

March 25, 2024

For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

5-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo

Aya Motomura, Executive Director

(Securities Code: 8966)

Asset Management Company

HEIWA REAL ESTATE Asset Management CO., LTD.

Masanori Hirano, Representative Director, President and Chief Executive Officer

Inquiries: Naomi Kawasaki, General Manager of Planning & Finance Department

TEL. +81-3-3669-8771

Notice Concerning Revision of Management Status Forecasts

for Fiscal Period Ending May 2024 (45th Fiscal Period) and November 2024 (46th Fiscal Period)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced the outlook for its management status (forecast figures) for the fiscal period ending May 2024 (45th Fiscal Period: December 1, 2023 to May 31, 2024) and November 2024 (46th Fiscal Period: June 1, 2024 to November 30, 2024), as described below.

Details

1. Management Status Forecasts for Fiscal Period Ending May 2024 (45th Fiscal Period)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (yen)(Note)
Previous forecast (A)	7,917	3,655	3,117	3,116	3,325
Revised forecast (B)	8,693	4,388	3,840	3,839	3,340
Variance (B) – (A)	775	733	723	723	15
Variance	9.8%	20.1%	23.2%	23.2%	0.5%
(Reference) Actual Results of Previous Period (Period ended November 2023)	8,656	4,495	3,995	3,995	3,300

(Note) Expected number of investment units issued and outstanding at end of period: 1,149,933.

Management Status Forecasts for Fiscal Period Ending November 2024 (46th Fiscal Period)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (yen)(Note)
Previous forecast (A)	7,774	3,510	2,968	2,968	3,350
Revised forecast (B)	8,651	4,306	3,706	3,706	3,360
Variance (B) – (A)	876	795	737	737	10
Variance	11.3%	22.7%	24.9%	24.9%	0.3%

(Note) Expected number of investment units issued and outstanding at end of period: 1,149,933.

2. Reasons for revising the Management Status Forecasts

As described in the “Notice Concerning Asset Acquisitions and Transfer” issued today, the Investment Corporation decided to acquire HF HIKIFUNE RESIDENCE, and transfer HF NIHONBASHI HAMACHO BUILDING. In this way, the operating revenue forecast for the fiscal period ending November 2024 (46th Fiscal Period) that was announced on January 18, 2024 is expected to change 10% or more, and the forecast is revised.

【Notes】

1. The above figures are as of the date of this document and based on the assumptions described in the attachment “Management status forecast assumptions for 45th Fiscal Period (from December 1, 2023 to May 31, 2024) and 46th Fiscal Period (from June 1, 2024 to November 30, 2024)” Therefore, actual operating revenue, operating income, ordinary income, net income and distributions per unit may vary. These forecasts are not guarantees of actual distributions.
2. The Investment Corporation may revise forecasts in the future in the event of significant discrepancy with the figures above is expected.
3. Amounts are rounded down to the nearest specified unit, and figures for the Variance are rounded to the second decimal place.

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

[Attachment] Management status forecast assumptions for 45th Fiscal Period (from December 1, 2023 to May 31, 2024) and 46th Fiscal Period (from June 1, 2024 to November 30, 2024)

Item	Assumptions
Management Period	45 th Fiscal Period: December 1, 2023 to May 31, 2024 (183 days) 46 th Fiscal Period: June 1, 2024 to November 30, 2024 (183 days)
Assets under Management	<ul style="list-style-type: none"> • The Investment Corporation owns 126 properties and trust beneficiary rights to the properties (hereinafter, the “Acquired Assets”) as of today, and plans to acquire the following 2 properties and transfer the following 1 property by the end of the 46th fiscal period. • It is assumed that HF HIKIFUNE RESIDENCE will be acquired on March 29, 2024, and SHINWA ESAKA BUILDING will be acquired on June 14, 2024. (These 2 properties are hereinafter collectively referred to as the “Assets to be Acquired”.) • It is assumed that HF NIHONBASHI HAMACHO BUILDING will be 50.0% transferred on April 12, 2024 and the remaining 50.0% will be transferred on June 3, 2024. (These 2 properties are hereinafter collectively referred to as the "Assets to be Transferred", and the assets owned by the Investment Corporation, the Acquired Assets and the Assets to be Acquired excluding the Assets to be Transferred, are sometimes referred to as the "Assets Under Management"). • Except for the above, it is assumed that there will be no transfer of Assets Under Management (acquisition of new property or transfer of owned property, etc.) before the end of the fiscal period ending November 30, 2024. • The actual number of properties owned may vary if properties are newly acquired, transferred, etc.
Total outstanding investment units	<ul style="list-style-type: none"> • The assumption is 1,149,933 units as the total number of investment units at present and no other new investment units will be issued until the end of the fiscal period ending November 30, 2024 (46th fiscal period).
Operating revenues	<ul style="list-style-type: none"> • Operating revenues are calculated based on the assumption of the above Assets Under Management. • The Investment Corporation expects to record 896 million yen in the fiscal period ending May 31, 2024 and 739 million yen in the fiscal period ending November 30, 2024 as gain on sale of real estate, etc. including HF NAKANOSHIMA RESIDENCE, which was transferred on December 22, 2023, and the Assets to be Transferred. • Operating revenues are calculated taking into account such factors as cancellation notices currently received and the current market environment, using the history of Acquired Assets as our standard.
Operating expenses	<ul style="list-style-type: none"> • Operating expenses are calculated based on the assumption of the above Assets Under Management • Assumptions concerning major operating expenses are as follows: <ul style="list-style-type: none"> 【45th Fiscal Period (from December 1, 2023 to May 31, 2024)】 Public charges and taxes (fixed property tax, city planning tax, etc.): 533 million yen Maintenance and repair fees: 387 million yen Management commissions: 795 million yen Depreciation: 1,042 million yen 【46th Fiscal Period (from June 1, 2024 to November 30, 2024)】 Public charges and taxes (fixed property tax, city planning tax, etc.): 599 million yen Maintenance and repair fees: 347 million yen Management commissions: 802 million yen Depreciation: 1,054 million yen • Fixed property tax and city planning tax, etc. associated with properties held are accounted for as expenses related to the lending business by posting the amounts corresponding to the relevant calculation period from the amount of tax determined to be due. Although fixed property tax and city planning tax, etc. on the buying and selling of real estate properties is generally calculated on a pro-rata basis between former and new owners and settled at the time of buying and selling, the amount equivalent to the settlement money is not expensed at the time of acquisition, as it is included in the acquisition cost. Fixed property tax and city planning tax, etc. for the Assets to be Acquired will not be expensed in the fiscal period ending in May 2024 (45th fiscal period) and the fiscal period ending in November 2024 (46th fiscal period). Fixed property tax and city planning tax, etc. for the Assets to be Acquired are expected to be expensed in the fiscal period ending in May 2025 (47th fiscal period). • For maintenance and repair fees, an amount deemed necessary during the period based on the

	<p>maintenance and repair plans for the properties is posted.</p> <ul style="list-style-type: none"> • Emergency costs may arise as a result of unforeseeable factors, and actual operating expenses may therefore vary significantly from the forecast.
Non-operating expenses	<ul style="list-style-type: none"> • Interest expenses (including interest on investment corporation bonds) and related borrowing expenses are estimated to be 510 million yen for the fiscal period ending in May 2024 and 570 million yen for the fiscal period ending in November 2024. Amortization of investment unit issuance expenses and investment corporation bond issuance expenses are estimated to be 27 million yen for the fiscal period ending in May 2024 and 18 million yen for the fiscal period ending in November 2024.
Interest-bearing liabilities	<ul style="list-style-type: none"> • The balance of interest-bearing liabilities is 115,037 million yen at present. • The calculation was based on the assumption that 5,100 million yen will be newly borrowed as a part of the acquisition funds for the Assets to be Acquired in the fiscal period ending in November 2024 (46th fiscal period). • We assume that the loans maturing in May and October 2024 will be fully refinanced.
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> • Distribution per unit was calculated on the basis of the monetary distribution policy set forth in the rules. • Regarding distributions for the fiscal period ending May 31, 2024, it is assumed that a total of 3,840 million yen will be distributed (3,340 yen per unit). This reflects the expected net income of 3,839 million yen (3,339 yen per unit) added to the projected reversal of the reserve for temporary difference adjustment of 45 million yen (40 yen per unit), less 44 million yen (39 yen posted per unit) recorded as carried-forward profit. Regarding distributions for the fiscal period ending November 30, 2024, it is assumed that a total of 3,863 million yen will be distributed (distribution of 3,360 yen per unit). This reflects the expected net income of 3,706 million yen (3,222 yen per unit) plus the projected reversal of the reserve for temporary difference adjustment of 45 million yen (40 yen per unit), plus 111 million yen (97 yen per unit) transferred from carried-forward profit. • Distributions per unit (excluding distributions in excess of earnings) may change because of various factors, including changes in leasing income attributable to changes of Assets Under Management or changes in tenants or to unexpected maintenance and repair work.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> • Distributions in excess of earnings are not planned at this point in time.
Other	<ul style="list-style-type: none"> • We assume no amendments to laws, the tax system, accounting standards, TSE rules, or The Investment Trusts Association, Japan rules, etc. that would affect the above forecast figures. • We assume that no major unforeseen changes will occur in the general economic trends, real estate market conditions, etc.