

Additional Documentation for Press Releases

Notice Concerning Asset Acquisition and Transfer

Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2024 (45th Fiscal Period) and November 2024 (46th Fiscal Period)

March 25, 2024



HEIWA REAL ESTATE REIT, Inc.

Overview of Replacement of Assets Beginning in the 45th Period

- Announced the acquisition of three properties and the transfer of two properties beginning in the 45th Fiscal Period. The replacement of these properties will increase assets under management to 235.0 billion yen.
- A 50% quasi-co-ownership interest in the HF NIHONBASHI HAMACHO BUILDING will be transferred in the 45th and the 46th Fiscal Periods. The recording of gains on transfer in two consecutive periods will contribute to the consistent increase of distributions.

Total Acquisition Price
8,891 million yen

Average NOI Yield (Note 1)
5.0%



HF KITASENJU RESIDENCE

February 29, 2024

Acquisition



HF HIKIFUNE RESIDENCE

March 29, 2024 (Scheduled)

Location	Sumida-ku, Tokyo
Total Floor Space	1,717.79㎡
Construction Date	February 1, 2019
Proposed Acquisition Price	1,380 million yen
Appraisal Value	1,670 million yen
NOI Yield (Note 1)	4.0%
NOI Yield After Depreciation (Note 1)	3.4%



SHINWA ESAKA BUILDING

June 14, 2024 (Scheduled)

45th FP ('24/5)

46th FP ('24/11)

January 18, 2024
Announcement of the 44th FP financial statements

December 22, 2023



HF NAKANOSHIMA RESIDENCE

Total Transfer Price
4,095 million yen

Average NOI yield of 3.9% based on transfer prices on the planned (Note 4)

First transfer: April 12, 2024 (Scheduled)

Second transfer: June 3, 2024 (Scheduled)

Transfer



HF NIHONBASHI HAMACHO BUILDING

Location	Chuo-ku, Tokyo
Total Floor Space	4,226.25㎡
Construction Date	February 15, 1987
Book Value (Note 2)	1,994 million yen
Appraisal Value (as of November 2023)	2,660 million yen
Proposed Transfer Price	3,520 million yen
Estimated Gain (Note 3)	1,471 million yen
NOI yield based on the proposed transfer price (Note 4)	3.7%

(Note 1) $NOI\ Yield = NOI \div Proposed\ acquisition\ price$ / $NOI\ Yield\ After\ Depreciation = (NOI - Depreciation) \div Proposed\ acquisition\ price$
NOI is NOI for 12 months, which serves as the assumption for the value indicated by the income approach under the direct capitalization method shown in the appraisal report of acquired asset.
Depreciation is based on estimates made by the Investment Corporation according to the service life of assets.

(Note 2) Book Value is estimated amount as of scheduled the transfer date.

(Note 3) Estimated Gain is the difference between the scheduled transfer price and the sum of the book value and fees related to the transfer. Since the gain has been calculated for reference only, it may differ from the amount of actual gain (loss) on transfer.

(Note 4) The yield was calculated adding the NOI for the 43rd FP (the fiscal period ended May 31, 2023) and the 44th FP (the fiscal period ended November 30, 2023) and dividing this total by the proposed transfer price.

HF HIKIFUNE RESIDENCE

Residence entrance side

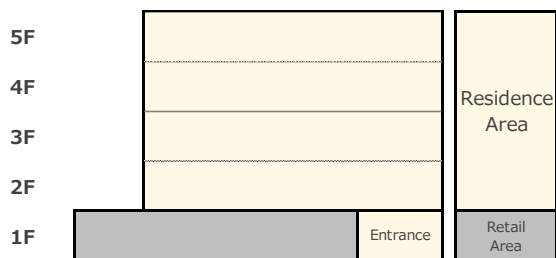


Store entrance side

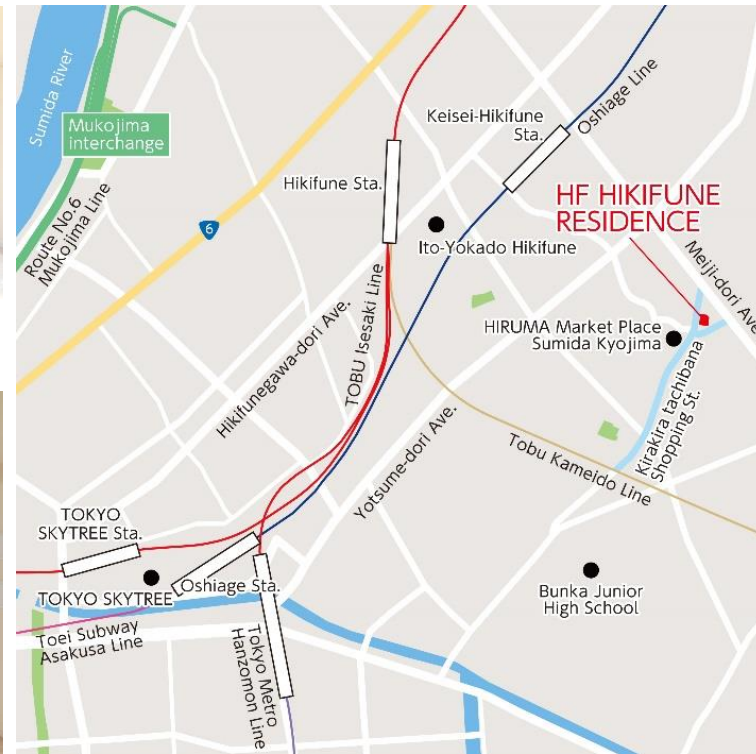


- The property to be acquired is an eight-minute walk from Keisei-Hikifune Station on the Keisei Oshiage Line. The Keisei Oshiage Line shares tracks with the Toei Subway Asakusa Line and the Keiyou Main Line, and tenants of the property are able to easily access major Tokyo train stations without changing trains. It takes around 15 minutes (ride time; the same applies hereafter) to travel from Keisei-Hikifune Station to Nihonbashi Station. The ride from the Keisei-Hikifune Station to Shinagawa Station and Haneda Airport Station is around 30 minutes and around 50 minutes, respectively. The property is within walking distance of Hikifune Station on the Tobu Isesaki Line and the Tobu Kameido Line. The Tobu Isesaki Line shares tracks with the Tokyo Metro Hanzomon Line. The property is conveniently located regarding public transportation.
- The property has a supermarket on the first floor, and the entrance to the supermarket faces the community's Kirakira Tachibana Shopping Street. The area is home to many small establishments, such as restaurants and delicatessens, which exude a charming ambiance of old downtown. There are multiple retail facilities around Hikifune Station which make living in the area convenient. In Sumida-ku, Tokyo, where the property is located, the population and number of households are increasing. Tokyo Skytree opened near the property in May 2012, and the area's popularity is increasing as a residential area. The Investment Corporation anticipates stable demand for properties in the area.

<Conceptual image of the property to be acquired >



<View from the property to be acquired >



Upward revision of distribution

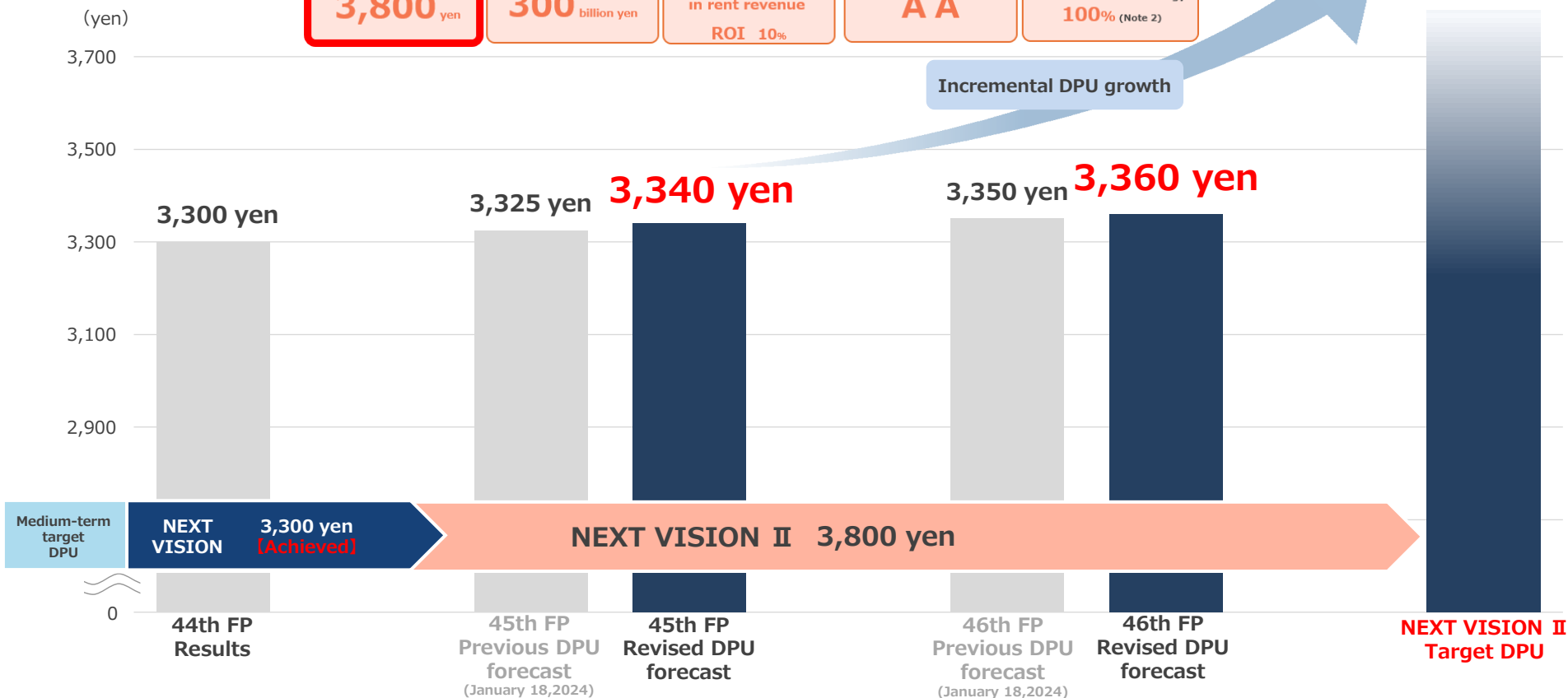
- The distribution per unit forecasts for the 45th Period and 46th Period have been revised upward to 3,340 yen and 3,360 yen respectively, considering the replacement of assets announced following the announcement of results for the 44th Fiscal Period (Note 1).
- The Investment Corporation aims to pay distributions per unit of 3,800 yen in the medium term by realizing unrealized gains and recording gains on transfer, actively leveraging its ample internal reserves and steadily achieving internal growth.

Steady Growth & Sustainable Profit NEXT VISION II

Stage of pursuing the sustainable increase of investor value

DPU 3,800 yen	AUM 300 billion yen	Internal growth 1% annual increase in rent revenue ROI 10%	Rating A A	GHG reduction by 2030 90% (Note 1) Shift to renewable energy 100% (Note 2)
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► DPU Trend



(Note 1) The acquisition of HF KITASENJU RESIDENCE, SHINWA ESAKA BUILDING, and HF HIKIFUNE RESIDENCE and the transfer of the HF NIHONBASHI HAMACHO BUILDING, which were announced after the publication of the financial report for the 44th Fiscal Period on January 18, 2024

(Note 2) Comparison with the FY2018 total Scope 1 and Scope 2 emissions, excluding Scope 3 (emissions by tenants).

(Note 3) Renewable power will be introduced at all properties except properties where a management association manages power, such as properties whose ownership is shared and properties owned by unit owners, and properties where contracts with tenants are unusual. The individually owned portions of residential properties are excluded.

Status of the Investment Corporation

- 1 Realizing unrealized gains and recording gains on transfer
- 2 Leveraging ample internal reserves actively
- 3 Managing a strong portfolio

Upward revision of distribution

Distribution Forecast

45th FP

3,325 yen ▶ **3,340 yen**

46th FP

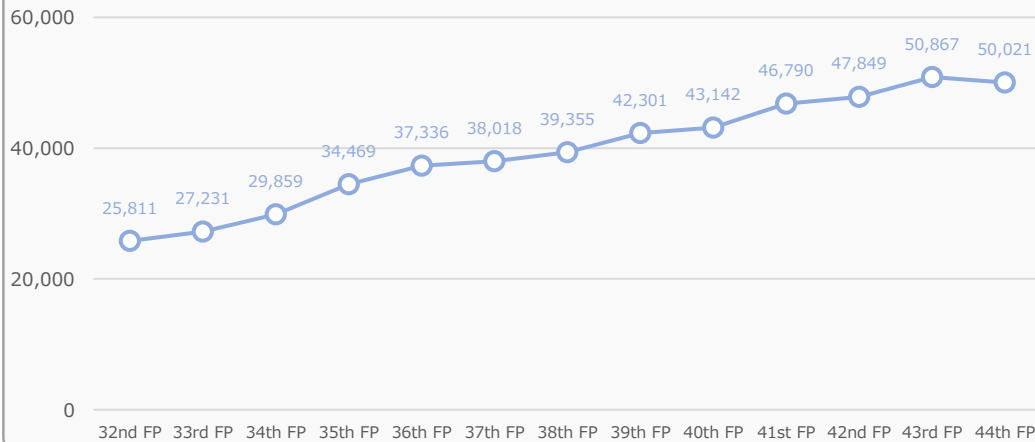
3,350 yen ▶ **3,360 yen**

Use of gain on transfers

► Realized unrealized gains through continuous asset replacement

Replace assets continually to realize unrealized gains (**57.52 billion yen (50,021 yen per unit)*** and an unrealized gain margin of **25.9%***). Use the gains to improve the quality of the portfolio and increase distributions.

► Trend in unrealized gains per unit

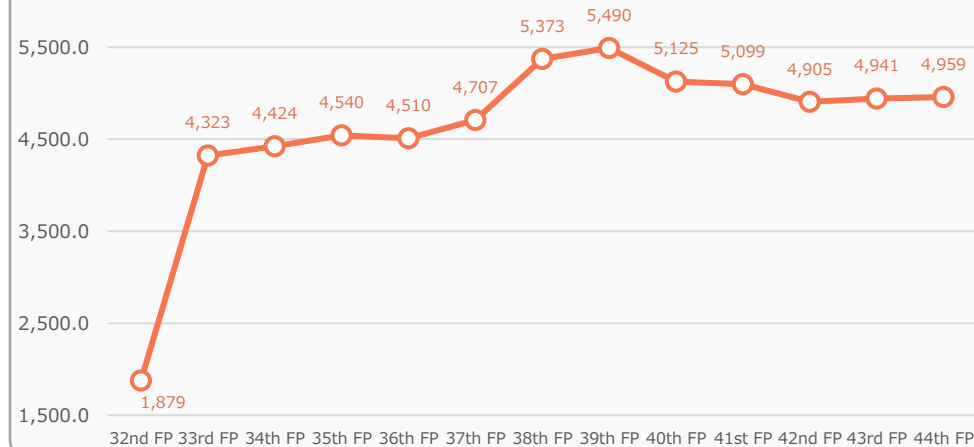


Use of internal reserves

► Ample internal reserve balance

Actively leverage internal reserves totaling **5.7 billion yen (4,959 yen per unit)*** as a source of future distributions.

► Trend in internal reserve balance per unit



*As of the end of November, 2023

History of Property Acquisition and Disposition

(after Main Sponsor Change)



(Note) Excluding the properties that succeeded by the merger with Japan Shingle-Residence REIT Inc. on October 2, 2010

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