

May 18, 2022

This notice is the English translation of the Japanese announcement on May 18, 2022

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, President & Representative Director

Inquiries: Yoshio Ito, General Manager, Planning & Finance Department

TEL. +81-3-3669-8771

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

HEIWA REAL ESTATE REIT, Inc. (hereinafter referred to as "REIT") 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)

- |     |   |  |
|-----|---|--|
| (1) | Number of investment units to be offered        | 55,200 units   |
| (2) | Amount to be paid (issue value)                 | To be determined<br>The amount to be paid in will be decided at a meeting of the REIT's Board of Directors to be held on a date ("Pricing Date") between Wednesday, May 25, 2022 and Friday, May 27, 2022 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<br>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 3,050 yen in distributions per unit forecast for the fiscal period ended May 31, 2022 (excluding surplus distributions per unit) from the closing price for ordinary transactions of the REIT'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   |
| (6) | Method of public offering                       | The public offering will be a primary offering in which all investment units shall be purchased and underwritten by five (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 two additional companies, IwaiCosmo Securities Co., Ltd., Tokai Tokyo Securities Co., Ltd. (Together, the Joint Lead Managers and these two 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 REIT 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 REIT 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 Either Wednesday, June 1, 2022 or Thursday, June 2, 2022 Provided, however, the payment date will be Wednesday, June 1, 2022 if the Pricing Date is Wednesday, May 25, 2022 or Thursday, May 26, 2022. The payment date will be Thursday, June 2, 2022 if the Pricing Date is Friday, May 27, 2022.
- (12) Delivery date The first business day following the payment date.
- (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 REIT’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)

- (1) Seller SMBC Nikko Securities Inc.
- (2) Number of the secondary offering of investment unit 2,800 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 REIT and a shareholder of HEIWA REAL ESTATE Asset Management CO., LTD. (the “Asset Management Company”), with 2,800 such units as the upper limit, separate from the primary offering.



- |      |   |   |
|------|---|---|
| (6)  | Subscription unit   | 1 unit or more, in multiples of 1 unit                                    |
| (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 REIT'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)

- |      |  |   |
|------|--|---|
| (1)  | Number of investment units to be offered   | 2,800 units   |
| (2)  | Total amount to be paid (total issue value)  | To be determined<br>(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. 2,800 units  |
| (5)  | Subscription unit  | 1 unit or more, in multiples of 1 unit  |
| (6)  | Subscription period (subscription date)  | Any day between Monday, June 27, 2022 and Thursday, June 30, 2022<br>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 28, 2022 and Friday, July 1, 2022<br>However, it shall be the second 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. |
| (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 REIT'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 2,800 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 2,800. 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 REIT's Board of Directors at its meeting held on Wednesday, May 18, 2022 resolved to issue 2,800 Investment Units to SMBC Nikko Securities Inc. by means of private placement with any day during the period from Tuesday June 28, 2022 to Friday July 1, 2022 (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 Private Placement") 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	1,055,733 units	
Increase in the number of investment units associated with the issuance of new investment units in the primary offering	55,200 units	
Total number of outstanding investment units after the issuance of new investment units in the primary offering	1,110,933 units	
Increase in the number of investment units associated with the third-party allotment	2,800 units	(note)
Total number of outstanding investment units after the third-party allotment	1,113,733 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

The purposes of the issuance of new investment units are to expand assets, increase the profitability of the portfolio, and qualitatively improve the portfolio through the acquisition of new specified assets (having the meaning defined in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, used in the same way hereinafter). The issuance of new investment units has been decided after the careful consideration of factors, including real estate market conditions, investment unit market conditions, the distribution level, and the net asset value (NAV) per unit, to strengthen the financial foundation by lowering the LTV ratio.

### 4. Electronic delivery of prospectus

Underwriters will provide the prospectus for the Offering (the Primary Offering and the private placement may be collectively referred to as the "Offering." The same shall apply hereinafter.) not in writing, but entirely by electronic delivery (Note). The REIT believes that the electronic delivery of the prospectus is an initiative in line with the current trends, as society is transitioning to being more paperless due to the ubiquitization of teleworking, web conferencing, etc., due to the COVID-19 pandemic.

(Note) The REIT refers to the provision of prospectus information by electromagnetic means as the "electronic delivery of the prospectus" and, as a result, refers to the Offering, which does not involve the delivery of a paper prospectus, as a "paperless" offering. 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.). Therefore, if consent cannot be obtained, or if consent is withdrawn (Article 32-2, Paragraph 7 of the Cabinet Office Ordinance on Disclosure of Information of Regulated Securities, etc.), the prospectus cannot be delivered electronically, but underwriters will sell Investment Units in the Offering only to 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)

7,998,000,000 yen (maximum)

Note: The amount above is the sum of the estimated net proceeds of 7,612,000,000 yen from the primary offering and the estimated maximum net proceeds of 386,000,000 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 Thursday, April 28, 2022.

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

The REIT plans for the net proceeds from the primary offering (7,612,000,000 yen) to be a portion of the funds it will spend on the acquisition of specified assets. The REIT 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 REIT plans for the maximum net proceeds from the issuance of new investment units through private placement (386,000,000 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 private placement. Any remaining balance shall be kept as part of cash reserves to be used for future acquisitions of specified assets.



Please refer to the "Notice Concerning Asset Acquisition and Transfer" released April. 6, 2022, "Notice Concerning Partial Amendment to Funds for Acquisition of Assets", and "Notice Concerning Asset Acquisition and Transfer" released today for details of the specified assets.

Notes: REIT will place the proceeds with a financial institution until their disbursement.

6.Designation of a party to receive the allocation

None

7. Outlook

For the impact of the issuance of new investment units, there is no change in the management status forecast for the fiscal period ending May 2022 (the 41st Fiscal Period) published in "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2022 (41st Fiscal Period) and November 2022 (42nd Fiscal Period)" dated April 6, 2022.

For the impact of the issuance of new investment units on the management status forecast please refer to the “Notice Concerning Revision of Management Status Forecasts for the Fiscal period ending November 2022(42nd Fiscal Period) and the Forecasts for Financial Results for the Fiscal period ending May 2023(43rd Fiscal Period)”



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

(1) Financial results of last three fiscal periods

	38 <sup>th</sup> Fiscal Period (November, 2020)	39 <sup>th</sup> Fiscal Period (May, 2021)	40 <sup>th</sup> Fiscal Period (November, 2021)
Net income per unit (note1)	3,254 yen	2,916 yen	2,816 yen
Distribution per unit	2,680 yen	2,800 yen	2,890 yen
Payout ratio (note 2)	81.8 %	96.0 %	102.7 %
Net assets per unit	94,916 yen	95,189 yen	98,692 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

	38 <sup>th</sup> Fiscal Period (November, 2020)	39 <sup>th</sup> Fiscal Period (May, 2021)	40 <sup>th</sup> Fiscal Period (November, 2021)
Opening price	104,700 yen	117,300 yen	162,900 yen
High	123,100 yen	169,600 yen	180,900 yen
Low	95,500 yen	115,300 yen	150,500 yen
Closing price	116,800 yen	162,900 yen	150,700 yen

② Investment unit prices of last six months

	December 2021	January 2022	February 2022	March 2022	April 2022	May 2022
Opening price	152,600 yen	156,700 yen	141,000 yen	138,700 yen	149,300 yen	149,300 yen
High	157,700 yen	156,900 yen	146,200 yen	151,500 yen	152,700 yen	152,200 yen
Low	150,900 yen	128,200 yen	134,300 yen	130,800 yen	145,400 yen	145,900 yen
Closing price	156,300 yen	141,000 yen	138,600 yen	149,800 yen	149,300 yen	147,700 yen

(note) The investment unit price for May 2022 is the price as of May 17, 2022.

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

	May 17, 2022
Opening price	147,400 yen
High	147,900 yen
Low	146,400 yen
Closing price	147,700 yen

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

① Public offering

Issuance date	June 1, 2021
Total amount to be paid in	8,272,077,300 yen
Amount paid in (issuance price)	155,783 yen
Total number of outstanding investment units upon subscription	999,933 units
Number of investment units issued upon this subscription	53,100 units
Total number of outstanding investment units after the subscription	1,053,033 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 2021 onwards
State of allocation as of today	The full amount was allocated during the scheduled outlay period

②Third-party allotment

Issuance date	June 29, 2022
Total amount to be paid in	420,614,100 yen
Amount paid in (issuance price)	155,783 yen
Total number of outstanding investment units upon subscription	1,053,033 units
Number of investment units issued upon this subscription	2,700 units
Total number of outstanding investment units after the subscription	1,055,733 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 2021 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, Heiwa Real Estate and the Asset Management Company will enter into an agreement with the Joint Book Runners stating that no sale and the like will be conducted involving the Investment Units which Heiwa Real Estate and the Asset Management Company have owned as of the Pricing Date etc. (excluding the lending of the Investment Units in connection with the secondary offering through over-allotment, etc.) 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.
- (2) In connection with the primary offering, the REIT 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.
- (3) In the event of the above (1) and (2), 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/>