

May 20, 2024

This notice is the English translation of the Japanese announcement on May 20, 2024

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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Aya Motomura, Executive Director

(Securities Code: 8966)

Asset Management Company

HEIWA REAL ESTATE Asset Management CO., LTD.

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Notice Concerning the Issuance of New Investment Units and Secondary Offering of Investment Units

HEIWA REAL ESTATE REIT, Inc. (hereinafter referred to as the “Investment Corporation”) announces that it has passed a resolution at the Board of Directors meeting, held today, concerning the issuance of new investment units and the secondary offering of investment units as follows.

Details

1. Issuance of new investment units through public offering (Primary Offering)

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| (1) | Number of investment units to be offered | 42,800 units |
| (2) | Amount to be paid (issue value) | To be determined
The amount to be paid in will be decided at a meeting of the Investment Corporation’s Board of Directors to be held on a date (“Pricing Date”) between Thursday, May 23, 2024 and Tuesday, May 28, 2024 in accordance with the methods stated in Article 25 of the Japan Securities Dealers Association’s Rules Concerning Underwriting, Etc. of Securities. |
| (3) | Total amount to be paid (issue value) | To be determined |
| (4) | Issue price (offer price) | To be determined
The issue price (offer price) will be decided in accordance with methods stated in Article 25 of the Japan Securities Dealers Association’s Rules Concerning Underwriting, Etc. of Securities. The price will be provisionally calculated (with fractions less than 1 yen discarded) by deducting the 3,340 yen in distributions per unit forecast for the fiscal period ended May 31, 2024 (excluding surplus distributions per unit) from the closing price for ordinary transactions of the Investment Corporation’s investment units (“Investment Units”) on the Tokyo Stock Exchange (“TSE”) on the Pricing Date (the closing price for the units on the immediately preceding date in the event that no price is available on the Pricing Date) and by multiplying the result by a number between 0.90 and 1.00, taking demand and other factors into consideration. |
| (5) | Total amount of issue price (total offer price) | To be determined |

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| (6) | Method of public offering | The public offering will be a primary offering in which all investment units shall be purchased and underwritten by 5 companies, SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (collectively the “Joint Lead Managers”), and 4 additional companies, IwaiCosmo Securities Co.,Ltd., Okasan Securities Co., Ltd., Toyo Securities Co., Ltd. and Mito Securities Co.,Ltd. (together, the Joint Lead Managers and these 4 companies are the “Underwriters.”). In addition, SMBC Nikko Securities Inc., Daiwa Securities Co., Ltd. and Nomura Securities Co., Ltd. will be the joint book runners (“Joint Book Runners”). |
| (7) | Details of underwriting agreement | Underwriters will pay the Investment Corporation the total amount to be paid in (issue value) on the payment date stated in the following item (11). The difference between the total amount to be paid in for the primary offering (issue value) and the total amount of the issue price (offer price) will be the proceeds of the Underwriters. The Investment Corporation will pay no underwriting fee to the Underwriters. |
| (8) | Subscription unit | 1 unit or more, in multiples of 1 unit |
| (9) | Subscription period | The first business day following the pricing data. |
| (10) | Payment period for deposit in securities | From the first business day to the second business day after the pricing date |
| (11) | Payment date | Monday, June 3, 2024 |
| (12) | Delivery date | Tuesday, June 4, 2024 |
| (13) | The issue price (offer price), the amount to be paid in (issue value) and other matters necessary for the issuance of new investment units through the primary offering will be decided at future meetings of the Investment Corporation’s Board of Directors. | |
| (14) | Each of the above items will be subject to the effectuation of securities registration under the Financial Instruments and Exchange Act. | |

2. Secondary offering of investment units (Secondary offering through over-allotment)

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| (1) | Seller | SMBC Nikko Securities Inc. |
| (2) | Number of the secondary offering of investment unit | 2,200 units |
| | | The number of investment units to be offered is the maximum number of investment units SMBC Nikko Securities Inc. will allocate by means of a secondary offering through over-allotment, taking demand and other factors in the primary offering into consideration. This number may decrease or the secondary offering through over-allotment may not be conducted at all, depending on demand and other factors. The number of investment units to be offered will be decided on the Pricing Date, taking demand and other factors into consideration. |
| (3) | Secondary offer price | To be determined
(The secondary offer price will be determined on the pricing date. In addition, the secondary offer price shall be the same as the issue price (offer price) in the primary offering.) |
| (4) | Total amount of secondary offer price | To be determined |
| (5) | Method of secondary offering | Taking demand and other factors in the primary offering into account, SMBC Nikko Securities Inc. will conduct the secondary offering of Investment Units it will borrow (“Borrowed Investment Units”) from Heiwa Real Estate Co., Ltd. (“Heiwa Real Estate”), an investor in the Investment Corporation and a shareholder of HEIWA REAL ESTATE Asset Management CO., LTD. (the “Asset Management Company”), with 2,200 such units as the upper limit, separate from the primary offering. |
| (6) | Subscription unit | 1 unit or more, in multiples of 1 unit |

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| (7) | Subscription period | The same as the primary offering subscription period |
| (8) | Payment period for deposit in securities | The same as the primary offering payment period for deposit in securities |
| (9) | Delivery date | The same as the primary offering delivery date |
| (10) | The secondary offering price and other matters necessary for the secondary offering of investment units through over-allotment will be decided at future meetings of the Investment Corporation's Board of Directors. | |
| (11) | Each of the above items will be subject to the effectuation of securities registration under the Financial Instruments and Exchange Act. | |

3. Issuance of new investment units through third-party allotment (Third-party allotment)

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| (1) | Number of investment units to be offered | 2,200 units |
| (2) | Total amount to be paid (total issue value) | To be determined
(The secondary offer price will be determined on the pricing date. In addition, the secondary offer price shall be the same as the issue price (offer price) in the primary offering.) |
| (3) | Total amount to be paid (total issue value) | To be determined |
| (4) | Allottee and allotted units | SMBC Nikko Securities Inc. 2,200 units |
| (5) | Subscription unit | 1 unit or more, in multiples of 1 unit |
| (6) | Subscription period (subscription date) | Any day between Monday, June 24, 2024 and Monday, July 1, 2024
However, it shall be the business day following the 30th day (or the preceding business day if the 30th day is not a business day) from the day following the subscription period for the primary offering and the secondary offering through over-allotment. |
| (7) | Payment date | Any day between Tuesday, June 25, 2024 and Tuesday, July 2, 2024
However, it shall be the second business day after the 30th day (or the preceding business day if the 30th day is not a business day) from the day following the subscription period for the primary offering and the secondary offering through over-allotment. |
| (8) | Investment units, for which no application for subscription is made by the end of the application period stated in item (6) above (the application deadline) will not be issued. | |
| (9) | The amount to be paid in (issue value) and other matters necessary for the issuance of new investment units through private placement will be decided at future meetings of the Investment Corporation's Board of Directors. | |
| (10) | Each of the above items will be subject to the effectuation of securities registration under the Financial Instruments and Exchange Act. | |

<Reference>

1.Secondary Offering through Over-Allotment, etc.

- (1) SMBC Nikko Securities Inc., the lead manager of the primary offering, may conduct a secondary offering of Investment Units (secondary offering through over-allotment), separate from the primary offering, by borrowing from Heiwa Real Estate a maximum of 2,200 units, taking demand and other factors in the primary offering into consideration. The number of investment units to be offered by means of secondary offering through over-allotment will be 2,200. This is the maximum number of units to be allocated for the secondary offering. The number may decrease or the secondary offering through over-allotment may not be conducted at all, depending on demand and other factors.

In connection with the secondary offering through over-allotment, the Investment Corporation's Board of Directors at its meeting held on Monday, May 20, 2024 resolved to issue 2,200 Investment Units to SMBC Nikko Securities Inc. by means of third-party allotment with any day during the period from Tuesday June 25, 2024 to Tuesday July 2, 2024 (provided, however, that the day shall be the date two business days after the 30th day (if

the 30th day is not a business day, then the preceding business day) from the day following the subscription period for the primary offering and secondary offering through over-allotment) as the payment date (the "Payment Date of the Third-Party Allotment") in order to enable SMBC Nikko Securities Inc. to acquire the Investment Units necessary to return the Borrowed Investment Units.

During the period from the date immediately after the last day of the subscription period for both the primary offering and the secondary offering through over-allotment to the day two business days prior to the Payment Date of the Private Placement (the "Syndicate Cover Transaction Period"), SMBC Nikko Securities Inc. may purchase Investment Units on the TSE in a quantity up to a number specified in the secondary offering through over-allotment ("Syndicate Cover Transactions") with the goal of returning the Borrowed Investment Units. All Investment Units acquired by SMBC Nikko Securities Inc. through Syndicate Cover Transactions will be used to return the Borrowed Investment Units. During the Syndicate Cover Transaction Period, SMBC Nikko Securities Inc. may not perform any Syndicate Cover Transactions or terminate Syndicate Cover Transactions in a quantity lower than the number of units issued in the secondary offering through over-allotment based on its own discretion.

In addition, SMBC Nikko Securities Inc. may engage in stabilizing transactions in connection with the primary offering and the secondary offering through over-allotment. SMBC Nikko Securities Inc. may use all or part of the Investment Units purchased through such stabilizing transactions for returning Borrowed Investment Units.

In response to the allotment through private placement, SMBC Nikko Securities Inc. plans to acquire Investment Units in the number determined by deducting the number of investment units purchased through stabilizing transactions and the Syndicate Cover Transactions and used to return the Borrowed Investment Units from the number of investment units to be offered in the secondary offering through over-allotment. For that reason, subscriptions may not be made for all or part of the investment units to be issued through private placement. As a result, the final number of investment units issued in private placement may decrease to the extent set by the number of the unsubscribed investment units or the issuance of investment units through private placement may not take place at all due to the forfeiture of subscription rights.

Whether or not the secondary offering through over-allotment will take place, and how many investment units will be issued in the event the secondary offering through over-allotment is conducted will be decided on the Pricing Date. SMBC Nikko Securities Inc. will not borrow Investment Units from Heiwa Real Estate if the secondary offering through over-allotment does not take place. In this case, the issuance of new investment units through private placement will not take place at all due to forfeiture because SMBC Nikko Securities Inc. will not accept allotment through private placement and not apply for subscription. Moreover, no Syndicate Cover Transactions will take place on the TSE.

- (2) The above transactions will be carried out by SMBC Nikko Securities Inc. in consultation with Daiwa Securities Co. Ltd. and Nomura Securities Co., Ltd.

2. Change in the total number of outstanding investment units after this issuance of new investment units

Present total number of outstanding units	1,149,933 units	
Increase in the number of investment units associated with the issuance of new investment units in the primary offering	42,800 units	
Total number of outstanding investment units after the issuance of new investment units in the primary offering	1,192,733 units	
Increase in the number of investment units associated with the third-party allotment	2,200 units	(Note)
Total number of outstanding investment units after the third-party allotment	1,194,933 units	(Note)

Note: The numbers of investment units stated above assume that SMBC Nikko Securities Inc. subscribes to all of the investment units in private placement, and that all such investment units are issued. Subscriptions may not be made for all or part of the investment units issued through private placement. As a result, the final number of investment units issued through private placement may decrease to the extent set by the number of unsubscribed investment units or the issuance of investment units through private placement may not take place at all due to the forfeiture of subscription rights. Please refer to the subsection (1) in section 1. Secondary Offering through Over-Allotment, etc. above for details.

3. Purpose and Reason for the Issuance

Following consideration, taking into account real estate sales market conditions, investment unit market trends, distribution level, and the level of NAV per unit, etc. with the aim of improving the profitability and quality of the portfolio by acquiring new specified assets through financing by issuing new investment units (meaning as set forth in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations [Act No. 198 of 1951, as amended]. The same shall apply hereinafter) and for the purpose of strengthening the financial base by lowering the ratio of interest-bearing debt to total assets (LTV), we have determined that the growth in distribution per unit is expected to exceed the dilution of investment units and contribute to the further enhancement of investor value and therefore decided to issue new investment units.

4. Electronic delivery of prospectus

In principle, the prospectus for this offering (the primary offering, the secondary offering by over-allotment, and third-party allotment may be collectively referred to as the “Offering.” The same shall apply hereinafter) will be provided not in writing, but entirely by electronic delivery (Note).

(Note) The Investment Corporation terms the provision of matters described in a prospectus by way of electromagnetic method “electronic delivery of prospectus.” The prospectus provider shall be deemed to have delivered the prospectus if it has obtained the consent of the prospectus recipient and has provided the information contained in the prospectus by electromagnetic means (Article 27-30-9, Paragraph 1 of the Financial Instruments and Exchange Act and Article 32-2, Paragraph 1 of the Cabinet Office Ordinance on Disclosure of Information of Regulated Securities, etc.). Investors are unable to choose to receive a written prospectus. If consent cannot be obtained from investors, or if consent is withdrawn (Article 32-2, Paragraph 7 of the Cabinet Office Order on Disclosure of Information on Regulated Securities) when an underwriter, etc. issues a prospectus by electronic means, the prospectus cannot be delivered by electronic means to the said investors, but underwriters, etc. will sell investment units in the Offering only to the investors whose consent have been obtained and not withdrawn.

5. Amount of Proceeds, Their Use and Planned Disbursement Date

(1) Amount of proceeds (estimated net proceeds)

5,874,000,000 yen (maximum)

Note: The amount above is the sum of the estimated net proceeds of 5,587,000,000 yen from the primary offering and the estimated maximum net proceeds of 287,000,000 yen from the issuance of new investment units through private placement. The amount stated above is also an estimate based on the closing price for ordinary transactions in Investment Units on the TSE on Tuesday, April 30, 2024.

(2) Specific use of proceeds and their planned disbursement date

The proceeds (5,587,000,000 yen) to be received from the primary offering will be used to partially fund acquisitions of specified assets. The Investment Corporation will treat the remainder as a cash reserve, and allocate it as a portion of the funds it will spend on the future acquisition of specified assets if any balance is left. In addition, the Investment Corporation plans for the maximum net proceeds from the issuance of new investment units through third-party allotment (287,000,000 yen) to be a portion of the expenses associated with the acquisition of specified assets and a portion of the expenses necessary for the primary offering and the issuance of new investment units through third-party allotment. Any remaining balance will be kept as part of cash reserves to be used for future acquisitions of specified assets.

Please refer to the “Notice Concerning Acquisition of Domestic Assets (HF KITASENJU RESIDENCE and SHINWA ESAKA BUILDING)” released January 30, 2024, “Notice Concerning Partial Amendment to Funds for Acquisition of Assets”, and “Notice Concerning Acquisition of Domestic Assets (Kitahama 1-Chome Heiwa Building and Kita Nijo Building)” released publicly today for details of the specified assets.

Notes: The Investment Corporation will place the proceeds with a financial institution until their disbursement.

6. Designation of a party to receive the allocation

Underwriters will sell 6,000 of the Investment Units offered through the primary offering to Heiwa Real Estate as the buyer designated by the Investment Corporation.

7. Outlook

For operating results forecast after the said issuance of new investment units, please refer to “Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2024 (46th Fiscal Period) and Forecasts for Fiscal Period Ending May 2025 (47th Fiscal Period)” released publicly today.

8. Financial results and status of equity finance of last three fiscal periods, etc.

(1) Financial results of last three fiscal periods

	42nd Fiscal Period (November, 2022)	43rd Fiscal Period (May, 2023)	44th Fiscal Period (November, 2023)
Net income per unit (note1)	3,202 yen	3,195 yen	3,474 yen
Distribution per unit	3,130 yen	3,160 yen	3,300 yen
Payout ratio (note 2)	97.8 %	98.9 %	95.0 %
Net assets per unit	101,467 yen	101,291 yen	103,077 yen

(note 1) Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days in the period.

(note 2) Payout ratio shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ Net income × 100

(2) Recent investment unit prices

① Investment unit prices of last three fiscal periods

	42nd Fiscal Period (November, 2022)	43rd Fiscal Period (May, 2023)	44th Fiscal Period (November, 2023)
Opening price	145,800 yen	161,200 yen	154,900 yen
High	162,400 yen	164,200 yen	157,100 yen
Low	138,000 yen	145,100 yen	134,700 yen
Closing price	161,100 yen	151,700 yen	135,400 yen

② Investment unit prices of last six months

	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024
Opening price	135,800 yen	134,200 yen	136,500 yen	135,700 yen	142,400 yen	141,800 yen
High	138,500 yen	139,700 yen	137,700 yen	143,600 yen	144,800 yen	143,300 yen
Low	129,400 yen	132,500 yen	131,000 yen	129,700 yen	137,500 yen	139,600 yen
Closing price	134,600 yen	137,200 yen	135,600 yen	142,100 yen	141,700 yen	140,500 yen

(note) The investment unit price for May 2024 is the price as of May 17, 2024.

③ Investment unit price on one business day prior to be the issuance resolution date

	May 17, 2024
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Opening price	139,900 yen
High	140,800 yen
Low	139,600 yen
Closing price	140,500 yen

(3) Status of equity finance of last three fiscal periods

①Public offering

Issuance date	June 1, 2022
Total amount to be paid in	7,362,907,200 yen
Amount paid in (issuance price)	133,386 yen
Total number of outstanding investment units upon subscription	1,055,733 units
Number of investment units issued upon this subscription	55,200 units
Total number of outstanding investment units after the subscription	1,110,933 units
Initial use of funds upon issuance	Allocated them for partial financing to obtain specified assets. Any remaining balance shall be kept as part of cash reserves to be used for future acquisitions of specified assets.
Planned disbursement period upon issuance	June 2022 onwards
State of allocation as of today	The full amount was allocated during the scheduled outlay period

②Third-party allotment

Issuance date	June 28, 2022
Total amount to be paid in	373,480,800 yen
Amount paid in (issuance price)	133,386 yen
Total number of outstanding investment units upon subscription	1,110,933 units
Number of investment units issued upon this subscription	2,800 units
Total number of outstanding investment units after the subscription	1,113,733 units
Initial use of funds upon issuance	Appropriated for a portion of various expenses associated with the acquisition of specified assets and for a portion of various expenses associated with the issuance of new investment units through primary offering and private placement. Any remaining balance shall be kept as part of cash reserves to be used for future acquisitions of specified assets.
Planned disbursement period upon issuance	June 2022 onwards
State of allocation as of today	The full amount was allocated during the scheduled outlay period

③Public offering

Issuance date	June 1, 2023
Total amount to be paid in	4,948,990,500 yen
Amount paid in (issuance price)	143,449 yen
Total number of outstanding investment units upon subscription	1,113,733 units
Number of investment units issued upon this subscription	34,500 units
Total number of outstanding investment units after the subscription	1,148,233 units
Initial use of funds upon issuance	Allocated them for partial financing to obtain specified assets. Any remaining balance shall be kept as part of cash reserves to be used for future acquisitions of specified assets.
Planned disbursement period upon issuance	June 2023 onwards

State of allocation as of today	The full amount was allocated during the scheduled outlay period
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④ Third-party allotment

Issuance date	June 27, 2023
Total amount to be paid in	243,863,300 yen
Amount paid in (issuance price)	143,449 yen
Total number of outstanding investment units upon subscription	1,148,233 units
Number of investment units issued upon this subscription	1,700 units
Total number of outstanding investment units after the subscription	1,149,933 units
Initial use of funds upon issuance	Appropriated for a portion of various expenses associated with the acquisition of specified assets and for a portion of various expenses associated with the issuance of new investment units through primary offering and private placement. Any remaining balance shall be kept as part of cash reserves to be used for future acquisitions of specified assets.
Planned disbursement period upon issuance	June 2023 onwards
State of allocation as of today	The full amount was allocated during the scheduled outlay period

9. Restrictions on Sale, Additional Issuance, etc.

- (1) In connection with the primary offering, the Investment Corporation plans to ask Heiwa Real Estate to enter into an agreement with the Joint Lead Managers stating that no sale or the like (excluding the lending of Investment Units in connection with the secondary offering through over-allotment and the like) will be conducted involving the 143,645 Investment Units which Heiwa Real Estate has held since before the primary offering, and the 6,000 Investment Units which Heiwa Real Estate plans to acquire through the primary offering, without the prior written consent of the Joint Lead Managers in the period beginning with the Pricing Date and ending on the date 180 days after the delivery date of the investment units.
- (2) In connection with the primary offering, the Asset Management Company will enter into an agreement with the Joint Book Runners stating that no sale or the like will be conducted involving the 3,334 Investment Units which the Asset Management Company has owned since before the primary offering, without the prior written consent of the Joint Book Runners in the period beginning with the Pricing Date and ending on the date 180 days after the delivery date of the investment units.
In the event of the above, the Joint Book Runners will have the authority to cancel any such agreement, in whole or in part, during the restriction period, or shorten the restriction period at their discretion.
- (3) In connection with the primary offering, the Investment Corporation will enter into an agreement with the Joint Book Runners stating that no issuance of Investment Units or the like (excluding the issuance of Investment Units or the like in cases such as the primary offering, private placement and the split of investment units) will be conducted without the prior written consent of the Joint Book Runners in the period beginning with the Pricing Date and ending on the date 90 days after the delivery date of the investment units.
In the event of the above, the Joint Book Runners will have the authority to cancel any such agreement, in whole or in part, during the restriction period, or shorten the restriction period at their discretion.

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

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