoya metropolitan area" refers to Aichi, Gifu, and Mie prefectures. "Fukuoka metropolitan area" refers to Fukuoka Prefecture. Japan's "major regional cities" refers to ordinance-designated cities, core cities, specially designated cities and prefectural capital cities, excluding those included in Japan's four major metropolitan areas. "Ordinance-designated cities" refers to the cities of Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Okayama, Hiroshima, and Kumamoto as of the date of this document. "Core cities" refers to Japanese cities that have a population of at least 200,000 persons and are designated as such by an ordinance under the Local Autonomy Act of Japan. "Specially designated cities" refers to Japanese cities that have a population of at least 200,000 people and are designated as such by an ordinance under the same act at the time of the abolishment of the system of specially designated cities as of April 1, 2015.

(Note 2) "Total amount held" is based on the balance sheet (for real estate and real estate in trust, the book value after depreciation) as of February 28, 2021, and August 31, 2021, rounded down to the nearest million yen.

(Note 3) "As a percentage of total assets" is rounded off to the first decimal place.

(2) Major Portfolio Assets

The following is an overview of the major portfolio assets (top ten properties in terms of book value) held by the Investment Corporation as of August 31, 2021.

Property name	Book value (million yen) ^(Note 1)	Total leasable area (m ²) ^(Note 2)	Total leased area (m ²) ^(Note 3)	Occupancy rate (%) ^(Note 4)	As a percentage of total operating revenue from real estate leasing (%) ^(Note 5)	Primary use
NT Building	12,427	9,976.36	9,195.78	92.2	13.0	Office
Higashi-Ikebukuro Central Place	9,890	7,793.60	7,657.69	98.3	10.2	Office
Nagoya Center Plaza Building	5,122	9,639.53	9,275.87	96.2	7.2	Office
Kaden Sumairu Kan YAMADA Kobe Tarumi (Land)	4,277	17,780.00	17,780.00	100.0	^(Note 6)	Retail and other assets
Kaden Sumairu Kan YAMADA Matsuyama Toiyacho	4,021	9,052.32	9,052.32	100.0	^(Note 6)	Retail and other assets
LUXENA HEIWADAI	3,889	5,354.76	5,185.31	96.8	4.4	Residence
Omiya NSD Building	3,522	4,006.68	4,006.68	100.0	5.0	Office
SAMTY Shin-Osaka Center Building	3,406	5,022.79	4,747.79	94.5	4.2	Office
Cainz Omiya	2,556	11,497.86	11,497.86	100.0	^(Note 6)	Retail and other assets
ACCESS by LOISIR HOTEL Nagoya	2,512	2,478.23	2,478.23	100.0	0.0	Hotel
Total/Average	51,628	82,602.13	80,877.53	97.9	55.4	—

(Note 1) "Book value" is the book value after depreciation as of August 31, 2021. The same applies hereinafter.

3. Status of Investment Assets of the Investment Corporation

(Note 2) “Total leasable area” indicates the gross floor area of leasable space in each property, based on the lease agreements for building or floor plans, rounded down to the second decimal place. The same applies hereinafter.

(Note 3) “Total leased area” indicates the total leased area in each property based on the lease agreements valid as of August 31, 2021, rounded down to the second decimal place. For properties with pass-through type master lease agreements, the leased area is quoted from the lease agreements entered into with end tenants. The same applies hereinafter.

(Note 4) “Occupancy rate” is calculated by dividing total leased area as of August 31, 2021, by total leasable area, rounded off to the first decimal place. The same applies hereinafter.

(Note 5) “As a percentage of total operating revenue from real estate leasing” is operating revenue from real estate leasing for each property divided by the total amount for all properties, expressed as a percentage.

(Note 6) Since the tenant has not provided consent to disclose the rent income, it cannot be disclosed due to unavoidable circumstances.

(3) Itemization of Portfolio Assets: Real Estate, Etc.

The following is an overview of the assets held by the Investment Corporation as of August 31, 2021.

Primary use	Property number	Property name	Location	Type of ownership	Total leasable area (m ²)	Book value (million yen)	Appraisal value at end of period (million yen) (Note 1)
Office	O-01	NT Building	Shinagawa Ward, Tokyo	Trust beneficiary interests	9,976.36 (Note 2)	12,427	13,000
	O-02	Higashi-Ikebukuro Central Place	Toshima Ward, Tokyo	Trust beneficiary interests	7,793.60	9,890	10,500
	O-03	Nagoya Center Plaza Building	Nagoya City, Aichi	Trust beneficiary interests	9,639.53	5,122	5,020
	O-05	Omiya NSD Building	Saitama City, Saitama	Trust beneficiary interests	4,006.68	3,522	3,960
	O-06	SAMTY Shin-Osaka Center Building	Osaka City, Osaka	Trust beneficiary interests	5,022.79	3,406	3,590
	O-07	Hakata Gion Building	Fukuoka City, Fukuoka	Trust beneficiary interests	3,653.70	2,478	2,850
	O-08	Chuo Bakuromachi Building	Osaka City, Osaka	Trust beneficiary interests	3,739.57	1,481	1,950
	O-09	L.Biz Jimbocho	Chiyoda Ward, Tokyo	Trust beneficiary interests	859.82	1,014	1,140
	O-10	Shinsaibashi Building	Osaka City, Osaka	Trust beneficiary interests	1,408.52	767	777
	O-11	L.Biz Sendai	Sendai City, Miyagi	Trust beneficiary interests	3,368.98	1,650	1,840
	O-12	Sendai Nikko Building	Sendai City, Miyagi	Trust beneficiary interests	2,540.11	1,749	1,800
	O-14	Nagano Central Building	Nagano City, Nagano	Trust beneficiary interests	2,619.93 (Note 2)	927	927
	O-17	Yamagata Ekimae-dori Building	Yamagata City, Yamagata	Trust beneficiary interests	2,505.92	613	634
	O-18	Akasaka Kawase Building	Minato Ward, Tokyo	Real estate	511.61	712	751
O-19	Yoyogi 1-chome Building	Shibuya Ward, Tokyo	Trust beneficiary interests	810.45	1,932	2,040	
		Subtotal	—	—	58,457.57	47,698	50,779
Residence	R-01	Amare Tokaidori	Nagoya City, Aichi	Trust beneficiary interests	2,935.38	1,069	1,220
	R-02	Dormy Ukimafunado	Itabashi Ward, Tokyo	Trust beneficiary interests	2,462.60	1,090	1,130
	R-03	Benefis Hakata-Minami Grand Sweet	Fukuoka City, Fukuoka	Trust beneficiary interests	2,782.51	1,009	1,140
	R-04	LUXENA HIGASHI-KOENJI	Suginami Ward, Tokyo	Trust beneficiary interests	1,405.29	1,071	1,120
	R-06	J City Hatchobori	Hiroshima City, Hiroshima	Trust beneficiary interests	2,623.39	1,193	1,280
	R-07	LUXENA HEIWADAI	Nerima Ward, Tokyo	Trust beneficiary interests	5,354.76	3,889	4,410
	R-08	LUXENA KACHIDOKI	Chuo Ward, Tokyo	Trust beneficiary interests	1,121.26	1,111	1,290
	R-09	LUXENA HON-ATSUGI	Atsugi City, Kanagawa	Real estate	1,403.94	720	761
	R-10	LUXENA KADOMA	Kadoma City, Osaka	Real estate	4,034.10	2,039	2,140
			Subtotal	—	—	24,123.23	13,195

Primary use	Property number	Property name	Location	Type of ownership	Total leasable area (m ²)	Book value (million yen)	Appraisal value at end of period (million yen) (Note 1)
Hotel	H-01	Dormy Inn Matsuyama	Matsuyama City, Ehime	Trust beneficiary interests	5,119.15	2,329	2,550
	H-02	Hotel Sunshine Utsunomiya	Utsunomiya City, Tochigi	Trust beneficiary interests	5,267.16	2,112	2,080
	H-03	Dormy Inn Morioka	Morioka City, Iwate	Real estate	5,046.83	2,441	2,570
	H-04	ACCESS by LOISIR HOTEL Nagoya	Nagoya City, Aichi	Trust beneficiary interests	2,478.23	2,512	2,190
	Subtotal		—	—	17,911.37	9,395	9,390
Retail and other assets	C-01	Prio Daimyo II	Fukuoka City, Fukuoka	Trust beneficiary interests	761.01	993	1,120
	C-02	Co-op Sapporo Shunko	Asahikawa City, Hokkaido	Trust beneficiary interests	7,214.92	1,024	1,110
	C-03	TA Shonan Kugenmakaigan	Fujisawa City, Kanagawa	Real estate	626.92	505	570
	C-05	Kaden Sumairu Kan YAMADA Matsuyama Toiyacho	Matsuyama City, Ehime	Trust beneficiary interests	9,052.32	4,021	4,410
	C-06	Kaden Sumairu Kan YAMADA Kobe Tarumi (Land)	Kobe City, Hyogo	Trust beneficiary interests	17,780.00	4,277	4,360
	C-07	AEON STYLE Onomichi (Land)	Onomichi City, Hiroshima	Real estate	11,883.74	929	1,040
	C-08	BIGMOTOR Sapporo Kiyota (Land)	Sapporo City, Hokkaido	Real estate	15,026.00	1,648	1,790
	C-09	DCM Daiki Onomichi (Land)	Onomichi City, Hiroshima	Real estate	7,955.81	1,192	1,240
	C-10	Cainz Omiya	Saitama City, Saitama	Trust beneficiary interests	11,497.86	2,556	2,580
		Subtotal		—	—	81,798.58	17,149
	Total		—	—	182,290.75	87,439	92,880

(Note 1) “Appraisal value at end of period” is the appraisal value stated in the real estate appraisal report as of August 31, 2021, rounded down to the nearest million yen. In addition, the term “real estate appraisal report” generically refers to real estate appraisal reports prepared by the Investment Corporation in accordance with notes on real estate appraisal evaluation based on the Investment Trusts Act, the Act on Real Estate Appraisal (Act No. 152 of 1963, as amended), and the Japanese Real Estate Appraisal Standards by entrusting the appraisal evaluation of each invested asset to a real estate appraiser or an appraisal evaluation institution based on the evaluation standards.

(Note 2) For NT Building and Nagano Central Building, the figures provided are in proportion to our compartmentalized ownership.

The following is the status of leasing of real estate, etc. held by the Investment Corporation.

Primary use	Property number	Property name	6th Fiscal Period (from September 1, 2020 to February 28, 2021)				7th Fiscal Period (from March 1, 2021 to August 31, 2021)			
			Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Operating revenue from leasing (during period) (million yen)	As a percentage of total operating revenue from leasing (%) (Note 3)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Operating revenue from leasing (during period) (million yen)	As a percentage of total operating revenue from leasing (%) (Note 3)
Office	O-01	NT Building	14	100.0	341	12.7	15	92.2	338	13.0
	O-02	Higashi-Ikebukuro Central Place	7	98.3	275	10.2	7	98.3	264	10.2
	O-03	Nagoya Center Plaza Building	34	100.0	200	7.5	32	96.2	187	7.2
	O-05	Omiya NSD Building	11	100.0	131	4.9	11	100.0	130	5.0
	O-06	SAMTY Shin-Osaka Center Building	8	100.0	112	4.2	7	94.5	110	4.2
	O-07	Hakata Gion Building	15	100.0	92	3.4	15	100.0	93	3.6
	O-08	Chuo Bakuromachi Building	17	100.0	67	2.5	17	100.0	67	2.6
	O-09	L.Biz Jimbocho	1	100.0	26	1.0	1	100.0	26	1.0
	O-10	Shinsaibashi Building	6	86.2	30	1.2	6	86.2	27	1.1
	O-11	L.Biz Sendai	28	98.0	67	2.5	27	100.0	67	2.6
	O-12	Sendai Nikko Building	6	100.0	67	2.5	6	100.0	66	2.6
	O-13	Morioka Ekimae-dori Building	—	—	40	1.5	—	—	—	—
	O-14	Nagano Central Building	21	97.2	51	1.9	20	88.6	45	1.7
	O-15	EME Koriyama Building	—	—	26	1.0	—	—	—	—
	O-16	Utsunomiya Central Building	—	—	32	1.2	—	—	—	—
	O-17	Yamagata Ekimae-dori Building	7	71.9	30	1.1	7	71.9	29	1.1
	O-18	Akasaka Kawase Building	7	91.2	17	0.6	8	100.0	17	0.7
	O-19	Yoyogi 1-chome Building	—	—	—	—	1	100.0	28	1.1
		Subtotal		182	97.9	1,612	60.0	180	95.3	1,503

3. Status of Investment Assets of the Investment Corporation

Primary use	Property number	Property name	6th Fiscal Period (from September 1, 2020 to February 28, 2021)				7th Fiscal Period (from March 1, 2021 to August 31, 2021)			
			Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Operating revenue from leasing (during period) (million yen)	As a percentage of total operating revenue from leasing (%) (Note 3)	Number of tenants (at end of period) (Note 1)	Occupancy rate (at end of period) (%) (Note 2)	Operating revenue from leasing (during period) (million yen)	As a percentage of total operating revenue from leasing (%) (Note 3)
Residence	R-01	Amare Tokaidori	85	94.9	37	1.4	79	86.8	35	1.4
	R-02	Dormy Ukimafunado	2	100.0	31	1.2	2	100.0	31	1.2
	R-03	Benefis Hakata-Minami Grand Sweet	59	97.5	35	1.3	59	97.2	34	1.3
	R-04	LUXENA HIGASHI-KOENJI	31	91.3	29	1.1	31	89.8	29	1.1
	R-05	Alpha Space Toritsudai	12	90.1	17	0.6	—	—	13	0.5
	R-06	J City Hatchobori	60	94.2	40	1.5	63	98.1	41	1.6
	R-07	LUXENA HEIWADAI	100	97.3	109	4.1	98	96.8	114	4.4
	R-08	LUXENA KACHIDOKI	26	100.0	30	1.1	23	89.3	31	1.2
	R-09	LUXENA HON-ATSUGI	57	93.1	23	0.9	60	100.0	26	1.0
	R-10	LUXENA KADOMA	—	—	—	—	126	99.3	51	2.0
	Subtotal		432	96.1	355	13.2	541	95.9	411	15.8
Hotel	H-01	Dormy Inn Matsuyama	1	100.0	76	2.8	1	100.0	76	2.9
	H-02	Hotel Sunshine Utsunomiya	1	100.0	62	2.3	1	100.0	62	2.4
	H-03	Dormy Inn Morioka	1	100.0	74	2.8	1	100.0	74	2.9
	H-04	ACCESS by LOISIR HOTEL Nagoya	0	0.0	19	0.7	1	100.0	—	0.0
	Subtotal		3	86.2	233	8.7	4	100.0	214	8.2
Retail and other assets	C-01	Prio Daimyo II	6	100.0	31	1.2	6	100.0	30	1.2
	C-02	Co-op Sapporo Shunko	1	100.0	41	1.6	1	100.0	41	1.6
	C-03	TA Shonan Kugenumakaigan	3	100.0	16	0.6	3	100.0	17	0.7
	C-04	Almost Blue	5	100.0	125	4.7	—	—	9	0.3
	C-05	Kaden Sumairu Kan YAMADA Matsuyama Toiyacho	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	C-06	Kaden Sumairu Kan YAMADA Kobe Tarumi (Land)	1	100.0	(Note 4)	(Note 4)	1	100.0	(Note 4)	(Note 4)
	C-07	AEON STYLE Onomichi (Land)	—	—	—	—	1	100.0	28	1.1
	C-08	BIGMOTOR Sapporo Kiyota (Land)	—	—	—	—	1	100.0	(Note 4)	(Note 4)
	C-09	DCM Daiki Onomichi (Land)	—	—	—	—	1	100.0	(Note 4)	(Note 4)
	C-10	Cainz Omiya	—	—	—	—	1	100.0	(Note 4)	(Note 4)
	Subtotal		17	100.0	486	18.1	16	100.0	475	18.3
	Total		634	96.6	2,687	100.0	741	98.0	2,604	100.0

(Note 1) The number of tenants is equal to the aggregate number of end tenants with which valid lease agreements have been entered into as of February 28, 2021, and August 31, 2021.

(Note 2) "Occupancy rate" is calculated by dividing total leased area as of February 28, 2021, and August 31, 2021, by total leasable area, rounded off to the first decimal place.

(Note 3) "As a percentage of total operating revenue from leasing" is rounded off to the first decimal place.

(Note 4) Since the tenant has not provided consent to disclose the rent income, it cannot be disclosed due to unavoidable circumstances.

(4) Description of Renewable Energy Power Generation Facilities, Etc.

Not applicable.

(5) Description of Right to Operate Public Facilities, Etc.

Not applicable.

(6) Itemization of Portfolio Assets: Securities

Not applicable.

(7) Status of Contract Amount and Fair Value of Specified Transactions

The following is the status of contract amount and fair value of specified transactions at the Investment Corporation as of August 31, 2021.

Category	Derivative instruments	Contract amount (thousand yen) ^(Note 1)		Fair value (thousand yen) ^(Note 2)
			Due after 1 year	
Transaction other than market transaction	Interest rate swap (floating receivable; fixed payable)	5,000,000	—	(2,909)

(Note 1) Contract amount is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by financial institutions.

(8) Status of Other Assets

There are no specified assets that the Investment Corporation invests in other than those listed in “(3) Itemization of Portfolio Assets: Real Estate, Etc.” earlier in this document in the portfolio as of August 31, 2021.

(9) Status of Holding of Assets by Country and Region

None applicable in countries and regions other than Japan.

4. Capital Expenditures for Real Estate Held

(1) Scheduled Capital Expenditures

As for the assets held by the Investment Corporation as of August 31, 2021, the major planned amount of capital expenditure accompanying renovation work, etc. for the period ending February 28, 2022, is as follows. In addition, the following planned amount of construction may be partially booked as repair expenses.

Property name	Location	Purpose	Schedule	Planned construction amount (thousand yen)		
				Total amount	Amount paid during period	Total spending
Chuo Bakuromachi Building	Osaka City, Osaka	Water receiving tank renewal	From: November 2021 To: December 2021	15,000	—	—
L.Biz Sendai	Sendai City, Miyagi	Repair of exterior wall of tower parking system and painting of all pallets	From: December 2021 To: February 2022	24,000	—	—
Yamagata Ekimae-dori Building	Yamagata City, Yamagata	Air conditioning humidifier renewal work	From: October 2021 To: November 2021	40,000	—	—
		Corrective work on exterior wall	From: December 2021 To: February 2022	59,000	—	—
Hotel Sunshine Utsunomiya	Utsunomiya City, Tochigi	Air conditioning EHP construction on each floor	From: December 2021 To: February 2022	20,000	—	—
		Firefighting equipment renewal work SP repair work	From: November 2021 To: December 2021	30,000	—	—

(2) Capital Expenditures During the Period

The major construction work, etc. corresponding to capital expenditure in the fiscal period ended August 31, 2021, are as follows. The construction corresponding to the capital expenditure of the assets managed as a whole in the current fiscal period was 253,084 thousand yen, with a combined total of 338,803 thousand yen of work when adding 85,719 thousand yen of repair expenses charged to expenses in the current fiscal period.

Property name	Location	Purpose	Schedule	Amount (thousand yen)
Higashi-Ikebukuro Central Place	Toshima Ward, Tokyo	Renewal of A and B system air conditioners on the 4th floor	From: April 1, 2021 To: May 31, 2021	25,876
Nagoya Center Plaza Building	Nagoya City, Aichi	Rooftop steel frame trestle repair and expansion	From: June 28, 2021 To: August 27, 2021	19,700
		Renewal of halogen fire extinguishing system	From: July 16, 2021 To: August 10, 2021	14,835
Nagano Central Building	Nagano City, Nagano	Renewal of carbon dioxide fire extinguishing system	From: June 26, 2021 To: June 27, 2021	16,685
Yamagata Ekimae-dori Building	Yamagata City, Yamagata	Air conditioning and heating equipment renewal (9th floor)	From: April 1, 2021 To: May 25, 2021	16,243
Hotel Sunshine Utsunomiya	Utsunomiya City, Tochigi	Refrigerant main advance piping, 7th floor guest room air-conditioning and air-cooling work	From: July 1, 2021 To: August 31, 2021	20,980
Total				114,319

(3) Reserves for Long-term Repair Plans

Not applicable.

5. Status of Sale and Purchase During the Period

(1) Status, Etc. of Sale and Purchase of Real Estate, Etc. and Asset Backed Securities, Etc., and Infrastructure Assets, Etc. and Infrastructure Related Assets

Property number	Property name	Acquisition		Disposition			
		Acquisition date	Acquisition price (million yen) (Note)	Disposition date	Disposition price (million yen) (Note)	Book value (million yen)	Gain (loss) on sales (million yen)
O-19	Yoyogi 1-chome Building	April 30, 2021	1,850	—	—	—	—
R-05	Alpha Space Toritsudai	—	—	July 15, 2021	652	593	40
R-10	LUXENA KADOMA	April 13, 2021	2,000	—	—	—	—
C-04	Almost Blue (70% quasi-co-ownership interest)	—	—	March 19, 2021	5,047	4,618	416
C-07	AEON STYLE Onomichi (Land)	March 1, 2021	900	—	—	—	—
C-08	BIGMOTOR Sapporo Kiyota (Land)	May 19, 2021	1,610	—	—	—	—
C-09	DCM Daiki Onomichi (Land)	April 1, 2021	1,170	—	—	—	—
C-10	Cainz Omiya	July 1, 2021	2,520	—	—	—	—
	Total	—	10,050	—	5,699	5,211	457

(Note) “Acquisition price” or “Disposition price” refers to the purchase price (excluding consumption tax, local consumption tax, and miscellaneous expenses required in acquisition) stated in the real estate or real estate trust beneficiary interests purchase agreement, rounded down to the nearest million yen.

(2) Status, Etc. of Sale and Purchase of Other Assets

Not applicable.

(3) Investigation of Value, Etc. of Specified Assets

1) Real Estate (Appraisal)

Acquisition or disposition	Property name	Transaction date	Acquisition price or disposition price (million yen)	Appraisal value (million yen)	Appraising institution	Date of value
Acquisition	AEON STYLE Onomichi (Land)	March 1, 2021	900	1,020	Japan Real Estate Institute	January 31, 2021
Disposition	Almost Blue (70% quasi-co-ownership interest)	March 19, 2021	5,047	5,047 (Note 2)	Tanizawa Sōgō Appraisal Co., Ltd.	August 31, 2020
Acquisition	DCM Daiki Onomichi (Land)	April 1, 2021	1,170	1,220	Japan Real Estate Institute	February 28, 2021
Acquisition	LUXENA KADOMA	April 13, 2021	2,000	2,110	Tanizawa Sōgō Appraisal Co., Ltd.	March 1, 2021
Acquisition	Yoyogi 1-chome Building	April 30, 2021	1,850	2,040	Tanizawa Sōgō Appraisal Co., Ltd.	January 31, 2021
Acquisition	BIGMOTOR Sapporo Kiyota (Land)	May 19, 2021	1,610	1,790	JLL Morii Valuation & Advisory K.K.	December 31, 2020
Acquisition	Cainz Omiya	July 1, 2021	2,520	2,580	Daiwa Real Estate Appraisal Co., Ltd.	April 1, 2021
Disposition	Alpha Space Toritsudai	July 15, 2021	652	622	Daiwa Real Estate Appraisal Co., Ltd.	February 28, 2021

(Note 1) The appraisal above is conducted by applying “Real Estate Appraisal Standards; Particulars; Chapter 3: Appraisal of Value of Real Estate Subject to Securitization.”

(Note 2) The amount obtained when the appraisal value stated in the real estate appraisal report as of August 31, 2020, is multiplied by the disposed quasi-co-ownership interest (70%).

2) Other

Not applicable.

(4) Status of Transactions with Related Parties**1) Status of Sale and Purchase Transactions with Related Parties**

Category	Sale and purchase amount, etc. ^(Note 1)	
	Purchase amount, etc. (million yen) ^(Note 2)	Sale amount, etc. (million yen)
Total amount	10,050	5,699
Breakdown of status of transactions with related parties		
Takara Leben Co., Ltd.	4,070 [40.5%]	— [—%]
Total	4,070 [40.5%]	— [—%]

(Note 1) The amounts above are the transaction amount stated in each contract (excluding acquisition expenses, fixed asset tax, city planning tax and consumption taxes).

(Note 2) The figure in brackets is the purchase amount, etc. expressed as a percentage (%) of the total amount.

(Note 3) “Related parties” refers to related parties of the asset management company with which the Investment Corporation has concluded an asset management agreement as provided in Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Rules on Investment Reports, Etc. of Investment Trusts and Investment Corporations of The Investment Trusts Association, Japan. The same applies hereinafter.

2) Amount of Commission Expenses, Etc.

Category	Total amount of commission expenses, etc. (A) (thousand yen)	Breakdown of transactions with related parties		As a percentage of total amount (B/A) (%)
		Payee	Amount paid (B) (thousand yen)	
Management fees	189,774	Leben Trust Co., Ltd.	38,600	20.3

(5) Status, Etc. of Transactions with the Asset Management Company Pertaining to Concurrent Business Engaged in by the Asset Management Company

There are no applicable transactions, because the Asset Management Company does not engage in any business operations of type-I financial instruments business, type-II financial instruments business, real estate brokerage or specified joint real estate ventures under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) as a concurrent business.

6. Other

(1) Notice

1) General Meeting of Unitholders

Not applicable.

2) Meeting of the Board of Directors of the Investment Corporation

The following is a summary of the major contract conclusions, changes, etc. approved at a meeting of the board of directors of the Investment Corporation in the current fiscal period.

Date of approval	Matter for approval	Summary
August 23, 2021	Conclusion of agreement on underwriting of new investment units	Conclusion of underwriting agreement with the joint lead managing companies (SMBC Nikko Securities Inc. and Mizuho Securities Co., Ltd.) for entrustment of general administrative processes related to underwriting of new investment units and such for the issuance of new investment units and secondary distribution of investment units.

(2) Status, Etc. of Beneficiary Certificates of Investment Trusts Established by Self and the Like

Not applicable.

(3) Status, Etc. of Corporations Holding Overseas Real Estate and the Real Estate Held by Such

Not applicable.

(4) Rounding of Monetary Amounts and Percentage Figures

Unless otherwise specified, monetary amounts are rounded down and percentage figures are rounded off to the nearest specified unit in this document.

7. Financial Statements

(1) Balance Sheet

(Unit: thousand yen)

	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Assets		
Current assets		
Cash and deposits	9,815,530	4,208,122
Cash and deposits in trust	1,633,984	1,624,896
Operating accounts receivable	68,991	94,259
Prepaid expenses	141,760	204,793
Consumption taxes receivable	—	229,172
Other	5,204	6,672
Total current assets	11,665,471	6,367,916
Non-current assets		
Property, plant and equipment		
Buildings	2,561,283	4,034,179
Accumulated depreciation	(108,057)	(153,732)
Buildings, net	2,453,225	3,880,446
Structures	9,641	28,587
Accumulated depreciation	(325)	(540)
Structures, net	9,315	28,046
Machinery and equipment	47,540	47,540
Accumulated depreciation	(3,565)	(4,754)
Machinery and equipment, net	43,975	42,786
Tools, furniture and fixtures	6,256	32,371
Accumulated depreciation	(305)	(2,461)
Tools, furniture and fixtures, net	5,950	29,909
Land	1,941,786	6,280,425
Buildings in trust	19,378,728	20,274,127
Accumulated depreciation	(1,275,705)	(1,541,502)
Buildings in trust, net	18,103,023	18,732,625
Structures in trust	70,135	71,160
Accumulated depreciation	(3,155)	(3,879)
Structures in trust, net	66,980	67,280
Tools, furniture and fixtures in trust	23,385	41,223
Accumulated depreciation	(4,583)	(7,115)
Tools, furniture and fixtures in trust, net	18,801	34,108
Land in trust	59,240,117	58,343,096
Construction in progress in trust	718	718
Total property, plant and equipment	81,883,896	87,439,443
Intangible assets		
Leasehold rights in trust	530,595	—
Software	3,025	2,475
Total intangible assets	533,620	2,475
Investments and other assets		
Long-term prepaid expenses	255,546	442,788
Deferred tax assets	2,145	4,924
Leasehold and security deposits	11,000	11,080
Other	10	10
Total investments and other assets	268,701	458,802
Total non-current assets	82,686,217	87,900,721
Deferred assets		
Investment unit issuance costs	28,447	13,268
Total deferred assets	28,447	13,268
Total assets	94,380,136	94,281,906

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

(Unit: thousand yen)

	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	226,592	312,492
Current portion of long-term loans payable	10,000,000	9,950,000
Current portion of tenant leasehold and security deposits in trust	50,973	50,973
Accounts payable - other	184,653	193,598
Accrued expenses	15,940	16,922
Income taxes payable	26,793	60,189
Accrued consumption taxes	319,699	—
Advances received	11,196	20,491
Derivative liabilities	3,865	2,909
Other	5,970	8,953
Total current liabilities	10,845,683	10,616,530
Non-current liabilities		
Long-term loans payable	33,400,000	33,450,000
Tenant leasehold and security deposits	114,695	205,535
Tenant leasehold and security deposits in trust	3,277,646	3,136,223
Asset retirement obligations	88,298	88,636
Derivative liabilities	9,237	—
Total non-current liabilities	36,889,877	36,880,394
Total liabilities	47,735,560	47,496,925
Net assets		
Unitholders' equity		
Unitholders' capital	45,189,272	45,189,272
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	*1 (36,882)	*1 (21,279)
Total deduction from unitholders' capital	(36,882)	(21,279)
Unitholders' capital, net	45,152,389	45,167,992
Surplus		
Unappropriated retained earnings (undisposed loss)	1,505,288	1,619,897
Total surplus	1,505,288	1,619,897
Total unitholders' equity	46,657,677	46,787,890
Valuation and translation adjustments		
Deferred gains or losses on hedges	(13,102)	(2,909)
Total valuation and translation adjustments	(13,102)	(2,909)
Total net assets	*2 46,644,575	*2 46,784,980
Total liabilities and net assets	94,380,136	94,281,906

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

(2) Statement of Income

(Unit: thousand yen)

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)		7th Fiscal Period (from March 1, 2021 to August 31, 2021)	
Operating revenues				
Leasing business revenue	*1	2,508,637	*1	2,427,281
Other leasing business revenue	*1	179,152	*1	177,464
Gain on sales of real estate properties	*2	186,233	*2	457,223
Total operating revenue		2,874,022		3,061,968
Operating expenses				
Expenses related to leasing business	*1	915,785	*1	943,498
Loss on sales of real estate properties	*3	3,029		—
Asset management fees		149,329		157,703
Asset custody and administrative service fees		18,432		19,162
Directors' compensations		2,400		2,400
Taxes and dues		24,621		42,830
Other operating expenses		57,669		52,384
Total operating expenses		1,171,268		1,217,979
Operating income		1,702,753		1,843,988
Non-operating income				
Interest income		37		44
Refund of property taxes		19,922		—
Income from insurance claims		817		1,079
Other		—		0
Total non-operating income		20,778		1,124
Non-operating expenses				
Interest expenses		135,940		138,611
Borrowing related expenses		67,143		69,943
Amortization of investment unit issuance costs		19,450		15,178
Total non-operating expenses		222,535		223,733
Ordinary income		1,500,997		1,621,379
Income before income taxes		1,500,997		1,621,379
Income taxes - current		26,798		60,196
Income taxes - deferred		(2,129)		(2,778)
Total income taxes		24,669		57,417
Net income		1,476,327		1,563,962
Retained earnings brought forward		28,961		55,935
Unappropriated retained earnings (undisposed loss)		1,505,288		1,619,897

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

(3) Statement of Changes in Net Assets

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

(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	45,189,272	(68,263)	(68,263)	45,121,008	1,461,254	1,461,254	46,582,262
Changes during the period							
Dividends of surplus					(1,399,062)	(1,399,062)	(1,399,062)
Reversal of allowance for temporary difference adjustments		33,230	33,230	33,230	(33,230)	(33,230)	—
Dividends in excess of earnings from allowance for temporary difference adjustments		(1,850)	(1,850)	(1,850)			(1,850)
Net income					1,476,327	1,476,327	1,476,327
Net changes of items other than unitholders' equity							
Total changes during the period	—	31,380	31,380	31,380	44,034	44,034	75,414
Balance at end of period	45,189,272 ^{*1}	(36,882)	(36,882)	45,152,389	1,505,288	1,505,288	46,657,677

(Unit: thousand yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period		(28,705)	46,553,557
Changes during the period			
Dividends of surplus			(1,399,062)
Reversal of allowance for temporary difference adjustments			-
Dividends in excess of earnings from allowance for temporary difference adjustments			(1,850)
Net income			1,476,327
Net changes of items other than unitholders' equity		15,603	15,603
Total changes during the period		15,603	91,018
Balance at end of period		(13,102)	46,644,575

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

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

(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	45,189,272	(36,882)	(36,882)	45,152,389	1,505,288	1,505,288	46,657,677
Changes during the period							
Dividends of surplus					(1,433,750)	(1,433,750)	(1,433,750)
Reversal of allowance for temporary difference adjustments		15,603	15,603	15,603	(15,603)	(15,603)	-
Net income					1,563,962	1,563,962	1,563,962
Net changes of items other than unitholders' equity							
Total changes during the period	—	15,603	15,603	15,603	114,609	114,609	130,212
Balance at end of period	45,189,272 ^{*1}	(21,279)	(21,279)	45,167,992	1,619,897	1,619,897	46,787,890

(Unit: thousand yen)

	Valuation and translation adjustments		Total net assets
	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	(13,102)	(13,102)	46,644,575
Changes during the period			
Dividends of surplus			(1,433,750)
Reversal of allowance for temporary difference adjustments			—
Net income			1,563,962
Net changes of items other than unitholders' equity	10,192	10,192	10,192
Total changes during the period	10,192	10,192	140,405
Balance at end of period	(2,909)	(2,909)	46,784,980

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

(4) Statement of Cash Distributions

(Unit: yen)

Category	6th Fiscal Period	7th Fiscal Period
	(from September 1, 2020 to February 28, 2021)	(from March 1, 2021 to August 31, 2021)
I Unappropriated retained earnings	1,505,288,631	1,619,897,845
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 years	15,603,377	10,192,746
Reversal of allowance for temporary difference adjustments	15,603,377	10,192,746
IV Distributions	1,433,750,000	1,459,650,000
[Distributions per unit]	[3,100]	[3,156]
Distributions of earnings	1,433,750,000	1,459,650,000
[Distributions of earnings per unit]	[3,100]	[3,156]
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	55,935,254	150,055,099
Method of calculation of amount of cash distributions	Pursuant to the cash distribution policy defined in Article 36, Paragraph 1 (1) of the Articles of Incorporation of the Investment Corporation, it shall distribute in excess of the amount equivalent to 90% of the amount of distributable income of the Investment Corporation as defined in Article 67-15 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 1,433,750,000 yen for the period. The amount of this profit distribution is the entire amount after deducting 55,935,254 yen as internal reserve and the reversal of the allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item 30 of the Regulation on Accounting at Investment Corporation of Japan) from unappropriated retained earnings. The internal reserve is for the purpose to stabilize future distributions, considering 183,203,139 yen non-recurring profit (which is offset by a loss on sales of real estate, etc.) was recognized from the disposition of the properties for the period. 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 the Regulation on Accounting at Investment Corporation of Japan) 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 (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 (1) of the Articles of Incorporation of the Investment Corporation, it shall distribute in excess of the amount equivalent to 90% of the amount of distributable income of the Investment Corporation as defined in Article 67-15 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 1,459,650,000 yen for the period. The amount of this profit distribution is the entire amount after deducting 150,055,099 yen as internal reserve and the reversal of the allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, Item 30 of the Regulation on Accounting at Investment Corporation of Japan) from unappropriated retained earnings. The internal reserve is for the purpose to stabilize future distributions, considering 457,233,128 yen non-recurring profit was recognized from the disposition of the properties for the period. 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 the Regulation on Accounting at Investment Corporation of Japan) 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 (2) of the Articles of Incorporation. However, no such distribution was made due to internal reserve.

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

(5) Statement of Cash Flows

(Unit: thousand yen)

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Cash flows from operating activities		
Income before income taxes	1,500,997	1,621,379
Depreciation	326,007	334,900
Amortization of investment unit issuance costs	19,450	15,178
Borrowing related expenses	61,192	63,803
Interest income	(37)	(44)
Interest expenses	135,940	138,611
Decrease (increase) in operating accounts receivable	10,372	(37,593)
Decrease (increase) in consumption taxes receivable	—	(229,172)
Increase (decrease) in accrued consumption taxes	202,519	(319,699)
Decrease (increase) in prepaid expenses	8,524	(43,433)
Decrease (increase) in long-term prepaid expenses	9,232	(126,188)
Increase (decrease) in operating accounts payable	(32,356)	51,357
Increase (decrease) in accounts payable - other	5,873	7,665
Increase (decrease) in advances received	(3,705)	9,295
Decrease in disposal of property, plant and equipment in trust due to sale	5,116,480	5,211,461
Other	(2,670)	(508)
Subtotal	7,357,820	6,697,012
Interest income received	37	44
Interest expenses paid	(136,173)	(137,630)
Income taxes paid	(936)	(26,799)
Net cash provided by (used in) operating activities	7,220,748	6,532,626
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,194)	(5,825,212)
Purchase of property, plant and equipment in trust	(322,127)	(4,625,153)
Payments of leasehold and security deposits	—	(80)
Proceeds from tenant leasehold and security deposits	(79)	27,406
Repayments of tenant leasehold and security deposits	(347)	(268)
Proceeds from tenant leasehold and security deposits in trust	2,484	37,725
Repayments of tenant leasehold and security deposits in trust	(12,743)	(151,929)
Net cash provided by (used in) investing activities	(339,008)	(10,537,511)
Cash flows from financing activities		
Proceeds from long-term loans payable	—	9,856,825
Repayments of long-term loans payable	—	(10,000,000)
Payments for borrowing related expenses	(665)	—
Distributions paid	(1,400,012)	(1,433,027)
Net cash provided by (used in) financing activities	(1,400,678)	(1,576,202)
Net increase (decrease) in cash and cash equivalents	5,481,061	(5,581,087)
Cash and cash equivalents at beginning of period	3,558,132	9,039,193
Cash and cash equivalents at end of period	*1 9,039,193	*1 3,458,106

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 Takara PAG Real Estate Advisory Ltd. (formerly 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 August 31, 2021, the Investment Corporation has a portfolio of 37 properties with total acquisition price of 86,792 million yen and occupancy rate of 98.0%.

[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.

Amounts less than one thousand yen have been omitted. As a result, the totals presented in the accompanying financial statements 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	<p>(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:</p> <table style="margin-left: 20px;"> <tr> <td>Buildings</td> <td>5 to 66 years</td> </tr> <tr> <td>Structures</td> <td>10 to 65 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>20 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2 to 15 years</td> </tr> </table> <p>(2) Intangible assets Intangible assets are amortized by the straight-line method over the estimated useful lives as follows:</p> <table style="margin-left: 20px;"> <tr> <td>Software</td> <td>5 years</td> </tr> </table> <p>(3) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p>	Buildings	5 to 66 years	Structures	10 to 65 years	Machinery and equipment	20 years	Tools, furniture and fixtures	2 to 15 years	Software	5 years
Buildings	5 to 66 years										
Structures	10 to 65 years										
Machinery and equipment	20 years										
Tools, furniture and fixtures	2 to 15 years										
Software	5 years										
2. Accounting for Deferred Assets	<p>Amortization of investment unit issuance costs Investment unit issuance costs are amortized by the straight-line method over three years.</p>										
3. Standards for Revenue and Expense Recognition	<p>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 29,316 thousand yen for the fiscal period ended August 31, 2021 (the 7th period).</p>										

4 Method of Hedge Accounting	<p>(1) Method of hedge accounting Deferral hedge accounting is adopted.</p> <p>(2) Hedging instruments and hedged items Hedging instrument: Interest rate swaps Hedged items: Interest on loans</p> <p>(3) Hedging policy The Investment Corporation conducts derivative transactions for the purpose of hedging the risks provided in its Articles of Incorporation pursuant to rules and regulations.</p> <p>(4) Method for assessing hedge effectiveness Hedge effectiveness is determined by comparing the changes in cumulative cash flows of both the hedged item and the hedging instrument.</p>
5. Scope of Cash and Cash Equivalents on the Statement of Cash Flows	Cash and cash equivalents in 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 that are subject to an insignificant risk of changes in value.
6. Other Matters Serving as the Basis for Preparation of Financial Statements	<p>(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 in 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.</p> <p>1) Cash and deposits in trust</p> <p>2) Buildings in trust, Structures in trust, Tools, furniture and fixtures in trust, and Land in trust, Construction in progress in trust, and Leasehold rights in trust</p> <p>3) Current portion of tenant leasehold and security deposits in trust, and Tenant leasehold and security deposits in trust</p> <p>(2) Accounting for consumption taxes All amounts in the accompanying financial statements exclude consumption taxes. In general, non-deductible consumption taxes are recognized as an expense in the fiscal year in which they are incurred. However, non-deductible consumption taxes related to non-current assets are recorded as long-term prepaid expenses and are amortized equally over 5 years.</p>

(Additional Information)

[Provision and Reversal of Allowance for Temporary Difference Adjustments]

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

1. Details of Allowance for Temporary Difference Adjustments

(Unit: thousand yen)

Item	Reasons for reversal	Changes in allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in fair value of derivative transactions	(15,603)
Total		(15,603)

2. Reversal of Allowance for Temporary Difference Adjustments

(1) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

1. Details of Allowance for Temporary Difference Adjustments

(Unit: thousand yen)

Item	Reasons for reversal	Changes in allowance for temporary difference adjustments
Deferred gains or losses on hedges	Changes in fair value of derivative transactions	(10,192)
Total		(10,192)

2. Reversal of Allowance for Temporary Difference Adjustments

(1) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

[New Accounting Standards Not Yet Applied]

New accounting standards and implementation guidances to be adopted in the future are as follows:

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 issued on March 26, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition, and issued “Revenue from Contracts with Customers” (IFRS 15 by the IASB, and Topic 606 by the FASB) in May 2014. In light of the fact that IFRS 15 has been effective for fiscal years beginning on or after January 1, 2018, and Topic 606 has been effective for fiscal years beginning on or after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) developed a comprehensive accounting standard for revenue recognition and issued such together with an implementation guidance.

In developing the accounting standard for revenue recognition, the ASBJ made it a basic policy to incorporate the basic principles of IFRS 15 in order to ensure comparability between financial statements based on IFRS or U.S. GAAP or those based on Japanese GAAP. Moreover, the ASBJ set the alternative accounting treatments in addition to the extent that they do not impair comparability, taking into account the practices that have been conducted in Japan to date.

(2) Scheduled date of application

The accounting standard and implementation guidances will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of application of the accounting standard, etc.

The impact of the application of “Accounting Standard for Revenue Recognition,” etc. on the financial statements is currently being assessed.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31 issued on June 17, 2021)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 issued on March 31, 2020)

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) provide detailed guidance on fair value measurement (IFRS 13 “Fair Value Measurement” by the IASB, and Topic 820 “Fair Value Measurement” by the FASB). The Accounting Standards Board of Japan (ASBJ) issued an accounting standard for fair value measurement and an implementation guidance on the accounting standard for fair value measurement after a series of considerations over guidance and disclosure concerning the fair value of financial instruments in particular in order to enhance comparability with the provisions of these international accounting standards.

(2) Scheduled date of application

The accounting standard and implementation guidances will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of application of the accounting standard, etc.

The amount of impact of the application of “Accounting Standard for Fair Value Measurement,” etc. on the financial statements is currently being assessed.

[Notes to Balance Sheet]

*1 Allowance for temporary difference adjustments

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

1. Details of Allowance for Temporary Difference Adjustments

(Unit: thousand yen)

Item	Reason for provision	Initial amount	Balance at the beginning of the period	Provision	Reversal	Balance at the end of the period	Reason for reversal
Buildings in trust	Book-tax differences on recognition of asset retirement obligations	105,723 (Note)	6,687	1,850	—	8,537	—
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	13,820	61,576	—	(33,230)	28,345	Changes in fair value of derivative transactions
Total		119,543	68,263	1,850	(33,230)	36,882	—

(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) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

1. Details of Allowance for Temporary Difference Adjustments

(Unit: thousand yen)

Item	Reason for provision	Initial amount	Balance at the beginning of the period	Provision	Reversal	Balance at the end of the period	Reason for reversal
Buildings in trust	Book-tax differences on recognition of asset retirement obligations	105,723 (Note)	8,537	—	—	8,537	—
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	6,625	28,345	—	(15,603)	12,742	Changes in fair value of derivative transactions
Total		112,348	36,882	—	(15,603)	21,279	—

(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) Deferred gains or losses on hedges

The allowance will be reversed corresponding to future change in values of the hedging derivatives.

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

(Unit: thousand yen)

6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
50,000	50,000

[Notes to Statement of Income]

*1 Breakdown of operating income from real estate leasing business

(Unit: thousand yen)

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
A. Operating revenue from real estate leasing business		
Leasing business revenue		
Rental revenue	2,207,673	2,149,964
Common area charges	208,057	190,916
Parking revenue	76,901	67,745
Other rental revenue	16,003	18,654
	2,508,637	2,427,281
Other leasing business revenue		
Utilities reimbursement	141,105	124,139
Other revenue	38,046	53,325
	179,152	177,464
Total operating revenue from real estate leasing business	2,687,789	2,604,745
B. Operating expenses from real estate leasing business		
Expenses related to leasing business		
Management fees	193,609	189,774
Utilities expenses	115,330	101,030
Taxes and dues	198,912	179,812
Insurance premiums	4,372	4,512
Repair expenses	62,225	85,719
Trust fees	10,516	9,929
Depreciation	325,457	334,350
Other expenses	5,360	38,367
Total operating expenses from real estate leasing business	915,785	943,498
C. Operating income from real estate leasing business (A - B)	1,772,003	1,661,247

*2 Breakdown of gain on sales of real estate properties

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

(Unit: thousand yen)

Morioka Ekimae-dori Building	
Revenue on sales of real estate properties	1,484,432
Cost of sales of real estate properties	1,458,283
Other sales expenses	18,864
Gain on sales of real estate properties	7,284

(Unit: thousand yen)

Utsunomiya Central Building	
Revenue on sales of real estate properties	803,404
Cost of sales of real estate properties	778,100
Other sales expenses	24,186
Gain on sales of real estate properties	1,117

(Unit: thousand yen)

Almost Blue (30% quasi-co-ownership interest)		
Revenue on sales of real estate properties		2,158,694
Cost of sales of real estate properties	1,979,395	
Other sales expenses	1,467	
Gain on sales of real estate properties		177,831

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

(Unit: thousand yen)

Almost Blue (70% quasi-co-ownership interest)		
Revenue on sales of real estate properties		5,037,636
Cost of sales of real estate properties	4,618,120	
Other sales expenses	3,042	
Gain on sales of real estate properties		416,474

(Unit: thousand yen)

Alpha Space Toritsudai		
Revenue on sales of real estate properties		652,000
Cost of sales of real estate properties	593,341	
Other sales expenses	17,909	
Gain on sales of real estate properties		40,748

*3 Breakdown of loss on sales of real estate properties

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

(Unit: thousand yen)

EME Koriyama Building		
Revenue on sales of real estate properties		910,000
Cost of sales of real estate properties	900,701	
Other sales expenses	12,328	
Loss on sales of real estate properties		3,029

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

Not applicable.

[Notes to Statement of Changes in Net Assets]

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

Item	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	462,500 units	462,500 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)

Item	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Cash and deposits	9,815,530	4,208,122
Cash and deposits in trust	1,633,984	1,624,896
Restricted deposits ^(Note)	(2,410,320)	(2,374,912)
Cash and cash equivalents	9,039,193	3,458,106

(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)

	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Due within 1 year	876,118	1,273,802
Due after 1 year	5,125,330	10,254,679
Total	6,001,449	11,528,482

[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 invests in 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

The fair value of financial instruments is determined based on the market price. When there is no market price, the fair value of financial instruments is determined by a reasonable calculation. Because the certain assumptions are adopted in the calculation of the above value, 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 February 28, 2021, are as follows. Note that the following table does not include financial instruments for which fair value is extremely difficult to estimate (Refer to Note 2, below).

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	9,815,530	9,815,530	—
(2) Cash and deposits in trust	1,633,984	1,633,984	—
Total assets	11,449,514	11,449,514	—
(3) Current portion of long-term loans payable	10,000,000	10,000,000	—
(4) Current portion of tenant leasehold and security deposits in trust	50,973	50,973	—
(5) Long-term loans payable	33,400,000	33,508,675	108,675
(6) Tenant leasehold and security deposits in trust	390,812	390,812	—
Total liabilities	43,841,785	43,950,461	108,675
Derivative transactions (*)	(13,102)	(13,102)	—

(*) Assets and liabilities arising from derivative transactions are offset and presented in the net amount, with the balance shown in parentheses () when in a net liability position.

The carrying amount, the fair value, and the difference between them as of August 31, 2021 are as follows. Note that the following table does not include financial instruments for which fair value is extremely difficult to estimate (Refer to Note 2, below).

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	4,208,122	4,208,122	—
(2) Cash and deposits in trust	1,624,896	1,624,896	—
Total assets	5,833,018	5,833,018	—
(3) Current portion of long-term loans payable	9,950,000	9,950,000	—
(4) Current portion of tenant leasehold and security deposits in trust	50,973	50,973	—
(5) Long-term loans payable	33,450,000	33,605,112	155,112
(6) Tenant leasehold and security deposits in trust	365,325	365,325	—
Total liabilities	43,816,298	43,971,411	155,112
Derivative transactions (*)	(2,909)	(2,909)	—

(*) Assets and liabilities arising from derivative transactions are offset and presented in the net amount, with the balance shown in parentheses () when in a net liability position.

(Note 1) Calculation method of fair value of financial instruments and derivatives transactions

Assets

(1) Cash and deposits; (2) Cash and deposits in trust

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at the book value.

Liabilities

(3) Current portion of long-term loans payable

Since these are settled in a short period of time and have variable interest rates, the fair value is approximately equal to the book value, so it is based on the book value.

(4) Current portion of tenant leasehold and security deposits in trust

Because these are settled in a short period of time, the fair value is approximately the same as the book value and thus stated at the book value.

(5) 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.

(6) Tenant leasehold and security deposits in trust

The fair value is calculated using discounted cash flow projections over the estimated lease period adjusted for credit risk and the fair value approximates the carrying value. The carrying values of 2,886,834 thousand yen for 6th fiscal period and 2,770,897 thousand yen for 7th fiscal period are not included in the fair value disclosure since the lease term can not be reliably estimated.

Derivative transactions

Please refer to “Derivative Transactions” later in this document.

(Note 2) Financial instruments for which fair value is extremely difficult to estimate

(Unit: thousand yen)

Item	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Tenant leasehold and security deposits (*)	114,695	205,535
Tenant leasehold and security deposits in trust (*)	2,886,834	2,770,897

(*) Tenant leasehold and security deposits in trust and Tenant leasehold and security deposits are not subject to fair value disclosure, because there is no market price and the lease term cannot be reliably estimated.

(Note 3) Maturity analysis of financial assets (February 28, 2021)

(Unit: thousand yen)

	Due within 1 year
Cash and deposits	9,815,530
Cash and deposits in trust	1,633,984
Total	11,449,514

Maturity analysis of financial assets (August 31, 2021)

(Unit: thousand yen)

	Due within 1 year
Cash and deposits	4,208,122
Cash and deposits in trust	1,624,896
Total	5,833,018

(Note 4) Maturity analysis of loans payable (February 28, 2021)

(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
Short-term loans payable	—	—	—	—	—	—
Long-term loans payable	10,000,000	9,950,000	6,000,000	7,400,000	10,050,000	—
Total	10,000,000	9,950,000	6,000,000	7,400,000	10,050,000	—

Maturity analysis of loans payable (August 31, 2021)

	(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
Short-term loans payable	—	—	—	—	—	—
Long-term loans payable	9,950,000	6,000,000	9,550,000	10,050,000	7,850,000	—
Total	9,950,000	6,000,000	9,550,000	10,050,000	7,850,000	—

[Securities]**6th Fiscal Period (As of February 28, 2021)**

Not applicable.

7th Fiscal Period (As of August 31, 2021)

Not applicable.

[Derivative Transactions]

1. Derivative Transactions to Which Hedge Accounting is Not Applied

6th Fiscal Period (As of February 28, 2021)

Not applicable.

7th Fiscal Period (As of August 31, 2021)

Not applicable.

2. Derivative Transactions to Which Hedge Accounting is Applied

6th Fiscal Period (As of February 28, 2021)

The following is the contract amount, or the notional principal provided in the contract as of the date of fiscal period for each method of hedge accounting.

(Unit: thousand yen)					
Method of hedge accounting	Derivative instruments	Hedged item	Contract amount ^(Note 1)		Fair value ^(Note 2)
				Due after 1 year	
Deferred hedge accounting	Interest rate swap floating receivable; fixed payable	Long-term loans payable	15,000,000	5,000,000	(13,102)

(Note 1) Contract amount is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by financial institutions.

7th Fiscal Period (As of August 31, 2021)

The following is the contract amount, or the notional principal provided in the contract as of the date of fiscal period for each method of hedge accounting.

(Unit: thousand yen)					
Method of hedge accounting	Derivative instruments	Hedged item	Contract amount ^(Note 1)		Fair value ^(Note 2)
				Due after 1 year	
Deferred hedge accounting	Interest rate swap floating receivable; fixed payable	Long-term loans payable	5,000,000	—	(2,909)

(Note 1) Contract amount is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by financial institutions.

[Retirement Benefits]

6th Fiscal Period (As of February 28, 2021)

Not applicable.

7th Fiscal Period (As of August 31, 2021)

Not applicable.

[Tax Effect Accounting]

1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities

(Unit: thousand yen)

	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Deferred tax assets		
Non-deductible accrued enterprise tax	2,145	4,924
Asset retirement obligations	27,778	27,884
Deferred consumption taxes	63	53
Deferred gains or losses on hedges	4,121	915
Subtotal of deferred tax assets	34,108	33,777
Valuation allowance	(7,565)	(4,989)
Total deferred tax assets	26,543	28,788
Deferred tax liabilities		
Building and equipment corresponding to the asset retirement obligations	24,398	23,864
Total deferred tax liabilities	24,398	23,864
Deferred tax assets, net	2,145	4,924

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

(Unit: %)

	6th Fiscal Period (As of February 28, 2021)	7th Fiscal Period (As of August 31, 2021)
Statutory tax rate	31.46	34.59
(Adjustments)		
Deductible distributions	(30.05)	(31.14)
Other	0.23	0.09
Effective income tax rate	1.64	3.54

[Related-Party Transactions]

1. Parent Company and Major Corporate Unitholders

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

Not applicable.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

Not applicable.

2. Affiliated Companies

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

Not applicable.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

Not applicable.

3. Fellow Subsidiaries

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

Not applicable.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

Not applicable.

4. Directors and Major Individual Unitholders

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

Type	Name	Location	Stated capital	Business or occupation	Percentage of voting rights (owned) (%)	Relationship	Transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director	Masayuki Ishihara	—	—	Executive Director, Takara Leben Real Estate Investment Corporation and Chairman, Chief Executive Officer, Takara PAG Real Estate Advisory Ltd.	—	Executive Director, Takara Leben Real Estate Investment Corporation and Chairman, Chief Executive Officer, Takara PAG Real Estate Advisory Ltd.	Payment of asset management fee to the Asset Management Company	149,329	Accounts payable - other	164,262

(Note 1) The transaction amount does not include consumption tax, while the balance at the 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.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

Type	Name	Location	Stated capital	Business or occupation	Percentage of voting rights (owned) (%)	Relationship	Transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director	Masayuki Ishihara	—	—	Executive Director, Takara Leben Real Estate Investment Corporation and Chairman, Chief Executive Officer, Takara PAG Real Estate Advisory Ltd.	—	Executive Director, Takara Leben Real Estate Investment Corporation and Chairman, Chief Executive Officer, Takara PAG Real Estate Advisory Ltd.	Payment of asset management fee to the Asset Management Company	237,853	Accounts payable - other	173,474

(Note 1) The transaction amount does not include consumption tax, while the balance at the 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 fee includes the property acquisition fee of 80,150 thousand yen recorded as the book value of the acquired properties.

[Profit or Loss of Affiliates Accounted for Under the Equity Method]**6th Fiscal Period (from September 1, 2020 to February 28, 2021)**

Not applicable.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

Not applicable.

[Asset Retirement Obligations]

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

1. Asset Retirement Obligations Booked on the Balance Sheet

(1) Overview

The Investment Corporation has recorded the asset retirement obligations to remove asbestos and PCBs from Nagoya Center Plaza Building and asbestos from 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	Expected period of use	Discount rate
Asbestos	Nagoya Center Plaza Building	26 years	0.748%
	Sendai Nikko Building	31 years	0.833%
PCB	Nagoya Center Plaza Building	26 years	0.748%

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

1. Asset Retirement Obligations Booked on the Balance Sheet

(1) Overview

The Investment Corporation has recorded the asset retirement obligations to remove asbestos and PCBs from Nagoya Center Plaza Building and asbestos from 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	Expected period of use	Discount rate
Asbestos	Nagoya Center Plaza Building	26 years	0.748%
	Sendai Nikko Building	31 years	0.833%
PCB	Nagoya Center Plaza Building	26 years	0.748%

(3) Movements of asset retirement obligations

(Unit: thousand yen)

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Balance at beginning of period	87,966	88,298
Increase due to acquisition of properties	—	—
Decrease due to disposition of properties	—	—
Adjustment for passage of time	331	338
Balance at end of period	88,298	88,636

[Segment Information]

(Segment information)

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

(Related information)

6th Fiscal Period (from September 1, 2020 to February 28, 2021)

(1) Information by product and service

Disclosure is omitted because operating revenues from external customers in a single product and service category exceeds 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 exceeds 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 customer

Disclosure is omitted because there are no customers that account for 10% or more of total operating revenues.

7th Fiscal Period (from March 1, 2021 to August 31, 2021)

(1) Information by product and service

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

2) Property, plant and equipment

This information 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 customer

Disclosure is omitted because there are no customers that account for 10% or more of total operating revenues.

[Investment and Rental Properties]

The Investment Corporation mainly owns office, residence, hotel, retail and other properties for the purpose of earning rental income 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)

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Carrying amount		
Balance at beginning of period	87,624,703	82,414,491
Increase (decrease) during the period	(5,210,211)	5,024,952
Balance at end of period	82,414,491	87,439,443
Fair value at end of period	87,867,000	92,880,000

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

(Note 2) The main increase during the fiscal period ended February 28, 2021 is attributable to capital expenditures (231,725 thousand yen), and the main decrease during the fiscal period ended February 28, 2021 is attributable to sale of four real estate trust beneficiary interests (5,116,480 thousand yen) and depreciation (325,457 thousand yen). The main increase during the fiscal period ended August 31, 2021 is attributable to acquisition of six properties (10,317,680 thousand yen), and the main decrease during the fiscal period ended August 31, 2021 is attributable to sale of two properties (5,227,524 thousand yen) and depreciation (334,350 thousand yen).

(Note 3) The fair value at the end of the period is based on the appraisal value by an independent real estate appraiser.

The income (loss) concerning investment and rental properties for the fiscal period ended February 28, 2021 (the 6th period) and the fiscal period ended August 31, 2021 (the 7th period) is as stated in “Notes to Statement of Income.”

[Per Unit Information]

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Net assets per unit	100,853 yen	101,156 yen
Net income per unit	3,192 yen	3,381 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:

	6th Fiscal Period (from September 1, 2020 to February 28, 2021)	7th Fiscal Period (from March 1, 2021 to August 31, 2021)
Net income (thousand yen)	1,476,327	1,563,962
Amount not attributable to common unitholders (thousand yen)	—	—
Net income attributable to common investment units (thousand yen)	1,476,327	1,563,962
Average number of investment units during the period (units)	462,500	462,500

[Significant Subsequent Events]

1. Issuance of New Investment Units

At its the Board of Directors’ meetings held on August 13, 2021, and August 23, 2021, the Investment Corporation resolved to issue 112,500 new investment units through public offering, for which payment of 12,192,862,500 yen was completed on September 1, 2021. As a result, unitholders’ capital is 57,382,134 thousand yen and the total number of investment units issued and outstanding is 575,000 units as of September 1, 2021.

<Issuance of New Investment Units through Public Offering>

- Number of new investment units issued 112,500 units
- Issue price (offer price) 112,417 yen per unit
- Total issue price (offer price) 12,646,912,500 yen
- Issue amount (paid-in amount) 108,381 yen per unit
- Total issue price (paid-in amount) 12,192,862,500 yen
- Payment date September 1, 2021
- Purpose of funds raised Allocation to acquisition of new domestic real estate trust beneficiary interests described in “3. Acquisition of Assets,” below, and allocation to a portion of associated costs.

2. Borrowing of Funds

In order to allocate funds to acquisition of new domestic real estate trust beneficiary interests described in “3. Acquisition of Assets,” below, and to allocate to a portion of associated costs, the Investment Corporation conducted the following borrowings on September 2, 2021.

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)	7,350	0.49915%	September 2, 2021	February 28, 2025	Lump-sum repayment on maturity	Unguaranteed/ unsecured
		6,550	0.60088%		February 27, 2026		
Total		13,900	—	—	—	—	—

(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., Aozora Bank, Ltd., Shinsei Bank, Limited, Sumitomo Mitsui Trust Bank, Limited, Daishi Hokuetsu Bank, Ltd., The Minato Bank, Ltd., The Bank of Yokohama, Ltd., Kansai Mirai Bank, Limited, The 77 Bank, Ltd., The Nishi-Nippon City Bank, Ltd., The Aichi Bank, Ltd., The Chiba Bank, Ltd., and Resona Bank, Limited.

(Note 3) The first interest payment date shall be the last day of November 2021, and subsequent interest payment dates shall be the last day of February, May, August and November of every year thereafter and the principal repayment date. However, if the payment date is not a bank business day, this shall become on the next business day, and if the next business day is in the next month, this shall become on the previous business day.

(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 be the business day immediately following the repayment date, and if the following business day is in the next month, this shall become on the previous business day.

3. Acquisition of Assets

The Investment Corporation acquired the following domestic real estate trust beneficiary interests on September 2, 2021.

Category	Property number (Note 1)	Property name	Location	Acquisition price (million yen) (Note 2)	Seller
Office	O-20	Kawagoe West Building	Kawagoe City, Saitama	2,600	Undisclosed (Note 3)
	O-21	HAKATA REISENMACHI Building	Fukuoka City, Fukuoka	2,700	
Residence	R-11	LUXENA TODAKOEN	Toda City, Saitama	910	Takara Leben Co., Ltd.
	R-12	LUXENA TODAKOEN II	Toda City, Saitama	1,200	
	R-13	LUXENA AKIHABARA	Taito Ward, Tokyo	2,300	
	R-14	Fiore Residence Dejima Kaigan Dori	Sakai City, Osaka	560	
	R-15	LUXENA MUSASHI-SHINJO	Kawasaki City, Kanagawa	1,900	GK Island Ship No. 3
	R-16	LUXENA NAGAREYAMA OOTAKANOMORI	Nagareyama City, Chiba	2,840	
	R-17	PRIME SQUARE	Funabashi City, Chiba	620	
Retail and other assets	R-18	Winbell Chorus Seiseki Sakuragaoka	Tama City, Tokyo	730	Undisclosed (Note 3)
	C-11	APiTA NAGOYA-MINAMI	Nagoya City, Aichi	7,800	
	C-12	(Tentative name) BIGMOTOR Konosu (Land)	Konosu City, Saitama	2,150	Nippon Commercial Development Co., Ltd.
Total				26,310	

(Note 1) The code “O” represents offices, “R” represents residential properties, and “C” represents retail and other properties.

(Note 2) “Acquisition price” refers to the purchase price (excluding consumption taxes and other expenses required in acquisition) stated in the real estate trust beneficiary interests purchase agreement, rounded down to the nearest million yen.

(Note 3) Sellers for the Kawagoe West Building, HAKATA REISENMACHI Building, and APiTA NAGOYA-MINAMI are not disclosed as consent for disclosure has not been obtained from the sellers.

4. Disposition of Asset

The Investment Corporation changed investment strategy for the asset below in the fiscal period subsequent to the balance sheet date and decided to sell the following domestic real estate trust beneficiary interest. The change was made because it would rather improve overall portfolio quality than realize asset value through the long-term property management given the growth potential in future cash flows.

Property number ^(Note 1)	O-17
Property name	Yamagata Ekimae-dori Building
Type of asset	Domestic real estate trust beneficiary interest
Location	Yamagata-shi, Yamagata
Disposition date ^(Note 2)	February 25, 2022
Disposition price ^(Note 3)	237 million yen
Buyer ^(Note 4)	Undisclosed
Impact on income (loss)	Loss on sale of real estate property of approximately 394 million yen is expected to be recorded in the fiscal period ending February 28, 2022 (8th fiscal period).

(Note 1) The code "O" represents offices.

(Note 2) "Disposition date" refers to the sale execution date stated in the real estate trust beneficiary interests sale agreement, but the actual disposition date may be changed upon agreement with the buyer.

(Note 3) "Disposition price" refers to the sale price (excluding consumption taxes and other expenses required in disposition) stated in the real estate trust beneficiary interests sale agreement, rounded down to the nearest million yen.

(Note 4) Not disclosed as consent for disclosure has not been obtained from the buyer.

(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

(Unit: thousand yen)

Category	Type	Contract amount (Note 1)		Fair value (Note 2)
			Due after 1 year	
Transaction other than market transaction	Interest rate swap floating receivable; fixed payable	5,000,000	—	(2,909)

(Note 1) Contract amount is based on notional principal.

(Note 2) Fair value is calculated based on the price quoted by financial institutions.

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	2,561,283	1,472,895	—	4,034,179	153,732	45,674	3,880,446	
Structures	9,641	18,945	—	28,587	540	214	28,046	
Machinery and equipment	47,540	—	—	47,540	4,754	1,188	42,786	
Tools, furniture and fixtures	6,256	26,114	—	32,371	2,461	2,155	29,909	
Land	1,941,786	4,338,638	—	6,280,425	—	—	6,280,425	
Buildings in trust	19,378,728	1,217,939	322,540	20,274,127	1,541,502	281,735	18,732,625	
Structures in trust	70,135	2,988	1,963	71,160	3,879	848	67,280	
Tools, furniture and fixtures in trust	23,385	17,838	—	41,223	7,115	2,532	34,108	
Land in trust	59,240,117	3,475,404	4,372,424	58,343,096	—	—	58,343,096	
Construction in progress in trust	718	—	—	718	—	—	718	
Total	83,279,594	10,570,764	4,696,928	89,153,430	1,713,986	334,350	87,439,443	
[Intangible assets]								
Leasehold rights in trust	530,595	—	530,595	—	—	—	—	
Software	5,500	—	—	5,500	3,025	550	2,475	
Total	536,095	—	530,595	5,500	3,025	550	2,475	
Grand total	83,815,689	10,570,764	5,227,524	89,158,930	1,717,011	334,900	87,441,918	

(Note) The main increases during the period is attributable to the acquisition of six properties (10,317,680 thousand yen), and the main decreases during the period is attributable to the sale of two properties (5,227,524 thousand yen) and depreciation (334,900 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 August 31, 2021.

	Category (Note 1)	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 4)	Repayment method	Use	Notes
	Lender									
Long-term loans payable	Sumitomo Mitsui Banking Corporation	2,120,000	—	2,120,000	—	0.54800 (Note 3)	July 30, 2021	Lump-sum repayment on maturity	(Note 5)	Unsecured/Unguaranteed
	Mizuho Bank, Ltd.	1,300,000	—	1,300,000	—					
	Sumitomo Mitsui Trust Bank, Limited	1,000,000	—	1,000,000	—					
	Shinsei Bank, Limited	1,000,000	—	1,000,000	—					
	Resona Bank, Limited	800,000	—	800,000	—					
	Aozora Bank, Ltd.	700,000	—	700,000	—					
	Daishi Hokuetsu Bank, Ltd.	700,000	—	700,000	—					
	The Nishi-Nippon City Bank, Ltd.	700,000	—	700,000	—					
	The Minato 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	—					
	The Ashikaga Bank, Ltd.	130,000	—	130,000	—					
	The Tochigi Bank, Ltd.	100,000	—	100,000	—					
	Sumitomo Mitsui Banking Corporation	780,000	—	—	780,000	0.69250 (Note 3)	July 29, 2022	Lump-sum repayment on maturity	(Note 5)	Unsecured/Unguaranteed
	Mizuho Bank, Ltd.	600,000	—	—	600,000					
	Shinsei Bank, Limited	600,000	—	—	600,000					
	Sumitomo Mitsui Trust Bank, Limited	400,000	—	—	400,000					
	Resona Bank, Limited	400,000	—	—	400,000					
	Aozora Bank, Ltd.	400,000	—	—	400,000					
	Daishi Hokuetsu Bank, Ltd.	400,000	—	—	400,000					
	The Nishi-Nippon City Bank, Ltd.	400,000	—	—	400,000					
	The Minato Bank, Ltd.	400,000	—	—	400,000					
	The Asahi Shinkin Bank	200,000	—	—	200,000					
	The Bank of Fukuoka, Ltd.	200,000	—	—	200,000					
	The Iyo Bank, Ltd.	100,000	—	—	100,000					
	The Ashikaga Bank, Ltd.	70,000	—	—	70,000					
	The Tochigi Bank, Ltd.	50,000	—	—	50,000					
	The Hiroshima Bank, Ltd.	500,000	—	—	500,000	0.57409	August 31, 2023	Lump-sum repayment on maturity	(Note 5)	Unsecured/Unguaranteed
	Sumitomo Mitsui Banking Corporation	1,365,000	—	—	1,365,000	0.61200 (Note 7)	August 31, 2023	Lump-sum repayment on maturity	(Note 5)	Unsecured/Unguaranteed
	Shinsei Bank, Limited	1,000,000	—	—	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	600,000	—	—	600,000					
	Mizuho Bank, Ltd.	585,000	—	—	585,000					
	Aozora Bank, Ltd.	500,000	—	—	500,000					
	The Nishi-Nippon City Bank, Ltd.	500,000	—	—	500,000					
	Resona Bank, Limited	500,000	—	—	500,000					
	The Kiyo Bank, Ltd.	250,000	—	—	250,000					
The Iyo Bank, Ltd.	200,000	—	—	200,000						
Sumitomo Mitsui Banking Corporation	1,365,000	—	—	1,365,000	0.71580 (Note 7)					
Aozora Bank, Ltd.	1,000,000	—	—	1,000,000						
Shinsei Bank, Limited	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						

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 4)	Repayment method	Use	Notes					
Long-term loans payable	Sumitomo Mitsui Banking Corporation	1,000,000	—	—	1,000,000	0.37072	July 29, 2022	Lump-sum repayment on maturity	(Note 6)	Unsecured/Unguaranteed					
	Mizuho Bank, Ltd.	700,000	—	—	700,000										
	Sumitomo Mitsui Trust Bank, Limited	600,000	—	—	600,000										
	Shinsei Bank, Limited	500,000	—	—	500,000										
	Resona Bank, Limited	500,000	—	—	500,000										
	The Bank of Fukuoka, Ltd.	500,000	—	—	500,000										
	The Nishi-Nippon City Bank, Ltd.	300,000	—	—	300,000										
	The Minato Bank, Ltd.	300,000	—	—	300,000										
	The Iyo Bank, Ltd.	250,000	—	—	250,000										
	Aozora Bank, Ltd.	100,000	—	—	100,000										
	The Asahi Shinkin Bank	100,000	—	—	100,000										
	The Ashikaga 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 6)	Unsecured/Unguaranteed
	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											
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 6)	Unsecured/Unguaranteed						
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 6)	Unsecured/Unguaranteed						
Mizuho Bank, Ltd.	—	1,300,000	—	1,300,000											
Sumitomo Mitsui Trust Bank, Limited	—	1,000,000	—	1,000,000											
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											
Total	43,400,000	10,000,000	10,000,000	43,400,000						—	—	—	—	—	

(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. Long-term loans payable includes the current portion of long-term loans payable.

(Note 2) "Average interest rate" is the weighted average interest rate for each loan agreement as at the end of the period.

(Note 3) The borrowing has floating interest rate, but an interest rate swap transaction has been entered into for the purpose of hedging the risk of interest rate fluctuations. Accordingly, the interest rate after taking into account the effect of the interest rate swap (conversion into fixed interest rate) is shown.

(Note 4) 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 5) The funds are used for the acquisition of properties and for the payment of a portion of the related expenses.

(Note 6) The funds are used for repayment of existing borrowings.

(Note 7) The borrowing has 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	9,950,000	6,000,000	9,550,000	10,050,000	7,850,000



Independent Auditor's Report

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

Opinion

We have audited the financial statements of Takara Leben Real Estate Investment Corporation (the Company), which comprise the balance sheet as at August 31, 2021, 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 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 August 31, 2021, 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

Without qualifying our opinion, we draw attention to notes to financial statements "Significant Subsequent Events", which states that the Company issued new investment units, borrowed funds, acquired assets and disposed asset.

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, related safeguards.



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.

佐々木 貴之

Takashi Sasaki

Designated Engagement Partner
Certified Public Accountant

藪谷 峰

Takashi Yabutani

Designated Engagement Partner
Certified Public Accountant

January 18, 2022