



**Takara Leben Real Estate
Investment Corporation**





10th Fiscal Period
Semi-Annual Report

From: September 1, 2022 To: February 28, 2023

Basic Philosophy

1. Takara Leben Real Estate Investment Corporation aims to achieve "steady growth" and "stable management" by leveraging a multi-sponsor management structure in which expertise and know-how of sponsors who have different strengths are integrated.
2. Takara Leben Real Estate Investment Corporation aims to realize "maximization of unitholder value," "creation of a sustainable environment," and "contribution to local communities and society" to remain the unitholders' diversified J-REIT of choice.

Features and Strengths

	Office	Residence	Hotel	Retail and other assets (Note 1)
   	A track record of extensive development and stable supply as a company that designs the future of the environment, going beyond the framework of a comprehensive real estate developer			
	A proven track record of increasing asset value, including renovations			
	Know-how about stable asset management by leveraging MIRARTH HOLDINGS Group's (Note 2) value chain			
	A track record of handling real estate centered on offices and real estate-related assets in Japan			
	A proven track record of increasing asset value			
	Over 20 years of real estate fund investment performance in Japan			
		A track record of managing a variety of dormitories and hotels across Japan		
		A track record of operating dormitories and hotels over nearly 40 years		
			Information networks leveraging its nationwide network	
			Information on the retail assets market and know-how on management that is owned as Japan's largest commercial electronics distributor	

(Note 1) Retail and other assets include, besides retail facilities, properties that are used as industrial real estate (logistics facilities, data centers, factories, and R&D facilities) and parking spaces. The same shall apply hereinafter.

(Note 2) Takara Leben Co., Ltd. shifted to a holding company structure as of October 1, 2022, and the name was changed to MIRARTH Holdings, Inc. (hereinafter referred to as "MIRARTH Holdings"), which indicates MIRARTH Holdings and its subsidiaries and affiliated companies. The same shall apply hereinafter.

Financial Highlights of the 10th Fiscal Period

Distribution of the 10th fiscal period (per unit)	2,710 yen	Operating revenues	3,612 million yen
Operating income	2,092 million yen	Ordinary income	1,743 million yen
Net income	1,717 million yen	Total acquisition price	121,023 million yen 54 properties
End-of-period occupancy rate	98.9 %	Appraisal NOI yield	4.8 %
LTV (Note 1)	47.2 %	NAV per unit (Note 2)	110,148 yen
Distribution forecast for the 11th fiscal period (per unit)	2,600 yen	Distribution forecast for the 12th fiscal period (per unit)	2,623 yen

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

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

Contents

Financial Highlights of the 10th Fiscal Period	1	Investment Performance of the 10th Fiscal Period/ Financial Status	7
To Our Unitholders	2	ESG Initiatives	8
External Growth	4	Portfolio Summary	10
Further Reinforcement of Commitments Through Changes to Sponsor Structure	6	Unitholder Information	12

Financial Statements

I. Balance Sheet	14	V. Statement of Cash Flows	19
II. Statement of Income	16	VI. Notes to Financial Statements	20
III. Statement of Changes in Net Assets	17	VII. Supplementary Schedules	35
IV. Statement of Cash Distributions	18	Independent Auditor's Report	39



Takara PAG Real Estate Advisory Ltd.
President
Takara Leben Real Estate Investment Corporation
Executive Director

Tetsuo Saida

Takara PAG Real Estate Advisory Ltd.
President

Masayuki Ishihara

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”).

The Investment Corporation is pleased to announce the closing of its 10th fiscal period ended February 2023. We would like to express our sincere appreciation to our unitholders for their support.

Investment Environment

The Japanese economy during the 10th fiscal period showed signs of a gradual recovery, particularly in personal consumption, upon the easing of restrictions on socioeconomic activities brought about by the spread of COVID-19. Moreover, corporate earnings remained high despite the impact of high resource prices, and capital investment has been gradually trending

upward. Meanwhile, the effects of the prolonged global surge in prices for energy and raw materials amidst ongoing financial instability in Europe, the U.S., and other major countries, the continued depreciation of the Japanese yen, and the worsening situation in Ukraine, are becoming evident. We will continue to monitor the situation closely. Meanwhile, in the real estate investment market, the appetite on the part of market participants for investment in high-quality income-generating real estate remained unabated amid interest rates remaining low, thereby sustaining the

relatively high transaction price level. In the real estate leasing market, overall conditions were generally stable. This was attributable in part to the gradual normalization of socioeconomic activity. With regard office space, vacancy rates in major office districts in Tokyo, Nagoya, and Osaka have flattened out, and the decline in average rents has slowed to an extent. As for residential properties, occupancy rates and rents have remained generally stable. In retail facilities, lifestyle-oriented retail facilities still trended strongly. With respect to hotels, travel support by the government and municipalities and the easing of restrictions on the entry of foreign visitors to Japan have provided momentum to the recovery of occupancy rates.

Investment Performance

Under such circumstances, the Investment Corporation acquired a total of nine new properties (total acquisition price: 11,185 million yen) consisting of eight residential properties and one retail property through fundraising by public offering and other means as of September 2, 2022, 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.” Meanwhile, the Investment Corporation disposed of three properties— Hotel Sunshine Utsunomiya on September 20, 2022, Co-op Sapporo Shunko on October 7, 2022, and the Akasaka Kawase Building on December 16, 2022—as part of

ongoing proactive efforts to renew the portfolio. As a result of these investment activities, operating revenues were 3,612 million yen, ordinary income was 1,743 million yen, and net income was 1,717 million yen for the current fiscal period. Distributions per unit in the 10th fiscal period were 2,710 yen, the same amount as the forecast of 2,710 yen announced in the “(REIT) Financial Report for Fiscal Period Ended August 31, 2022” dated October 18, 2022.

Overview of Fund Procurement

The Investment Corporation raised funds through a public offering (number of new investment units issued: 63,600; total issue amount (total paid-in amount): 6,418 million yen) on September 1, 2022, and recorded new borrowings as of September 2, 2022, through a syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation of 5,780 million yen, for the purpose of funding property acquisition and other activities. While these funds were procured, on September 2, 2022, the Investment Corporation also repaid in full 975 million yen in short-term borrowings recorded on June 1, 2022, before maturity. As a result, the balance of borrowings as of the end of the 10th fiscal period (February 28, 2023) was 63,080 million yen, and the ratio of interest-bearing debt to total assets (LTV) was 47.2%. As of the date of this document, Rating and Investment Information, Inc. (R&I) assigned an “A-/Stable” issuer credit rating and Japan Credit Rating Agency, Ltd. (JCR) assigned a long-term issuer rating of “A/Stable.”

Acquisition of nine properties in the 10th fiscal period and eight properties at the beginning of the 11th fiscal period upon capital increase through public offering

10th Fiscal Period Ended February 28, 2023

9 properties Total acquisition price: **11.1 billion yen** Third capital increase through public offering (acquisition on September 2, 2022)

Residence

LUXENA KITASENJU

Residence

La Vita Higashi Ueno

Residence

LUXENA JOSHIN

Residence

LUXENA UMEKOJI-KYOTONISHI

Residence

LUXENA KIYOMIZU-GOJO

Residence

La Vita Nijo Gekko

Residence

La Vita Toji

Residence

Pleiades Namba east

Retail and other assets

Kaden Sumairu Kan x YAMADA web.com Nara

11th Fiscal Period Ending August 31, 2023

8 properties Total acquisition price: **10.6 billion yen** Fourth capital increase through public offering (acquisition on March 2, 2023)

Residence

TLR Residence Ryogoku

Residence

TLR Residence Otorii

Residence

TLR Residence Kameari

Residence

SERENiTE Namba west*

Residence

Colline Ensoleille*

Residence

Rock Field Nishi-Oi*

Residence

Fiel Kiyofune

Residence

La Vita YATSUKA-EKIMAE I*

Residence

La Vita YATSUKA-EKIMAE II*

*Acquired from MIRARTH Holdings Group via bridge fund

Disposition

10th Fiscal Period Ended February 28, 2023

3 properties Disposition price: **4 billion yen**

Retail and other assets

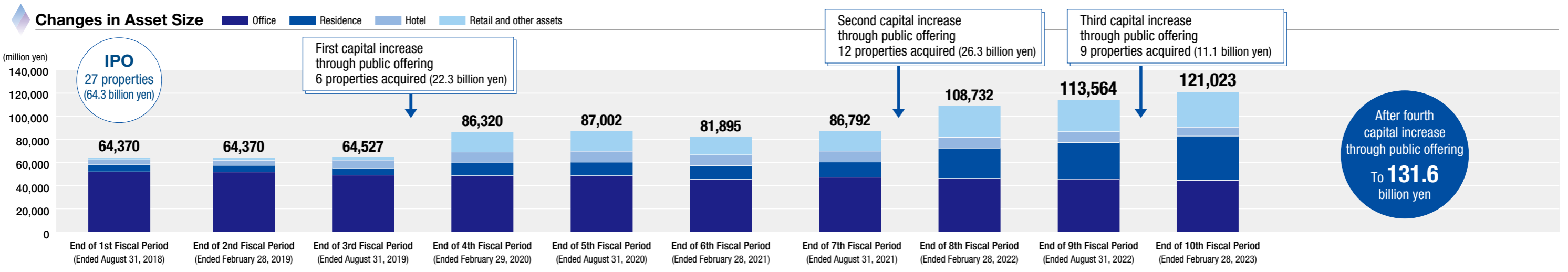
Co-op Sapporo Shunko

Hotel

Hotel Sunshine Utsunomiya

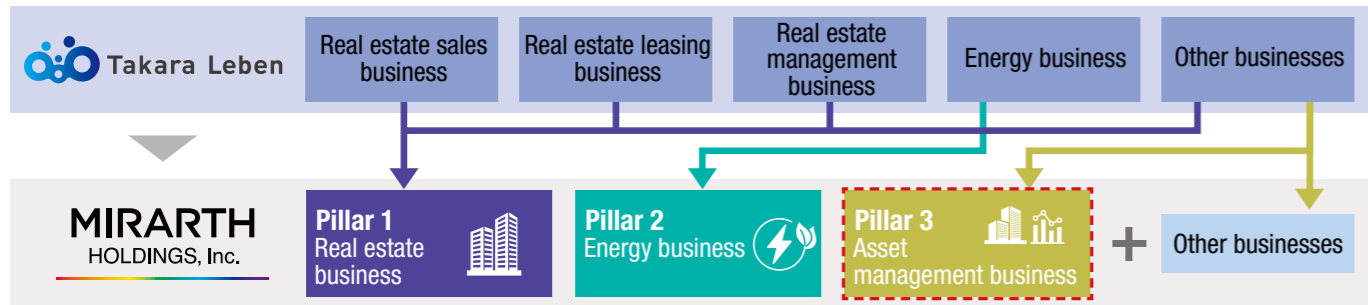
Office

Akasaka Kawase Building



Change of Trade Name and Changes in Business Segments

- Takara Leben Co., Ltd. shifted to a holding company structure and changed its trade name to MIRARTH Holdings, Inc. as of October 1, 2022.
- The asset management business is positioned as one of the new core businesses, and the company expects to further reinforce its commitment to the Investment Corporation



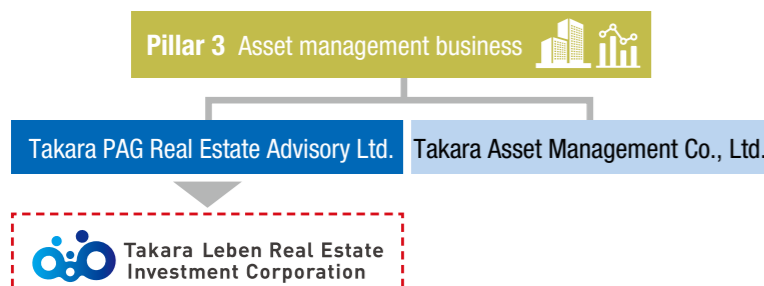
Background
While the new condominium business is the core business, the approach is being diversified to include energy, asset management, and overseas businesses.

Objective
To build a business structure that allows promoting sustainable growth and facilitating quick and flexible business judgment while strengthening governance

Six Key Points for Structural Change

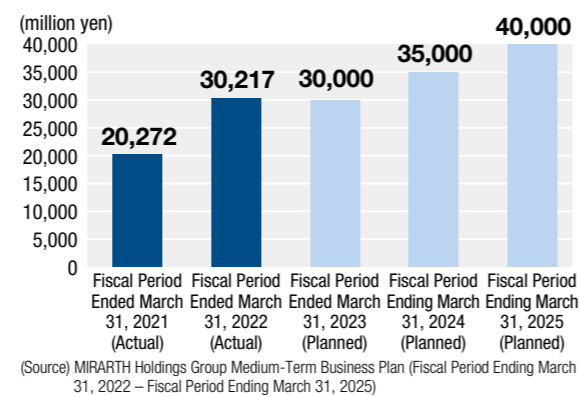
- Establishing a structure that enables quick and flexible business judgment to promote sustainable growth and keep pace with changing times
- Nurturing not only the real estate business but also the energy and **asset management businesses into new business pillars**
- Clarifying the profitability and business responsibility by segment and making effective use of management resources
- Through co-creation with the local community, aiming for future urban creation to realize a sustainable society
- Enhancing not only domestic but also global operations
- Strengthening ESG management further as a company listed on the Prime Section of TSE

Reinforcing the Commitment to the Investment Corporation



Expect to further reinforce the commitment by regarding the Investment Corporation's asset management business as one of the core businesses

Development Investment by Sponsor Group

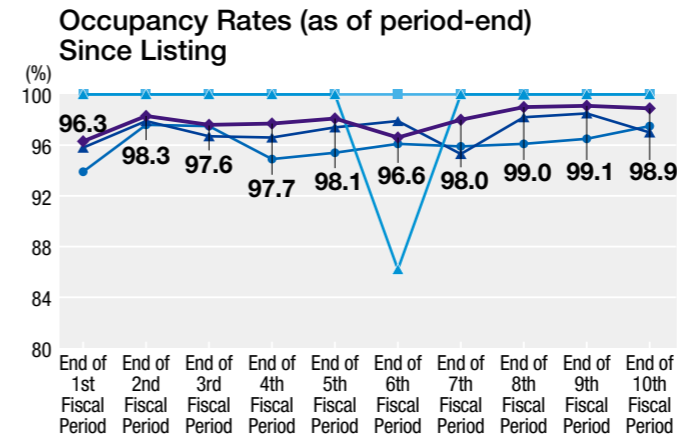


Eight Residential Properties Acquired During the 10th Fiscal Period Were Sponsor Contributions

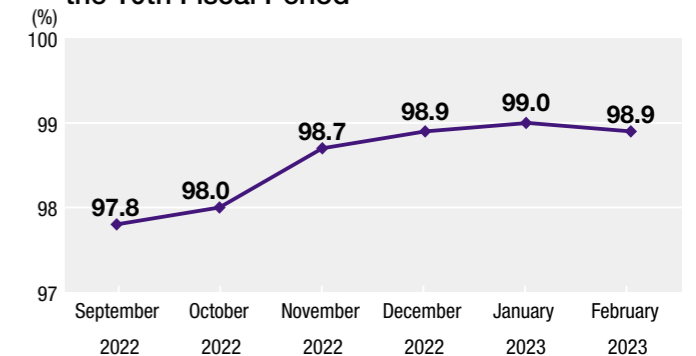
	R-23 LUXENA KITASENJU	R-24 La Vita Higashi Ueno	R-25 LUXENA JOSHIN	R-26 LUXENA UMEKOJI- KYOTONISHI	R-27 LUXENA KIYOMIZU- GOJO	R-28 La Vita Nijo Gekko	R-29 La Vita Toji	R-30 Pleiades Namba east
Acquisition price	1,540 million yen	1,280 million yen	620 million yen	725 million yen	515 million yen	515 million yen	465 million yen	675 million yen
Location	Adachi Ward, Tokyo	Taito Ward, Tokyo	Nagoya City, Aichi	Kyoto City, Kyoto	Kyoto City, Kyoto	Kyoto City, Kyoto	Kyoto City, Kyoto	Osaka City, Osaka
No. of units	52	21	34	51	32	30	30	36

Changes in Occupancy Rate

The average occupancy rate of the entire portfolio at the end of the period has been maintained in the upper 90% range since listing. During the 10th fiscal period, the backfilling of office space drove rapid improvement in the occupancy rate.

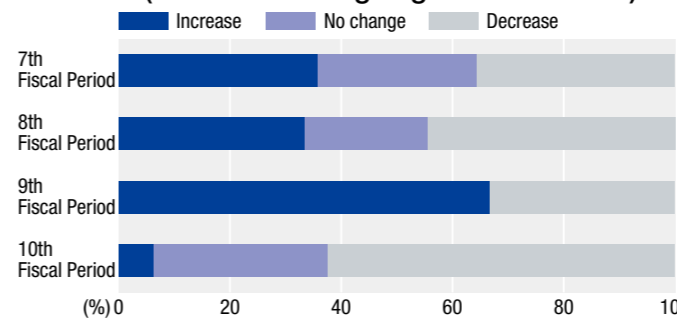


Monthly Portfolio Occupancy Rates in the 10th Fiscal Period

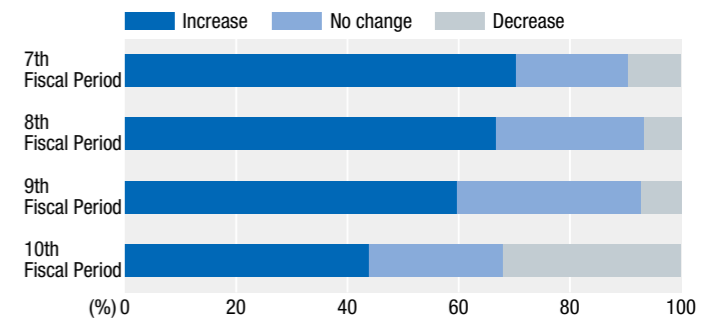


Rent Trends

Office (at the time of signing a new contract)

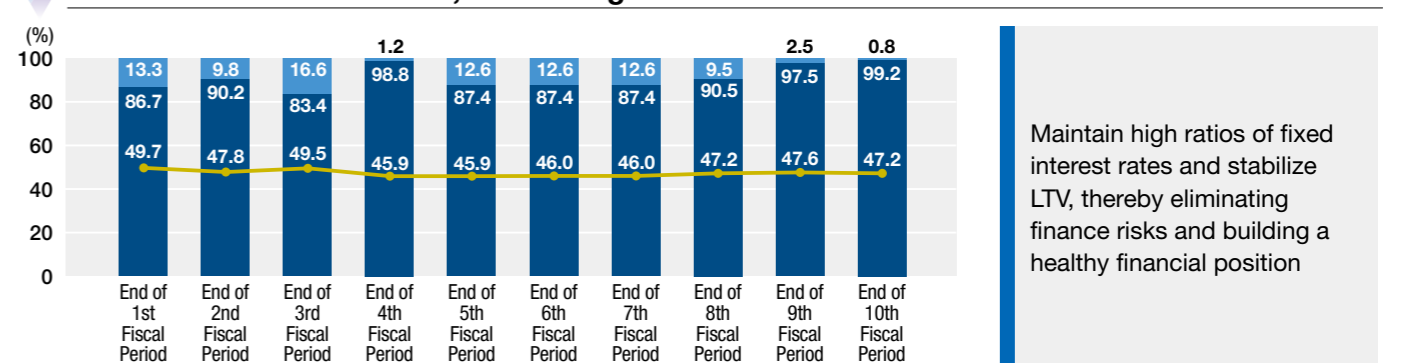


Residence (at the time of signing a new contract)



Financial Status

Ratio of Fixed Interest Rate, LTV Management



Maintain high ratios of fixed interest rates and stabilize LTV, thereby eliminating finance risks and building a healthy financial position

Status of Acquired Ratings (as of February 28, 2023)

Rating and Investment Information, Inc.

A-
Stable

Japan Credit Rating Agency, Ltd.

A
Stable

MIRARTH Holdings Group Initiatives

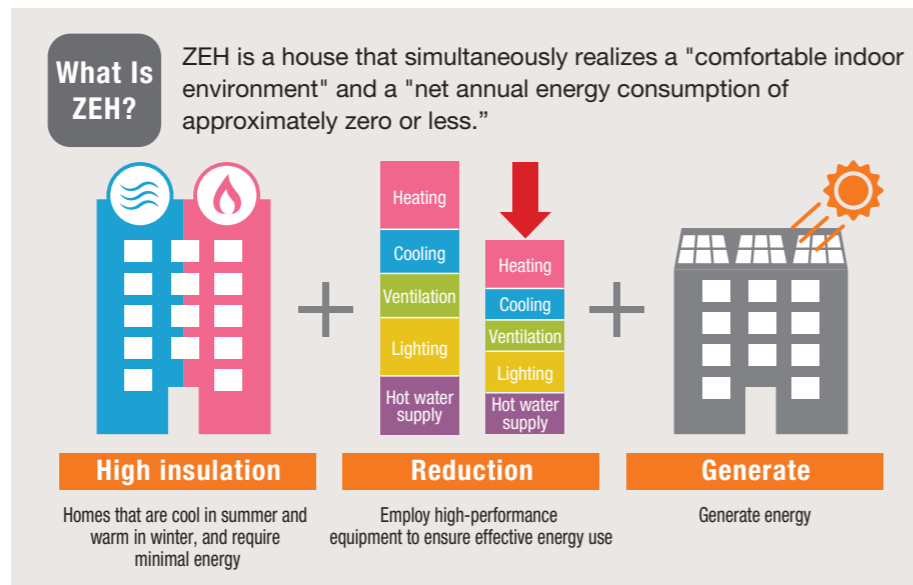
► Takara Leben Co., Ltd., a sponsor, went beyond the framework of a general real estate developer and evolved into a new entity that co-creates future towns with the local community and enhanced ESG management further.

Future Environment Design Company
MIRARTH HOLDINGS, Inc.

Examples of MIRARTH Holdings Group Initiatives

Approach to Net Zero Energy Condominiums (ZEH-M)

Actively working to promote ZEH-M to provide better homes for customers in an environmentally friendly manner toward creating sustainable lifestyles. Registered as a "ZEH Developer" since fiscal 2018. Two properties have already been completed (in February 2022 and January 2023), and one is scheduled for development (completion anticipated in November 2023).



Examples of ZEH-M Introduction

Name of condominium	Leben Nagano Nakagoshō THE PEERLESS	Name of condominium	Leben Toyama Nishicho RESONACIA	Name of condominium	Leben Toyama Jinzu Honmachi ONE TOWER
Location	1-17 Nakagoshō, Nagano City, Nagano Prefecture	Location	5-1 Furukajimachi, Toyama City, Toyama Prefecture	Location	2-2-1, Jinzu-honmachi, Toyama City, Toyama Prefecture
Access	Eight-minute walk from Nagano Station on the JR Hokuriku Shinkansen, JR Shinetsu, Shinonoi and Iiyama lines, and the Shinano Railway Kita-Shinano Line	Access	Four-minute walk from Nishicho stop on the Toyama Chiho Railway Toyama Main Line	Access	Seven-minute walk from Toyama Station on the JR Hokuriku Shinkansen, Takayama Main Line, and Ainokaze Toyama Railway
Total no. of units	47 units	Total no. of units	42 units	Total no. of units	88 units
Completed	February 2022	Completed	January 2023	Completed	November 2023 (scheduled)
Primary energy reduction rate	29.0%	Primary energy reduction rate	22.0%	Primary energy reduction rate	27.0%



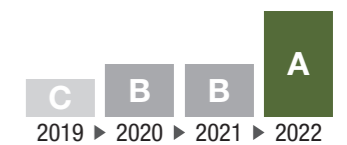
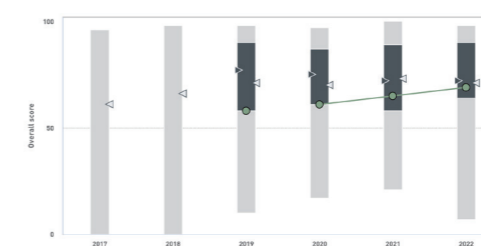
Investment Corporation Initiatives

Through consideration of ESG (Environment, Society, and Governance), with the cooperation of the MIRARTH Holdings Group, the Investment Corporation aims for "maximization of unitholder value," "creation of a sustainable environment" and "contribution to local communities and society."

Materiality	Specific initiatives	Relevant SDGs
1. Promote initiatives for climate change (E)	① Reductions in GHG emissions	13 CLIMATE ACTION
	② Effective use of water resources	
	③ Management of waste	
2. Introduce renewable energy and continuously improve its usage rates (E)	① Receive support and cooperation to promote initiatives to introduce renewable energy from the MIRARTH Holdings Group	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	② Review the introduction and implementation of renewable energy in various ways, including green certificates, PPA (Power Purchase Agreement), and small hydropower	
3. Reduce environmental loads and enhance resilience (E)	① Increase portfolio resilience by making effective use of CAPEX	11 SUSTAINABLE CITIES AND COMMUNITIES
	② Promote the green lease system	
	③ Enhance BCP	
4. Improve employees and tenants' health and comfort (S)	① Conduct employee satisfaction surveys continuously and continue dialogues with top management regularly	3 GOOD HEALTH AND WELL-BEING, 11 SUSTAINABLE CITIES AND COMMUNITIES
	② Promote flexible ways of working	
	③ Conduct tenant satisfaction surveys continuously	
5. Respect human rights, diversity, and human resources development (S)	① Promote education and awareness of human rights	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
	② Put a working environment conscious of diversity, equity, and inclusion in place	
	③ Promote human resources development, enrich training programs, and encourage the acquisition of qualifications	
6. Build a disciplined organizational structure and ensure stakeholder engagement (G)	① Ban political donations and prevent corruption	16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS
	② Build an effective internal control system	
	③ Promote disclosure	

GRESB Assessment

- The GRESB Real Estate Assessment score continued to rise, and a Green Star rating was acquired for the fourth consecutive year.
- The Investment Corporation acquired the highest A level rating in GRESB disclosure assessment that measures the degree of ESG information disclosure.



Category	Property number	Property name	Location	Acquisition price (million yen)	Book value (million yen)	Appraisal value (million yen)	Appraisal NOI yield (%)	End-of-period occupancy rate (%)	
Office	0-01	NT Building	Shinagawa Ward, Tokyo	12,350	12,627	12,700	4.1	89.5	
	0-02	Higashi-Ikebukuro Central Place	Toshima Ward, Tokyo	9,780	9,869	10,900	4.2	100.0	
	0-03	Nagoya Center Plaza Building	Nagoya City, Aichi	4,870	5,239	5,260	5.4	100.0	
	0-05	Omiya NSD Building	Saitama City, Saitama	3,493	3,528	3,960	5.6	100.0	
	0-07	Hakata Gion Building	Fukuoka City, Fukuoka	2,500	2,510	2,960	5.2	100.0	
	0-09	L.Biz Jimbocho	Chiyoda Ward, Tokyo	1,006	1,006	1,170	4.5	100.0	
	0-11	L.Biz Sendai	Sendai City, Miyagi	1,680	1,641	1,670	5.5	95.8	
	0-12	Sendai Nikko Building	Sendai City, Miyagi	1,740	1,761	1,790	5.0	100.0	
	0-19	Yoyogi 1-chome Building	Shibuya Ward, Tokyo	1,850	1,925	2,170	4.0	100.0	
	0-20	Kawagoe West Building	Kawagoe City, Saitama	2,600	2,635	2,760	5.0	100.0	
	0-21	HAKATA REISENMACHI Building	Fukuoka City, Fukuoka	2,700	2,809	2,610	3.8	89.0	
	Office Total/Average				44,569	45,555	47,950	4.6	97.0

Residence	R-01	Amare Tokaidori	Nagoya City, Aichi	1,100	1,058	1,210	5.3	96.8
	R-02	Dormy Ukimafunado	Itabashi Ward, Tokyo	1,080	1,083	1,130	5.3	100.0
	R-03	Benefis Hakata-Minami Grand Sweet	Fukuoka City, Fukuoka	1,032	994	1,210	5.3	97.1
	R-04	LUXENA HIGASHI-KOENJI	Suginami Ward, Tokyo	1,060	1,071	1,200	4.2	97.4
	R-06	J City Hatchobori	Hiroshima City, Hiroshima	1,200	1,187	1,260	5.4	95.7
	R-07	LUXENA HEIWADAI	Nerima Ward, Tokyo	3,910	3,894	4,510	4.4	96.5
	R-08	LUXENA KACHIDOKI	Chuo Ward, Tokyo	1,120	1,128	1,350	4.2	95.1
	R-09	LUXENA HON-ATSUGI	Atsugi City, Kanagawa	705	716	784	5.4	100.0
	R-10	LUXENA KADOMA	Kadoma City, Osaka	2,000	2,124	2,170	4.8	96.8
	R-11	LUXENA TODAKOEN	Toda City, Saitama	910	950	978	4.4	100.0
	R-12	LUXENA TODAKOEN II	Toda City, Saitama	1,200	1,247	1,280	4.4	91.4
	R-13	LUXENA AKIHABARA	Taito Ward, Tokyo	2,300	2,359	2,430	3.5	100.0
	R-14	Fiore Residence Dejima Kaigan Dori	Sakai City, Osaka	560	593	609	5.5	92.6
	R-15	LUXENA MUSASHI-SHINJO	Kawasaki City, Kanagawa	1,900	1,965	2,030	4.4	100.0
	R-16	LUXENA NAGAREYAMA OOTAKANOMORI	Nagareyama City, Chiba	2,840	2,943	3,130	4.6	96.8
	R-17	PRIME SQUARE	Funabashi City, Chiba	620	647	748	5.2	100.0
	R-18	Winbell Chorus SeisekiSakuragaoka	Tama City, Tokyo	730	756	856	5.5	100.0
	R-19	Mare Isogo Building	Yokohama City, Kanagawa	1,900	2,011	2,200	5.4	100.0
	R-20	TLR Residence Kawasaki Daishi	Kawasaki City, Kanagawa	1,346	1,451	1,420	4.2	97.2
	R-21	TLR Residence Honmachi WEST	Osaka City, Osaka	3,479	3,696	3,490	3.6	96.0
	R-22	TLR Residence Takaida	Higashi-Osaka City, Osaka	942	1,014	1,010	4.6	94.6
	R-23	LUXENA KITASENJU	Adachi Ward, Tokyo	1,540	1,608	1,610	3.9	100.0
	R-24	La Vita Higashi Ueno	Taito Ward, Tokyo	1,280	1,316	1,290	3.5	95.6
	R-25	LUXENA JOSHIN	Nagoya City, Aichi	620	661	634	4.5	100.0
	R-26	LUXENA UMEKOJI-KYOTONISHI	Kyoto City, Kyoto	725	767	772	4.4	100.0
	R-27	LUXENA KIYOMIZU-GOJO	Kyoto City, Kyoto	515	545	597	4.6	97.5
	R-28	La Vita Nijo Gekko	Kyoto City, Kyoto	515	541	535	4.2	100.0
	R-29	La Vita Toji	Kyoto City, Kyoto	465	494	477	4.3	100.0
	R-30	Pleiades Namba east	Osaka City, Osaka	675	707	717	4.3	100.0
	Residence Total/Average				38,269	39,541	41,637	4.5

Hotel	H-01	Dormy Inn Matsuyama	Matsuyama City, Ehime	2,427	2,271	2,550	5.5	100.0
	H-03	Dormy Inn Morioka	Morioka City, Iwate	2,520	2,359	2,560	5.2	100.0
	H-04	ACCESS by LOISIR HOTEL Nagoya	Nagoya City, Aichi	2,500	2,479	2,200	4.2	100.0
	Hotel Total/Average				7,447	7,111	7,310	4.9

Category	Property number	Property name	Location	Acquisition price (million yen)	Book value (million yen)	Appraisal value (million yen)	Appraisal NOI yield (%)	End-of-period occupancy rate (%)	
Retail and other assets	C-01	Prio Daimyo II	Fukuoka City, Fukuoka	980	996	1,130	5.0	100.0	
	C-03	TA Shonan Kugenumakaigan	Fujisawa City, Kanagawa	500	501	571	5.5	100.0	
	C-05	YAMADA web.com Matsuyama Toiyacho	Matsuyama City, Ehime	4,030	3,974	4,410	7.5	100.0	
	C-06	Tecc LIFE SELECT Kobe Tarumi (Land)	Kobe City, Hyogo	4,227	4,281	4,290	4.9	100.0	
	C-07	AEON STYLE Onomichi (Land)	Onomichi City, Hiroshima	900	930	1,040	5.4	100.0	
	C-08	BIGMOTOR Sapporo Kiyota (Land)	Sapporo City, Hokkaido	1,610	1,650	1,790	4.6	100.0	
	C-09	DCM Daiki Onomichi (Land)	Onomichi City, Hiroshima	1,170	1,193	1,240	5.6	100.0	
	C-10	Cainz Omiya	Saitama City, Saitama	2,520	2,533	2,600	5.0	100.0	
	C-11	APITA NAGOYA-MINAMI	Nagoya City, Aichi	7,800	7,896	8,270	5.2	100.0	
	C-12	BIGMOTOR Konosu (Land)	Konosu City, Saitama	2,150	2,181	2,290	4.6	100.0	
	C-13	Kaden Sumairu KanxYAMADA web.com Nara	Nara City, Nara	4,850	5,048	5,170	5.6	100.0	
	Retail and other assets Total/Average				30,737	31,187	32,801	5.4	100.0
	Portfolio Total/Average				121,023	123,395	129,698	4.8	98.9

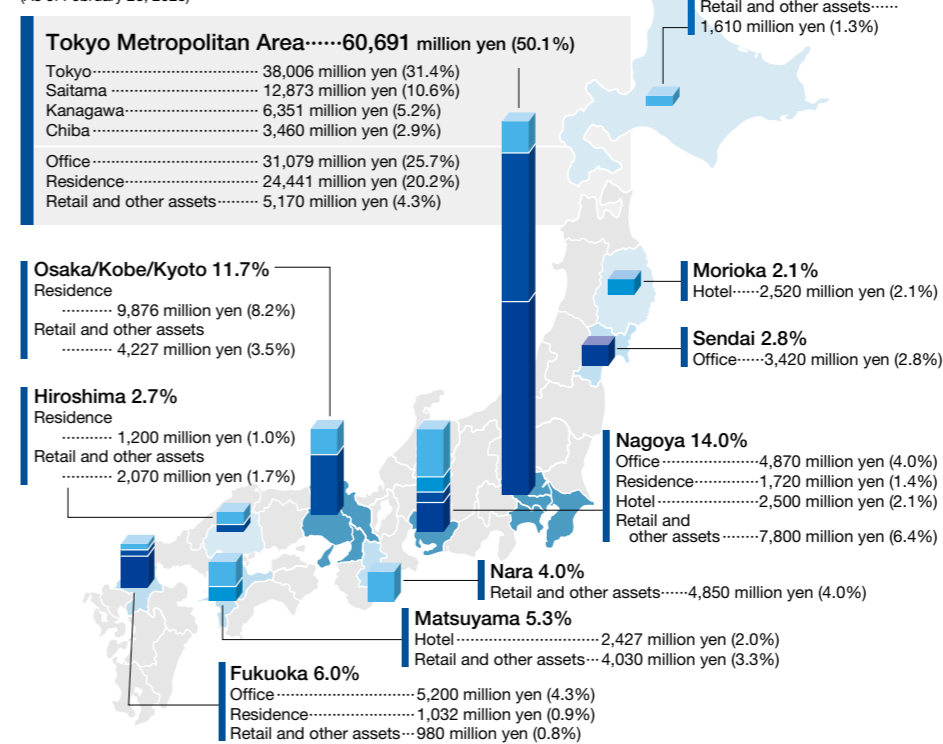
(Note) "Appraisal value" indicates the appraisal value stated in the real estate appraisal report as of February 28, 2023.

Portfolio Summary

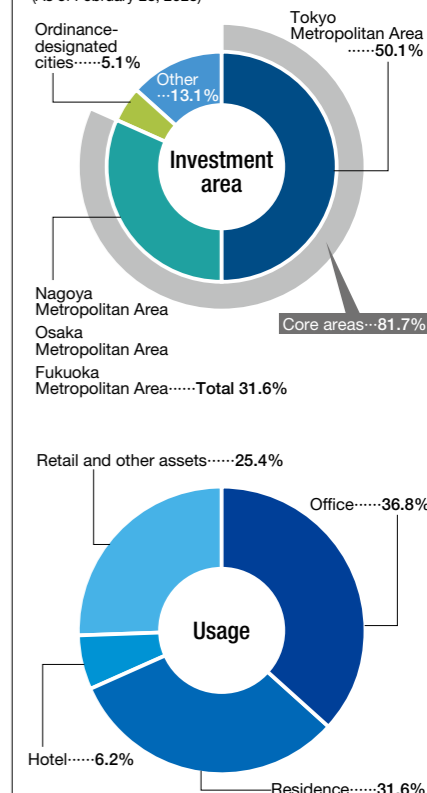
	Number of properties	Acquisition price	Appraisal value	Average appraisal NOI yield
Total	54	121,023 million yen	129,698 million yen	4.8%

Portfolio Diversification Status

Portfolio Diversification by Geographic Area (As of February 28, 2023)



Portfolio Diversification by Category (As of February 28, 2023)

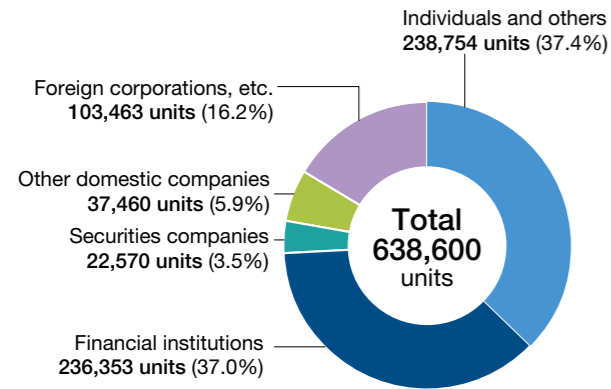


*Amounts in the graph are presented as the acquisition prices for each category and are rounded down to the nearest million JPY, so totals may not add up.
 *Ratios of portfolio categories are rounded to the first decimal place.

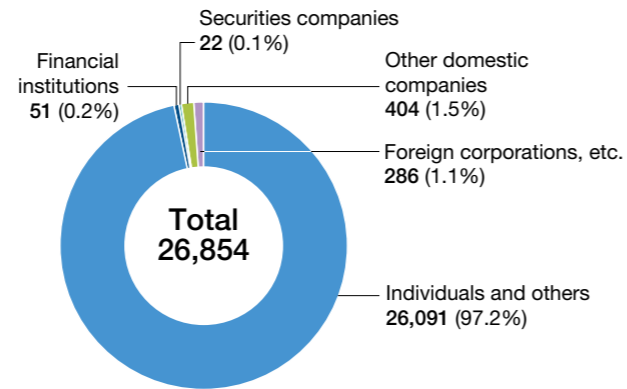
Unitholder Information

Composition of Unitholders

Number of Investment Units by Type of Unitholder



Number of Unitholders by Type of Shareholder



(Note) As the ratios were rounded off to the first decimal place, they may not add up to 100.0%.

ESG Information Disclosure

Disclose information on ESG initiatives widely to stakeholders, including unitholders

ESG Website

URL: <https://takara-reit.co.jp/ja/esg/index.html>

▶ A website dedicated to ESG was set up to promote proactive information disclosures (Updated March 2023)



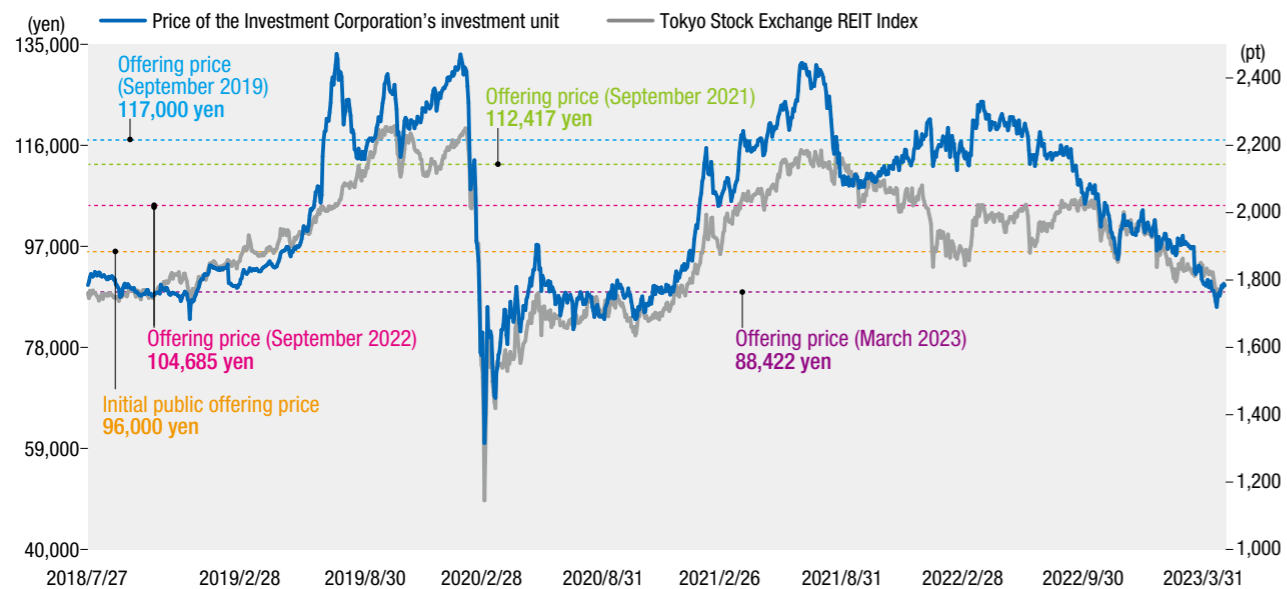
ESG Report

URL: <https://takara-reit.co.jp/asset/esg/img/esgreport-ja-2023.pdf>

▶ We have published this report for the purpose of publicizing our approach to ESG and our initiatives (issued in March 2023)



Change in the Price of Investment Unit



Financial Statements

I. Balance Sheet

	(Unit: thousand yen)	
	9th Fiscal Period (As of August 31, 2022)	10 Fiscal Period (As of February 28, 2023)
Assets		
Current assets		
Cash and deposits	3,619,842	6,880,357
Cash and deposits in trust	2,577,890	2,765,198
Operating accounts receivable	93,166	95,711
Prepaid expenses	226,484	223,809
Other	4,363	—
Total current assets	6,521,747	9,965,076
Non-current assets		
Property, plant and equipment		
Buildings	4,179,803	4,136,596
Accumulated depreciation	(253,964)	(298,846)
Buildings, net	3,925,838	3,837,749
Structures	28,587	28,587
Accumulated depreciation	(1,021)	(1,261)
Structures, net	27,566	27,325
Machinery and equipment	47,540	47,540
Accumulated depreciation	(7,131)	(8,319)
Machinery and equipment, net	40,409	39,221
Tools, furniture and fixtures	33,338	31,481
Accumulated depreciation	(7,769)	(9,565)
Tools, furniture and fixtures, net	25,568	21,915
Land	6,284,713	5,617,204
Buildings in trust	29,274,365	32,171,374
Accumulated depreciation	(2,080,086)	(2,308,742)
Buildings in trust, net	27,194,278	29,862,632
Structures in trust	147,154	187,638
Accumulated depreciation	(6,836)	(8,743)
Structures in trust, net	140,318	178,895
Machinery and equipment in trust	9,793	17,302
Accumulated depreciation	(274)	(951)
Machinery and equipment in trust, net	9,519	16,350
Tools, furniture and fixtures in trust	85,956	99,283
Accumulated depreciation	(15,267)	(19,214)
Tools, furniture and fixtures in trust, net	70,688	80,068
Land in trust	77,778,055	83,699,906
Construction in progress in trust	8,851	14,417
Total property, plant and equipment	115,505,809	123,395,686
Intangible assets		
Software	2,362	1,702
Total intangible assets	2,362	1,702
Investments and other assets		
Long-term prepaid expenses	396,334	363,948
Leasehold and security deposits	11,000	11,000
Other	10	10
Total investments and other assets	407,344	374,958
Total non-current assets	115,915,516	123,772,347
Deferred assets		
Investment unit issuance costs	21,388	37,109
Total deferred assets	21,388	37,109
Total assets	122,458,651	133,774,533

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

	(Unit: thousand yen)	
	9th Fiscal Period (As of August 31, 2022)	10 Fiscal Period (As of February 28, 2023)
Liabilities		
Current liabilities		
Operating accounts payable	310,387	460,534
Short-term loans payable	975,000	-
Current portion of long-term loans payable	6,000,000	6,000,000
Current portion of tenant leasehold and security deposits in trust	62,103	62,103
Accounts payable – other	238,190	210,283
Accrued expenses	21,443	18,330
Income taxes payable	598	598
Accrued consumption taxes	131,364	2,689
Advances received	8,499	32,817
Other	7,156	14,241
Total current liabilities	7,754,743	6,801,598
Non-current liabilities		
Long-term loans payable	51,300,000	57,080,000
Tenant leasehold and security deposits	198,676	189,070
Tenant leasehold and security deposits in trust	3,672,238	3,755,432
Deferred tax liabilities	48,972	74,196
Asset retirement obligations	89,310	82,835
Other	32,757	22,290
Total non-current liabilities	55,341,956	61,203,825
Total liabilities	63,096,699	68,005,423
Net assets		
Unitholders' equity		
Unitholders' capital	57,382,134	63,801,091
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	*1 (10,218)	*1 (8,537)
Total deduction from unitholders' capital	(10,218)	(8,537)
Unitholders' capital, net	57,371,916	63,792,554
Surplus		
Unappropriated retained earnings (undisposed loss)	1,990,036	1,976,555
Total surplus	1,990,036	1,976,555
Total unitholders' equity	59,361,952	65,769,110
Total net assets	*2 59,361,952	*2 65,769,110
Total liabilities and net assets	122,458,651	133,774,533

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

II. Statement of Income

(Unit: thousand yen)

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)		10 Fiscal Period (from September 1, 2022 to February 28, 2023)	
Operating revenues				
Leasing business revenue	*1	3,163,845	*1	3,323,900
Other leasing business revenue	*1	133,435	*1	151,279
Gain on sales of real estate properties	*2	248,108	*2	137,582
Total operating revenue		3,545,389		3,612,762
Operating expenses				
Expenses related to leasing business	*1	1,130,145	*1	1,227,789
Asset management fees		199,266		173,785
Asset custody and administrative service fees		23,642		24,481
Directors' compensations		2,400		2,400
Taxes and dues		26,256		33,570
Other operating expenses		66,876		58,622
Total operating expenses		1,448,586		1,520,649
Operating income		2,096,803		2,092,113
Non-operating income				
Interest income		41		42
Reversal of distributions payable		832		370
Interest on tax refund		122		—
Income from insurance claims		2,327		405
Other		952		—
Total non-operating income		4,275		818
Non-operating expenses				
Interest expenses		184,114		224,185
Borrowing related expenses		105,225		115,555
Amortization of investment unit issuance costs		12,216		9,560
Total non-operating expenses		301,556		349,301
Ordinary income		1,799,522		1,743,629
Income before income taxes		1,799,522		1,743,629
Income taxes – current		605		605
Income taxes – deferred		22,718		25,223
Total income taxes		23,323		25,828
Net income		1,776,199		1,717,801
Retained earnings brought forward				
Retained earnings brought forward		156,638		258,754
Cumulative effect of retrospective application of a change in accounting policies		57,199		—
Retained earnings brought forward after retrospective application		213,837		258,754
Unappropriated retained earnings (undisposed loss)		1,990,036		1,976,555

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

III. Statement of Changes in Net Assets

9th Fiscal Period (from March 1, 2022 to August 31, 2022)

(Unit: thousand yen)

	Unitholders' equity						Total unitholders' equity
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	57,382,134	(11,086)	(11,086)	57,371,047	1,951,506	1,951,506	59,322,554
Cumulative effect of retrospective application of a change in accounting policies					57,199	57,199	57,199
Balance at beginning of period after retrospective application	57,382,134	(11,086)	(11,086)	57,371,047	2,008,705	2,008,705	59,379,753
Changes during the period							
Dividends of surplus					(1,794,000)	(1,794,000)	(1,794,000)
Reversal of allowance for temporary difference adjustments		868	868	868	(868)	(868)	—
Net income					1,776,199	1,776,199	1,776,199
Net changes of items other than unitholders' equity					(18,669)	(18,669)	(17,800)
Total changes during the period	—	868	868	868	(18,669)	(18,669)	(17,800)
Balance at end of period	57,382,134	(10,218)	(10,218)	57,371,916	1,990,036	1,990,036	59,361,952

(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		(2,041)	59,320,513
Cumulative effect of retrospective application of a change in accounting policies			57,199
Balance at beginning of period after retrospective application		(2,041)	59,377,712
Changes during the period			
Dividends of surplus			(1,794,000)
Reversal of allowance for temporary difference adjustments			—
Net income			1,776,199
Net changes of items other than unitholders' equity		2,041	2,041
Total changes during the period		2,041	(15,759)
Balance at end of period		—	59,361,952

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

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

(Unit: thousand yen)

	Unitholders' equity						Total unitholders' equity
	Unitholders' capital			Surplus			
	Unitholders' capital	Deduction from unitholders' capital	Unitholders' capital, net	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at beginning of period	57,382,134	(10,218)	(10,218)	57,371,916	1,990,036	1,990,036	59,361,952
Changes during the period							
Issuance of new investment units	6,418,957			6,418,957			6,418,957
Dividends of surplus					(1,729,600)	(1,729,600)	(1,729,600)
Reversal of allowance for temporary difference adjustments		1,681	1,681	1,681	(1,681)	(1,681)	-
Net income					1,717,801	1,717,801	1,717,801
Total changes during the period	6,418,957	1,681	1,681	6,420,638	(13,480)	(13,480)	6,407,158
Balance at end of period	63,801,091	(8,537)	(8,537)	63,792,554	1,976,555	1,976,555	65,769,110

(Unit: thousand yen)

	Total net assets
Balance at beginning of period	59,361,952
Changes during the period	
Issuance of new investment units	6,418,957
Dividends of surplus	(1,729,600)
Reversal of allowance for temporary difference adjustments	—
Net income	1,717,801
Total changes during the period	6,407,158
Balance at end of period	65,769,110

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

IV. Statements of Cash Distributions

(Unit: yen)

Category	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
I Unappropriated retained earnings	1,990,036,195	1,976,555,911
II Distributions in excess of earnings	—	—
Distributions in excess of earnings from allowance for temporary difference adjustments	—	—
III Reversal of distributions in excess of earnings in previous periods	1,681,368	648,705
Reversal of allowance for temporary difference adjustments	1,681,368	648,705
IV Distributions	1,729,600,000	1,730,606,000
[Distributions per unit]	(3,008)	(2,710)
Distributions of earnings	1,729,600,000	1,730,606,000
[Distributions of earnings per unit]	(3,008)	(2,710)
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	258,754,827	245,301,206
Method of calculation of amount of cash distributions	Pursuant to the cash distribution policy defined in Article 36, Paragraph 1, Item 1 of the Articles of Incorporation of the Investment Corporation, the Investment Corporation shall distribute in excess of the amount equivalent to 90% of the distributable profit as defined in Article 67-15, Item 1 of the Act on Special Measures Concerning Taxation. In accordance with this policy, the Investment Corporation decided profit distribution (excluding the amount in excess of earnings) as 1,729,600,000 yen for the period. The amount of this profit distribution is the entire amount after deducting 258,754,827 yen as internal reserve for the purpose of stabilizing future distributions 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. 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, Item 2 of the Articles of Incorporation. However, no such distribution was made due to internal reserve.	Pursuant to the cash distribution policy defined in Article 36, Paragraph 1, Item 1 of the Articles of Incorporation of the Investment Corporation, the Investment Corporation shall distribute in excess of the amount equivalent to 90% of the distributable profit as defined in Article 67-15, Item 1 of the Act on Special Measures Concerning Taxation. In accordance with this policy, the Investment Corporation decided profit distribution (excluding the amount in excess of earnings) as 1,730,606,000 yen for the period. The amount of this profit distribution is the entire amount after deducting 245,301,206 yen as internal reserve for the purpose of stabilizing future distributions 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. 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, Item 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.

V. Statements of Cash Flows

(Unit: thousand yen)

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10 Fiscal Period (from September 1, 2022 to February 28, 2023)
Cash flows from operating activities		
Income before income taxes	1,799,522	1,743,629
Depreciation	445,136	488,110
Amortization of investment unit issuance costs	12,216	9,560
Borrowing related expenses	97,197	102,830
Interest income	(41)	(42)
Interest expenses	184,114	224,185
Loss on retirement of non-current assets	—	5,354
Decrease (increase) in operating accounts receivable	(6,392)	3,673
Decrease (increase) in consumption taxes receivable	99,075	—
Increase (decrease) in accrued consumption taxes	131,364	(128,674)
Decrease (increase) in prepaid expenses	(12,491)	11,379
Decrease (increase) in long-term prepaid expenses	675	6,271
Increase (decrease) in operating accounts payable	60,048	(36,874)
Increase (decrease) in accounts payable - other	26,054	(26,430)
Increase (decrease) in advances received	(15,128)	24,318
Decrease in disposal of property, plant and equipment due to sale	—	712,110
Decrease in disposal of property, plant and equipment in trust due to sale	930,789	3,114,175
Other	4,482	23,315
Subtotal	3,756,624	6,276,893
Interest income received	41	42
Interest expenses paid	(178,256)	(227,298)
Income taxes paid	(605)	(605)
Net cash provided by (used in) operating activities	3,577,803	6,049,032
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,898)	(41)
Purchase of property, plant and equipment in trust	(6,530,197)	(12,031,780)
Purchase of intangible assets	(1,096)	—
Proceeds from tenant leasehold and security deposits	8,414	—
Repayments of tenant leasehold and security deposits	—	(13,375)
Proceeds from tenant leasehold and security deposits in trust	11,651	89,543
Repayments of tenant leasehold and security deposits in trust	(17,542)	(78,827)
Net cash provided by (used in) investing activities	(6,531,670)	(12,034,483)
Cash flows from financing activities		
Proceeds from short-term loans payable	974,800	—
Repayments of short-term loans payable	—	(975,000)
Proceeds from long-term loans payable	9,814,340	5,693,103
Repayments of long-term loans payable	(9,950,000)	—
Proceeds from issuance of investment units	—	6,393,675
Payment of investment unit issuance costs	(8,913)	—
Distributions paid	(1,791,762)	(1,730,016)
Net cash provided by (used in) financing activities	(961,535)	9,381,761
Net increase (decrease) in cash and cash equivalents	(3,915,402)	3,396,311
Cash and cash equivalents at beginning of period	7,360,022	3,444,620
Cash and cash equivalents at end of period	*1 3,444,620	*1 6,840,931

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

VI. 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 February 28, 2023, the Investment Corporation has a portfolio of 54 properties with a total acquisition price of 121,023 million yen and an occupancy rate of 98.9%.

[Basis of Presentation]

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

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

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

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

[Going Concern Assumption]

Not applicable.

[Summary of Significant Accounting Policies]

1. Method of Depreciation of Non-Current Assets	(1) Property, plant and equipment (including property, plant and equipment in trust)							
	Depreciation of property, plant and equipment is calculated by the straight-line method over the estimated useful lives as follows:							
	<table border="0"> <tr> <td>Buildings</td> <td>2 to 66 years</td> </tr> <tr> <td>Structures</td> <td>10 to 65 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>10 to 20 years</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>2 to 15 years</td> </tr> </table>	Buildings	2 to 66 years	Structures	10 to 65 years	Machinery and equipment	10 to 20 years	Tools, furniture and fixtures
Buildings	2 to 66 years							
Structures	10 to 65 years							
Machinery and equipment	10 to 20 years							
Tools, furniture and fixtures	2 to 15 years							
	(2) Intangible assets							
	Intangible assets are amortized by the straight-line method over the estimated useful lives as follows:							
	Software 5 years							
	(3) Long-term prepaid expenses							
	Long-term prepaid expenses are amortized by the straight-line method.							
2. Accounting for Deferred Assets	Amortization of investment unit issuance costs Investment unit issuance costs are amortized by the straight-line method over three years.							

3. Standards for Revenue and Expense Recognition	(1) Standards regarding revenue recognition The details of main performance obligations concerning revenue from contracts with the Investment Corporation’s customers and the general timing to satisfy performance obligations (general timing to recognize revenue) are as follows: 1) Sales of real estate properties The Investment Corporation recognizes revenue from sales of real estate properties when buyers, as the customers, obtain control of the real estate properties upon fulfilling its delivery obligations specified in the purchase and sales agreements. On the statement of income, an amount after deducting the “cost of sales of real estate properties” and “other sales expenses” from “revenue on sales of real estate properties” is presented as “gain on sales of real estate properties” or “loss on sales of real estate properties.” 2) Utilities reimbursement revenue The Investment Corporation recognizes utilities reimbursement revenue in accordance with the supply of electricity, water, etc. to lessees, as the customers, based on the terms of the lease agreements and the supplementary agreements for the real estate properties. (2) Accounting for property tax, etc. Property-related taxes, such as property taxes, city planning taxes and depreciable asset taxes are expensed on an accrual basis. When the Investment Corporation acquires the property, the property-related taxes reimbursed to the seller for the amount related to the period from the acquisition date to the end of the calendar year in which such acquisition occurs is capitalized as acquisition costs. The amount of property-related taxes included in the acquisition cost of real estate was 11,724 thousand yen for the fiscal period ended August 31, 2022 (9th Period) and 12,312 thousand yen for the fiscal period ended February 28, 2023 (10th Period).
4. Scope of Cash and Cash Equivalents on the Statement of Cash Flows	Cash and cash equivalents on the statement of cash flows include cash on hand, entrusted cash, demand deposits, entrusted bank deposits, and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash that are subject to an insignificant risk of changes in value.
5. Other Matters Serving as the Basis for Preparation of Financial Statements	(1) Accounting policy for trust beneficiary interests in real estate The Investment Corporation accounts for trust beneficiary interests by recognizing all assets and liabilities with respect to the assets in trust as assets and liabilities on the balance sheet and recognizing all income derived from and expenses related to the assets in trust on the statement of income. The following material items of the trust assets recognized in the relevant account item are separately listed on the balance sheet. 1) Cash and deposits in trust 2) Buildings in trust, Structures in trust, Machinery and equipment in trust, Tools, furniture and fixtures in trust, Land in trust, and Construction in progress in trust 3) Current portion of tenant leasehold and security deposits in trust, and Tenant leasehold and security deposits in trust (2) Accounting for non-deductible consumption taxes Non-deductible consumption taxes related to the acquisition of assets are included in the acquisition cost of individual assets.

(Additional Information)

[Provision and Reversal of Allowance for Temporary Difference Adjustments]**9th Fiscal Period (from March 1, 2022 to August 31, 2022)****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	Termination of derivative transactions	(1,681)
Total		(1,681)

2. Reversal of Allowance for Temporary Difference Adjustments**(1) Deferred gains or losses on hedges**

The balance will be reversed due to termination of hedging derivative transactions.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)**1. Details of Allowance for Temporary Difference Adjustments**

(Unit: thousand yen)

Item	Reasons for reversal	Changes in allowance for temporary difference adjustments
Buildings in trust	Fulfillment of asset retirement obligations	(648)
Total		(648)

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.

[Changes in Accounting Policies]

Previously, non-deductible consumption taxes related to the acquisition of assets were recorded as long-term prepaid expenses and amortized equally over five years. However, in the fiscal period ended February 28, 2023, the accounting policy was changed to include such taxes in the acquisition cost of individual assets.

This change was made in order to provide more reliable and relevant information about the actual status of the Investment Corporation's operations on the financial statements, since the Investment Corporation's main sponsor, the MIRARTH Holdings Group, changed and strengthened its organizational structure to facilitate the supply of residential properties to the Investment Corporation; in response, the Investment Corporation changed its investment policy to acquire properties focusing on residential properties by fully leveraging the main sponsor's real estate development capabilities.

This change in accounting policies was applied retrospectively and the financial statements for the fiscal period ended August 31, 2022 are after retrospective application. As a result, compared with the balance sheet before retrospective application, prepaid expenses and long-term prepaid expenses decreased by 176,295 thousand yen and 544,492 thousand yen, respectively, and property, plant and equipment and deferred tax liabilities increased by 875,277 thousand yen and 48,972 thousand yen, respectively, in the fiscal period ended August 31, 2022. Compared with the income statement before retrospective application, taxes and dues decreased by 83,684 thousand yen, expenses related to leasing business increased by 7,154 thousand yen, borrowing related expenses increased by 3,788 thousand yen, and income taxes – deferred increased by 22,718 thousand yen in the fiscal period ended August 31, 2022. As a result, operating income increased by 76,530 thousand yen, ordinary income and income before income taxes increased by 72,212 thousand yen, respectively, and net income increased by 49,494 thousand yen in the fiscal period ended August 31, 2022.

The statement of cash flows for the fiscal period ended August 31, 2022 shows increases of 72,212 thousand yen in income before income taxes, 7,154 thousand yen in depreciation and 3,788 thousand yen in borrowing related expenses, decreases of 33,239 thousand yen in decrease (increase) in prepaid expenses and 48,342 thousand yen in decrease (increase) in long-term prepaid expenses, and an increase of 165,266 thousand yen in purchase of property, plant and equipment in trust.

The surplus balance at the beginning of the fiscal period ended August 31, 2022 in the statement of changes in net assets increased by 57,199 thousand yen due to the retrospective application of the change in the accounting policies.

The impact on the per unit information is stated in "Per Unit Information."

[Notes to Balance Sheet]

*1 Allowance for temporary difference adjustments

9th Fiscal Period (from March 1, 2022 to August 31, 2022)**1. Details of Allowance for Temporary Difference Adjustments**

(Unit: thousand yen)

Item	Reason for provision	Initial amount	Balance at beginning of period	Provision	Reversal	Balance at end of period	Reason for reversal
Buildings in trust	Book-tax differences on recognition of asset retirement obligations	105,723 (Note)	8,537	—	—	8,537	—
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	1,627	2,549	—	(868)	1,681	Changes in fair value of derivative transactions
Total		107,350	11,086	—	(868)	10,218	—

(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.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)**1. Details of Allowance for Temporary Difference Adjustments**

(Unit: thousand yen)

Item	Reason for provision	Initial amount	Balance at beginning of period	Provision	Reversal	Balance at end of period	Reason for reversal
Buildings in trust	Book-tax differences on recognition of asset retirement obligations	105,723 (Note 1)	8,537	—	—	8,537	—
Deferred gains or losses on hedges	Valuation losses on interest rate swaps	1,627	1,681	—	(1,681)	—	Termination of derivative transactions (Note 2)
Total		107,350	10,218	—	(1,681)	8,537	—

(Note 1) 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.

(Note 2) The balance is reversed because the hedging derivative transaction has been terminated.

2. Reversal of Allowance for Temporary Difference Adjustments**(1) Buildings in trust**

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

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

(Unit: thousand yen)

9th Fiscal Period (As of August 31, 2022)	10th Fiscal Period (As of February 28, 2023)
50,000	50,000

[Notes to the Statement of Income]

*1 Breakdown of operating income from real estate leasing business

	(Unit: thousand yen)			
	9th Fiscal Period (from March 1, 2022 to August 31, 2022)		10th Fiscal Period (from September 1, 2022 to February 28, 2023)	
A. Operating revenue from real estate leasing business				
Leasing business revenue				
Rental revenue	2,895,637		3,059,558	
Common area charges	167,287		163,576	
Parking revenue	74,764		78,768	
Other rental revenue	26,155	3,163,845	21,998	3,323,900
Other leasing business revenue				
Utilities reimbursement revenue	111,741		120,525	
Other revenue	21,694	133,435	30,753	151,279
Total operating revenue from real estate leasing business		3,297,281		3,475,179
B. Operating expenses from real estate leasing business				
Expenses related to leasing business				
Management fees	225,506		261,135	
Utilities expenses	124,783		138,888	
Taxes and dues	231,033		226,355	
Insurance premiums	6,431		7,001	
Repair expenses	81,090		81,533	
Trust fees	13,033		15,958	
Depreciation	444,477		487,450	
Loss on retirement of non-current assets	—		5,354	
Other expenses	3,788		4,110	
Total operating expenses from real estate leasing business		1,130,145		1,227,789
C. Operating income from real estate leasing business (A-B)		2,167,135		2,247,390

(Note) Due to a change in accounting policies in the fiscal period ended February 28, 2023, the figures for the fiscal period ended August 31, 2022 are after retrospective application. The same applies hereafter.

*2 Breakdown of gain on sales of real estate properties

9th Fiscal Period (from March 1, 2022 to August 31, 2022)

(Unit: thousand yen)	
Chuo Bakuromachi Building (63% quasi-co-ownership interest)	
Revenue on sales of real estate properties	1,228,500
Cost of sales of real estate properties	930,789
Other sales expenses	49,601
Gain on sales of real estate properties	248,108

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

(Unit: thousand yen)	
Hotel Sunshine Utsunomiya	
Revenue on sales of real estate properties	2,196,850
Cost of sales of real estate properties	2,107,531
Other sales expenses	70,239
Gain on sales of real estate properties	19,079

(Unit: thousand yen)	
Co-op Sapporo Shunko	
Revenue on sales of real estate properties	1,110,000
Cost of sales of real estate properties	1,006,644
Other sales expenses	35,330
Gain on sales of real estate properties	68,025

(Unit: thousand yen)	
Akasaka Kawase Building	
Revenue on sales of real estate properties	775,300
Cost of sales of real estate properties	712,110
Other sales expenses	12,711
Gain on sales of real estate properties	50,477

[Notes to Statement of Changes in Net Assets]

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

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	575,000 units	638,600 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

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
Cash and deposits	3,619,842	6,880,357
Cash and deposits in trust	2,577,890	2,765,198
Restricted deposits ^(Note)	(2,753,112)	(2,804,624)
Cash and cash equivalents	3,444,620	6,840,931

(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

	9th Fiscal Period (August 31, 2022)	10th Fiscal Period (February 28, 2023)
Due within 1 year	1,556,727	1,640,059
Due after 1 year	11,053,908	10,442,111
Total	12,610,636	12,082,171

[Financial Instruments]**1. Our Policy on Financial Instruments****(1) Policy for financial instruments**

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

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

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

(2) Financial instrument risk management

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

(3) Supplementary information on fair value of financial instruments

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 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 August 31, 2022, and as of February 28, 2023 are as follows. The notes for "cash and deposits," "cash and deposits in trust," and "short-term loans payable" are omitted as they are cash and short-term settlements, and the fair value approximates the book value.

9th Fiscal Period (As of August 31, 2022)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	6,000,000	6,000,000	—
(2) Long-term loans payable	51,300,000	51,121,687	(178,312)

10th Fiscal Period (As of February 28, 2023)

(Unit: thousand yen)

	Carrying amount	Fair value	Difference
(1) Current portion of long-term loans payable	6,000,000	6,000,000	—
(2) Long-term loans payable	57,080,000	56,593,807	(486,192)

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

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

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

(Note 2) Maturity analysis of long-term loans payable (August 31, 2022)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Long-term loans payable	6,000,000	9,550,000	17,400,000	14,400,000	5,060,000	4,890,000
Total	6,000,000	9,550,000	17,400,000	14,400,000	5,060,000	4,890,000

Maturity analysis of long-term loans payable (February 28, 2023)

(Unit: thousand yen)

	Due within 1 year	Due after 1 year and within 2 years	Due after 2 years and within 3 years	Due after 3 years and within 4 years	Due after 4 years and within 5 years	Due after 5 years
Long-term loans payable	6,000,000	16,900,000	16,600,000	13,630,000	5,060,000	4,890,000
Total	6,000,000	16,900,000	16,600,000	13,630,000	5,060,000	4,890,000

[Securities]**9th Fiscal Period (As of August 31, 2022)**

Not applicable.

10th Fiscal Period (As of February 28, 2023)

Not applicable.

[Derivative Transactions]**1. Derivative Transactions to Which Hedge Accounting Is Not Applied****9th Fiscal Period (As of August 31, 2022)**

Not applicable.

10th Fiscal Period (As of February 28, 2023)

Not applicable.

2. Derivative Transactions to Which Hedge Accounting Is Applied**9th Fiscal Period (As of August 31, 2022)**

Not applicable.

10th Fiscal Period (As of February 28, 2023)

Not applicable.

[Retirement Benefits]**9th Fiscal Period (As of August 31, 2022)**

Not applicable.

10th Fiscal Period (As of February 28, 2023)

Not applicable.

[Tax Effect Accounting]**1. Breakdown of Deferred Tax Assets and Deferred Tax Liabilities**

(Unit: thousand yen)

	9th Fiscal Period (As of August 31, 2022)	10th Fiscal Period (As of February 28, 2023)
Deferred tax assets		
Asset retirement obligations	28,097	26,059
Deferred consumption taxes	235,388	206,356
Subtotal of deferred tax assets	263,486	232,416
Valuation allowance	(5,333)	(5,505)
Total deferred tax assets	258,152	226,911
Deferred tax liabilities		
Building and equipment corresponding to the asset retirement obligations	22,797	20,579
Non-deductible consumption taxes for property, plant and equipment	275,362	272,947
Non-deductible consumption taxes for deferred assets	8,965	7,581
Total deferred tax liabilities	307,124	301,107
Deferred tax liabilities, net	48,972	74,196

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

(Unit: %)

	9th Fiscal Period (As of August 31, 2022)	10th Fiscal Period (As of February 28, 2023)
Statutory tax rate	31.46	31.46
(Adjustments)		
Deductible distributions	(30.24)	(30.03)
Other	0.08	0.05
Effective income tax rate	1.30	1.48

[Related-Party Transactions]**1. Parent Company and Major Corporate Unitholders****9th Fiscal Period (from March 1, 2022 to August 31, 2022)**

Not applicable.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

Not applicable.

2. Affiliated Companies**9th Fiscal Period (from March 1, 2022 to August 31, 2022)**

Not applicable.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

Not applicable.

3. Fellow Subsidiaries**9th Fiscal Period (from March 1, 2022 to August 31, 2022)**

Not applicable.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

Not applicable.

4. Directors and Major Individual Unitholders

9th Fiscal Period (from March 1, 2022 to August 31, 2022)

Type	Name	Location	Stated capital (million yen)	Business or occupation	Percentage of voting rights (owned) (%)	Relationship	Transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director	Tetsuo Saida	—	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, Takara PAG Real Estate Advisory Ltd.	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, Takara PAG Real Estate Advisory Ltd.	Payment of asset management fee to the Asset Management Company	256,939	Accounts payable – other	219,192

(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 fees include the property acquisition fee of 57,672 thousand yen recorded as the book value of the acquired properties.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

Type	Name	Location	Stated capital (million yen)	Business or occupation	Percentage of voting rights (owned) (%)	Relationship	Transaction	Transaction amount (thousand yen)	Account item	Balance at end of period (thousand yen)
Director	Tetsuo Saida	—	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, Takara PAG Real Estate Advisory Ltd.	—	Executive Director, Takara Leben Real Estate Investment Corporation and Representative Director, President, Takara PAG Real Estate Advisory Ltd.	Payment of asset management fee to the Asset Management Company	253,960	Accounts payable – other	191,164

(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 fees include the property acquisition fee of 80,175 thousand yen recorded as the book value of the acquired properties.

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

9th Fiscal Period (from March 1, 2022 to August 31, 2022)

Not applicable.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

Not applicable.

[Asset Retirement Obligations]

9th Fiscal Period (from March 1, 2022 to August 31, 2022)

1. Asset Retirement Obligations Booked on the Balance Sheet

(1) Overview

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

(2) Measurement of the asset retirement obligations

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

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

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

1. Asset Retirement Obligations Booked on the Balance Sheet

(1) Overview

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

(2) Measurement of the asset retirement obligations

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

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

(3) Movements of the asset retirement obligations

(Unit: thousand yen)

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
Balance at beginning of period	88,970	89,310
Increase due to acquisition of properties	—	—
Decrease due to disposition of properties	—	—
Decrease due to fulfillment of asset retirement obligations	—	(6,812)
Adjustment for passage of time	340	336
Balance at end of period	89,310	82,835

[Segment Information]

(Segment information)

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

(Related information)

9th Fiscal Period (from March 1, 2022 to August 31, 2022)**(1) Information by product and service**

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

(2) Information by geographical area

1) Operating revenues

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

2) Property, plant and equipment

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

(3) Information by major customers

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

10th Fiscal Period (from September 1, 2022 to February 28, 2023)**(1) Information by product and service**

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

(2) Information by geographical area

1) Operating revenues

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

2) Property, plant and equipment

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

(3) Information by major customers

Name of customer	Operating revenues	Related segment
Yamada Holdings Co., Ltd.	(Note)	Real estate leasing business

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

[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)

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
Carrying amount		
Balance at beginning of period	110,422,691	115,505,809
Increase (decrease) during the period	5,083,118	7,889,877
Balance at end of period	115,505,809	123,395,686
Fair value at end of period	121,675,000	129,698,000

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

(Note 2) In the fiscal period ended August 31, 2022, the main increase is attributable to the acquisition of three properties (6,195,954 thousand yen) and the main decrease is attributable to the sale of one property (930,789 thousand yen) and depreciation (444,477 thousand yen). In the fiscal period ended February 28, 2023, the main increase is attributable to the acquisition of nine properties (11,735,064 thousand yen) and the main decrease is attributable to the sale of three properties (3,826,286 thousand yen) and depreciation (487,450 thousand yen).

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

(Note 4) The balance at the beginning of the fiscal period ended August 31, 2022 increased by 717,165 thousand yen due to the retrospective application of a change in the accounting policies.

The income (loss) concerning investment and rental properties for the fiscal period ended August 31, 2022 (9th Period) and the fiscal period ended February 28, 2023 (10th Period) is as stated in "Notes to Statement of Income."

[Revenue Recognition]**Information about disaggregation of revenue from contracts with customers****9th Fiscal Period (from March 1, 2022 to August 31, 2022)**

Major revenues generated from contracts with customers are "revenue on sales of real estate properties" and "utilities reimbursement revenue." As for the amounts, refer to "*1 Breakdown of operating income from real estate leasing business," "*2. Breakdown of gain on sales of real estate properties" in the "Notes to Statement of Income" above. As for revenue from the real estate leasing business to which the Accounting Standard for Lease Transactions (ASBJ Statement No. 13) is applied, as the Standard for Revenue Recognition is not applied, they are not included in the revenues generated from contracts with customers.

10th Fiscal Period (from September 1, 2022 to February 28, 2023)

Major revenues generated from contracts with customers are "revenue on sales of real estate properties" and "utilities reimbursement revenue." As for the amounts, refer to "*1 Breakdown of operating income from real estate leasing business," "*2. Breakdown of gain on sales of real estate properties" in the "Notes to Statement of Income" above. As for revenue from the real estate leasing business to which the Accounting Standard for Lease Transactions (ASBJ Statement No. 13) is applied, as the Standard for Revenue Recognition is not applied, they are not included in the revenues generated from contracts with customers.

[Per Unit Information]

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
Net assets per unit	103,238 yen	102,989 yen
Net income per unit	3,089 yen	2,689 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) As described in "Changes in Accounting Policies," the Investment Corporation changed its accounting policies for non-deductible consumption taxes related to the acquisition of assets. The change in accounting policies was applied retrospectively and the per unit information for the fiscal period ended August 31, 2022 is after retrospective application. As a result, net asset value per unit and net income per unit for the fiscal period ended August 31, 2022 increased by 186 yen and 87 yen, respectively, compared with those before the retroactive application.

(Note 3) The basis for calculation of net income per unit is as follows:

	9th Fiscal Period (from March 1, 2022 to August 31, 2022)	10th Fiscal Period (from September 1, 2022 to February 28, 2023)
Net income (thousand yen)	1,776,199	1,717,801
Amount not attributable to common unitholders (thousand yen)	—	—
Net income attributable to common investment units (thousand yen)	1,776,199	1,717,801
Average number of investment units during the period (units)	575,000	638,600

[Significant Subsequent Events]

1. Issuance of new investment units

Pursuant to the resolutions on the issuance of new investment units made at the Board of Directors' meetings held on February 14, 2023, and February 21, 2023, the Investment Corporation issued 48,735 new investment units through public offering and 4,000 new investment units through third-party allotment, for which payment of 4,156,754,355 yen and that of 341,172,000 were completed on March 1, 2023, and March 28, 2023, respectively. As a result, unitholders' capital was 68,299,018,055 yen and the total number of investment units issued and outstanding was 691,335 units as of March 28, 2023.

<Issuance of New Investment Units through Public Offering>

• Number of new units issued	48,735 units
• Issue price (offer price)	88,422 yen per unit
• Total issue price (total offer price)	4,309,246,170 yen
• Issue amount (paid-in amount)	85,293 yen per unit
• Total issue amount (total paid-in amount)	4,156,754,355 yen
• Payment date	March 1, 2023
• Purpose of funds raised	Allocation to funds for acquisition of new domestic real estate trust beneficiary interests per "3. Acquisition of Assets," below, and allocation to a portion of associated costs.

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

• Number of new units issued	4,000 units
• Issue amount (paid-in amount)	85,293 yen per unit
• Total issue amount (total paid-in amount)	341,172,000 yen
• Payment date	March 28, 2023
• Purpose of funds raised	The funds will be used for a portion of the repayment of borrowings or for a portion of future acquisition of specified assets.

2. Borrowing of Funds

In order to allocate funds for the acquisition of seven new domestic real estate trust beneficiary interests excluding Fiel Kiyofune as described in "3. Acquisition of Assets" below as well as a portion of related expenses, the Investment Company conducted the following borrowings on March 2, 2023.

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)	4,070	0.67455% *Base interest rate (Note 3) +0.60%	March 2, 2023	February 29, 2028	Lump-sum repayment on maturity	Unguaranteed/ unsecured

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

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

(Note 3) The first interest payment date shall be May 31, 2023, and subsequent interest payment dates shall be the last day of every third month thereafter and the principal repayment date. However, if the payment date is not a bank business day, this shall fall on the next business day, and if the next business day falls in the next month, this shall fall on the previous business day. The base interest rate is the 3-month JBA Japanese Yen TIBOR published by the JBA TIBOR Administration (JBATA). However, if the rate corresponding to such an interest period is not indicated, it will be the base interest rate calculated based on the method specified in the contract. The base interest rate corresponding to the calculation period of each interest payment due date is determined two business days immediately before the borrowing date for the first interest calculation period and two business days before the interest payment due date immediately before the interest calculation period thereafter.

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

3. Acquisition of Assets

The Investment Corporation acquired the following domestic real estate trust beneficiary interests on March 2, 2023.

Category	Property number (Note 1)	Property name	Location	Acquisition price (million yen) (Note 2)	Seller
Residence	R-31	TLR Residence Ryogoku	Sumida Ward, Tokyo	2,000	GK Island Ship No. 4
	R-32	TLR Residence Otorii	Ota Ward, Tokyo	1,470	
	R-33	TLR Residence Kameari	Katsushika Ward, Tokyo	1,900	Undisclosed (Note 3)
	R-34	Fiel Kiyofune	Nagoya City, Aichi	1,500	
	R-35	SERENiTE Namba west	Osaka City, Osaka	1,300	GK Island Ship No. 4
	R-36	Colline Ensoleille	Wako City, Saitama	970	
	R-37	Rock Field Nishi-Oi	Shinagawa Ward, Tokyo	535	
	R-38	La Vita YATSUKA-EKIMAE I・II (Note 3)	Soka City, Saitama	970	
Total				10,645	

(Note 1) The code "R" represents residential properties.

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

(Note 3) For Fiel Kiyofune, though the seller is a domestic limited liability company, this information is undisclosed as the seller has not provided consent for disclosure.

VII. Supplementary Schedules

1. Securities

(a) Shares
Not applicable.

(b) Securities Other Than Shares
Not applicable.

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

Not applicable.

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

(Unit: thousand yen)

Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period	Accumulated depreciation		Net balance at end of period	Notes
					Depreciation during period			
[Property, plant and equipment]								
Buildings	4,179,803	4,694	47,901	4,136,596	298,846	49,487	3,837,749	
Structures	28,587	—	—	28,587	1,261	240	27,325	
Machinery and equipment	47,540	—	—	47,540	8,319	1,188	39,221	
Tools, furniture and fixtures	33,338	536	2,393	31,481	9,565	2,609	21,915	
Land	6,284,713	—	667,509	5,617,204	—	—	5,617,204	
Buildings in trust	29,274,365	4,385,273	1,488,265	32,171,374	2,308,742	425,735	29,862,632	
Structures in trust	147,154	40,699	215	187,638	8,743	1,944	178,895	
Machinery and equipment in trust	9,793	7,508	—	17,302	951	677	16,350	
Tools, furniture and fixtures in trust	85,956	21,542	8,215	99,283	19,214	5,567	80,068	
Land in trust	77,778,055	7,747,746	1,825,896	83,699,906	—	—	83,699,906	
Construction in progress in trust	8,851	5,566	—	14,417	—	—	14,417	
Total	117,878,161	12,213,568	4,040,397	126,051,332	2,655,645	487,450	123,395,686	
[Intangible assets]								
Software	6,596	—	—	6,596	4,894	659	1,702	
Total	6,596	—	—	6,596	4,894	659	1,702	
Grand total	117,884,758	12,213,568	4,040,397	126,057,929	2,660,539	488,110	123,397,389	

(Note) The main increases during the period are attributable to the acquisition of nine properties (11,735,064 thousand yen), and the main decreases during the period are attributable to the disposition of three properties (4,029,215 thousand yen).

4. Other Specified Assets

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

5. Investment Corporation Bonds

Not applicable.

6. Borrowings

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

	Category (Note1)		Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
	Lender										
Short-term loans payable	Sumitomo Mitsui Banking Corporation		975,000	—	975,000	—	0.41727	May 31, 2023	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/unsecured
	Subtotal		975,000	—	975,000	—	—	—	—	—	—
	The Hiroshima Bank, Ltd.		500,000	—	—	500,000	0.55867	August 31, 2023	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/unsecured
	Sumitomo Mitsui Banking Corporation		1,365,000	—	—	1,365,000					
	SBI 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	0.61200 (Note 6)	August 31, 2023	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/unsecured
	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 Kiyoo Bank, Ltd.		250,000	—	—	250,000						
The Iyo Bank, Ltd.		200,000	—	—	200,000						
Sumitomo Mitsui Banking Corporation		1,365,000	—	—	1,365,000						
Aozora Bank, Ltd.		1,000,000	—	—	1,000,000						
SBI 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	0.71580 (Note 6)	August 30, 2024	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/unsecured	
Sumitomo Mitsui Trust Bank, Limited		600,000	—	—	600,000						
Mizuho Bank, Ltd.		585,000	—	—	585,000						
Resona Bank, Limited		500,000	—	—	500,000						
The Kiyoo Bank, Ltd.		250,000	—	—	250,000						
The Iyo Bank, Ltd.		100,000	—	—	100,000						
Sumitomo Mitsui Banking Corporation		2,200,000	—	—	2,200,000						
Mizuho Bank, Ltd.		1,400,000	—	—	1,400,000						
The Asahi Shinkin Bank		1,300,000	—	—	1,300,000						
Sumitomo Mitsui Trust Bank, Limited		1,200,000	—	—	1,200,000						
SBI Shinsei Bank, Limited		900,000	—	—	900,000	0.76226 (Note 6)	July 31, 2025	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/unsecured	
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						

	Category (Note1)		Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
	Lender										
Long-term loans payable	Daishi Hokuetsu Bank, Ltd.		700,000	—	—	700,000					
	The Nishi-Nippon City Bank, Ltd.		700,000	—	—	700,000					
	The Asahi Shinkin Bank		300,000	—	—	300,000	0.45176 (Note 6)	July 31, 2024	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/unsecured
	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					
	Mizuho Bank, Ltd.		1,300,000	—	—	1,300,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	—	—	1,000,000					
	SBI Shinsei Bank, Limited		1,000,000	—	—	1,000,000	0.66443 (Note 6)	July 31, 2026	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/unsecured
	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					
	Sumitomo Mitsui Banking Corporation		1,650,000	—	—	1,650,000					
	Mizuho Bank, Ltd.		700,000	—	—	700,000					
	Aozora Bank, Ltd.		650,000	—	—	650,000					
	SBI Shinsei Bank, Limited		650,000	—	—	650,000					
	Sumitomo Mitsui Trust Bank, Limited		600,000	—	—	600,000					
	Daishi Hokuetsu Bank, Ltd.		500,000	—	—	500,000	0.49915 (Note 6)	February 28, 2025	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/unsecured
	The Minato Bank, Ltd.		500,000	—	—	500,000					
	The Bank of Yokohama, Ltd.		500,000	—	—	500,000					
	The 77 Bank, Ltd.		500,000	—	—	500,000					
	Kansai Mirai Bank, Ltd.		300,000	—	—	300,000					
	The Chiba Bank, Ltd.		300,000	—	—	300,000					
	The Nishi-Nippon City Bank, Ltd.		250,000	—	—	250,000					
	Aichi Bank, Ltd.		150,000	—	—	150,000					
	Resona Bank, Limited		100,000	—	—	100,000					
	Sumitomo Mitsui Banking Corporation		1,650,000	—	—	1,650,000					
	Mizuho Bank, Ltd.		700,000	—	—	700,000					
Aozora Bank, Ltd.		650,000	—	—	650,000						
SBI Shinsei Bank, Limited		650,000	—	—	650,000						
Sumitomo Mitsui Trust Bank, Limited		600,000	—	—	600,000						
Daishi Hokuetsu Bank, Ltd.		500,000	—	—	500,000	0.60088 (Note 6)	February 27, 2026	Lump-sum repayment on maturity	(Note 4)	Unguaranteed/unsecured	
The Minato Bank, Ltd.		500,000	—	—	500,000						
The Bank of Yokohama, Ltd.		500,000	—	—	500,000						
Kansai Mirai Bank, Ltd.		300,000	—	—	300,000						
The Nishi-Nippon City Bank, Ltd.		250,000	—	—	250,000						
Aichi Bank, Ltd.		150,000	—	—	150,000						
Resona Bank, Limited		100,000	—	—	100,000						



Category (Note1)	Balance at beginning of period (thousand yen)	Increase during period (thousand yen)	Decrease during period (thousand yen)	Balance at end of period (thousand yen)	Average interest rate (%) (Note 2)	Repayment date (Note 3)	Repayment method	Use	Notes
Lender									
Sumitomo Mitsui Banking Corporation	890,000	—	—	890,000					
Mizuho Bank, Ltd.	650,000	—	—	650,000					
SBI Shinsei Bank, Limited	550,000	—	—	550,000					
Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000					
Resona Bank, Limited	450,000	—	—	450,000	0.92375 (Note 6)	July 30, 2027	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/unsecured
Daishi Hokuetsu Bank, Ltd.	400,000	—	—	400,000					
The Nishi-Nippon City Bank, Ltd.	350,000	—	—	350,000					
The Minato Bank, Ltd.	350,000	—	—	350,000					
The Bank of Fukuoka, Ltd.	350,000	—	—	350,000					
The Iyo Bank, Ltd.	350,000	—	—	350,000					
The Ashikaga Bank, Ltd.	170,000	—	—	170,000					
The Tochigi Bank, Ltd.	50,000	—	—	50,000					
Sumitomo Mitsui Banking Corporation	890,000	—	—	890,000					
Mizuho Bank, Ltd.	650,000	—	—	650,000					
SBI Shinsei Bank, Limited	550,000	—	—	550,000					
Sumitomo Mitsui Trust Bank, Limited	500,000	—	—	500,000	1.06250 (Note 6)	July 31, 2028	Lump-sum repayment on maturity	(Note 5)	Unguaranteed/unsecured
Aozora Bank, Ltd.	500,000	—	—	500,000					
Resona Bank, Limited	450,000	—	—	450,000					
The Nishi-Nippon City Bank, Ltd.	350,000	—	—	350,000					
The Minato Bank, Ltd.	350,000	—	—	350,000					
The Bank of Fukuoka, Ltd.	350,000	—	—	350,000					
The Asahi Shinkin Bank	300,000	—	—	300,000					
Sumitomo Mitsui Banking Corporation	—	1,500,000	—	1,500,000					
Mizuho Bank, Ltd.	—	1,000,000	—	1,000,000					
SBI Shinsei Bank, Limited	—	500,000	—	500,000					
Sumitomo Mitsui Trust Bank, Limited	—	400,000	—	400,000	0.85940 (Note 6)	February 26, 2027	Lump-sum repayment on maturity	(Note 4) (Note 5)	Unguaranteed/unsecured
Aozora Bank, Ltd.	—	400,000	—	400,000					
Daishi Hokuetsu Bank, Ltd.	—	400,000	—	400,000					
The Asahi Shinkin Bank	—	400,000	—	400,000					
Aichi Bank, Ltd.	—	400,000	—	400,000					
The Bank of Fukuoka, Ltd.	—	300,000	—	300,000					
The Chiba Bank, Ltd.	—	300,000	—	300,000					
The Yamagata Bank, Ltd.	—	180,000	—	180,000					
Subtotal	57,300,000	5,780,000	—	63,080,000	—	—	—	—	—
Total	58,275,000	5,780,000	975,000	63,080,000	—	—	—	—	—

(Note 1) Short-term loans payable refers to loans with a maturity of one year or less from the drawdown date to the repayment date, and 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 during the period for each loan agreement as at the end of the period.

(Note 3) If the repayment date is not a bank business day, the repayment date shall become the business day immediately following the repayment date, and if the following business day is in the next month, this shall become the previous business day.

(Note 4) The funds are used for the acquisition of real estate trust beneficiary interests or real estate and for the payment of a portion of the related expenses.

(Note 5) The funds are used for repayment of existing borrowings.

(Note 6) The borrowing has a fixed interest rate.

(Note 7) 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	6,000,000	16,900,000	16,600,000	13,630,000	5,060,000

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 February 28, 2023, and the statement of income, statement of changes in net assets, statement of cash distributions and statement of cash flows for the six months period then ended, and notes to the financial statements and supplementary schedules.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023, and its financial performance and its cash flows for the six months period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to "Significant Subsequent Events" in the financial statements, which states the issuance of new investment units, borrowing of funds and acquisition of assets. Our opinion is not qualified in respect of this matter.

Other Information

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

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

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

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

We have nothing to report in this regard.

PricewaterhouseCoopers Aarata LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance



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.

Mitsuo Tsuruta
Designated Engagement Partner
Certified Public Accountant

Takashi Sato
Designated Engagement Partner
Certified Public Accountant

May 29, 2023