HEIWA REAL ESTATE REIT, Inc.

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For Immediate Release

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Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2025 (48th Fiscal Period) and Announcement of Management Status Forecasts for Fiscal Period Ending May 2026 (49th Fiscal Period)

HEIWA REAL ESTATE REIT, Inc. (hereinafter referred to as the "Investment Corporation") announces revisions to the management status forecasts for the fiscal period ending November 2025 (48th Fiscal Period: June 1, 2025 to November 30, 2025) announced in the "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2025 (47th Fiscal Period) and November 2025 (48th Fiscal Period)" released on April 10, 2025. It also announces its management status forecasts for the fiscal period ending May 2026 (49th Fiscal Period: December 1, 2025 to May 31, 2026). Details are as follows.

There are no changes to the management status forecasts for the fiscal period ending May 2025 (47th Fiscal Period: December 1, 2024 to May 31, 2025) announced in the "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2025 (47th Fiscal Period) and Fiscal Period Ending November 2025 (48th Fiscal Period)" released on April 10, 2025.

Details

1. Revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and announcement of management status forecasts for fiscal period ending May 2026 (49th Fiscal Period)

(1) Revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (yen)
Previous forecast (A)	10,461	5,833	5,069	5,068	3,950

Note: This press release was prepared to make an announcement to the revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and forecasts for fiscal period ending May 2026 (49th Fiscal Period) by the Investment Corporation. It has not been prepared to solicit investment whether in or outside Japan. The Investment Corporation requests that prospective investors be sure to read the prospectus for the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by the Investment Corporation, and note that the investment decisions are made at their discretion and responsibility.

Revised forecast (B)	10,589	5,913	5,150	5,149	3,950
Variance (B) – (A)	127	79	81	81	0
Variance (%)	1.2	1.4	1.6	1.6	0.0

(Reference) The expected number of units issued and outstanding at the end of the fiscal period ending November 2025: 1,251,533

(2) Management status forecasts for fiscal period ending May 2026 (49th Fiscal Period)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (yen)
Fiscal period ending May 2026 (49th Fiscal Period)	8,588	3,962	3,172	3,171	3,965

(Reference) The expected number of units issued and outstanding at the end of the fiscal period ending May 2026: 1,251,533

2. Reasons for revising the management status forecasts

As stated in the "Notice Concerning the Issuance of New Investment Units and Secondary Offering of Investment Units" and "Notice Concerning Acquisition of Domestic Assets (Park East Sapporo, KYOMACHIBORI SQUARE, and HF OSHIAGE RESIDENCE)" released today, the Investment Corporation resolved to issue new investment units and conduct a secondary offering of investment units in connection with the acquisition of new assets. Following this resolution, the Investment Corporation revised the management status for the fiscal period ending November 2025 (48th Fiscal Period) announced on April 10, 2025 to reflect changes in the assumptions for the forecasts, and new management status and distributions forecasts for the fiscal period ending May 2026 (49th Fiscal Period) is announced.

【Notes】

1. The above figures are the current forecasts calculated based on the assumptions stated in Attachment 1, "Main assumptions for management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and May 2026 (49th Fiscal Period)". Therefore, it is possible that actual operating revenue, operating income, ordinary income, net income and distribution per unit will vary from the forecasts. These forecasts do not guarantee 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. As of today, the Investment Corporation owns 132 properties and trust beneficiary rights to properties, and it plans to acquire 2 trust beneficiary rights to the properties and 1 property and dispose 3 trust beneficiary rights to the properties by the end of the fiscal period ending May 2026 (49th Fiscal Period), as stated in Attachment 1, "Main assumptions for management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and May 2026 (49th Fiscal Period)".
4. Amounts are rounded down to the nearest specified unit, and the rate of Variance is rounded to the first decimal place.

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

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Attachment 1 Main assumptions for management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and May 2026 (49th Fiscal Period)

Item	Assumptions
Management period	Fiscal period ending November 2025 (48th Fiscal Period): from June 1, 2025 to November 30, 2025 (183 days) Fiscal period ending May 2026 (49th Fiscal Period): from December 1, 2025 to May 31, 2026 (182 days)
Assets under management	・The Investment Corporation plans to acquire 3 properties and dispose 3 properties by the fiscal period ending May 2026 (49th Fiscal Period) as described below, in addition to 132 properties and trust beneficiary rights to the properties (hereinafter referred to as the “Acquired Assets”) it owns as of today. ・It is assumed that “Park East Sapporo” (quasi co-ownership interest 24%) and “KYOMACHIBORI SQUARE” will be acquired on June 4, 2025 and that “HF OSHIAGE RESIDENCE” will be acquired on December 5, 2025 (these 3 properties are hereinafter collectively referred to as the “Assets to be Acquired”). ・It is assumed that “HF HIGASHI-SHINSAIBASHI RESIDENCE” will be disposed on May 30, 2025, “HF HIGASHI-SHINJUKU RESIDENCE” will be disposed on June 6, 2025 and “HF HAMAMATSUCHO BUILDING” will be disposed on June 30, 2025 (hereinafter referred to as the “Assets to be Disposed”, the assets owned by the Investment Corporation, which include the Acquired Assets and the Assets to be Acquired, but exclude the Assets to be Disposed may be referred to as the “Assets Under Management”). ・In forecasting the management status, it is assumed that there will be no changes to the Assets Under Management (acquisition of new properties, disposition of existing properties, etc.) other than the acquisition of the Assets to be Acquired and the disposition of the Assets to be Disposed until the end of the fiscal period ending May 2026 (49th Fiscal Period). ・The actual number of properties owned may vary if properties are newly acquired, disposed, etc.
Total outstanding investment units	・We assume that in addition to the 1,194,933 investment units issued and outstanding as of today, we will issue all of 56,600 investment units, which are part of the new investment units to be issued through offering (hereinafter referred to as the “Offering") according to a decision made at a meeting of the Investment Corporation’s Board of Directors held today, and the sum of 54,000 units to be issued through a public offering (hereinafter referred to as the "Primary Offering") and 2,600 units, or the maximum number of units to be issued through a third-party allotment (hereinafter referred to as the "Third-Party Allotment"). For more information about the Offering, please see the “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” released today. ・Apart from the above it is assumed that no other new investment units will be issued and no acquisition or cancellation of treasury investment units will take place until the end of the fiscal period ending May 2026 (49th Fiscal Period). ・The forecast of distribution per unit is calculated based on the number of investment units issued and outstanding at the end of each fiscal period, which is 1,251,533 units in total, including the number of investment units in the Primary Offering and the Third-Party Allotment.

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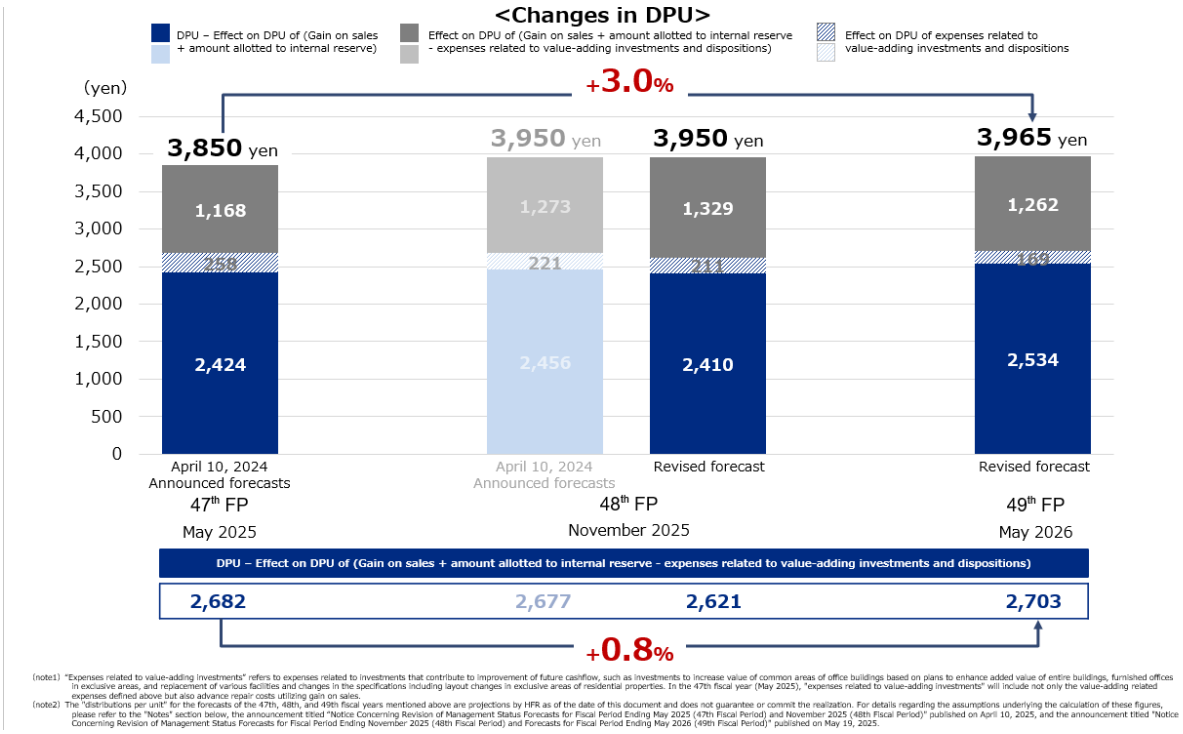
Operating revenues	・Operating revenues are calculated based on the assumption of the above assets under management. ・We expect to record 2,133 million yen as a gain on sale of Assets to be Disposed for the fiscal period ending November 2025 (48th Fiscal Period). ・Operating revenues are calculated based on the past performance of the Acquired Assets, taking into account the cancellation notices currently received and the current market environment.
Operating expenses	・Operating expenses are calculated based on the assumption of the above Assets Under Management. ・Assumptions concerning major operating expenses are as follows: 【Fiscal period ending November 2025 (48th Fiscal Period)】 Public charges and taxes (fixed property tax, city planning tax, etc.): 577 million yen Maintenance and repair fees: 447 million yen Management commissions: 865 million yen Depreciation: 1,117 million yen 【Fiscal period ending May 2026 (49th Fiscal Period)】 Public charges and taxes (fixed property tax, city planning tax, etc.): 580 million yen Maintenance and repair fees: 442 million yen Management commissions: 862 million yen Depreciation: 1,130 million yen ・Fixed property tax and city planning tax, etc. associated with properties held are accounted for as expenses related to the leasing 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 acquisition, the amount equivalent to the settlement money is not expensed, as it is included in the acquisition cost. Fixed property tax and city planning tax, etc. associated with the Assets to be Acquired will begin to be recorded as expenses, starting from the fiscal period ending May 2026 (49th Fiscal Period) for "Park East Sapporo" and "KYOMACHIBORI SQUARE", and starting from the fiscal period ending November 2026 (50th Fiscal Period) for “HF OSHIAGE RESIDENCE” . ・For maintenance and repair fees, an amount deemed necessary during the period based on the maintenance and repair plans for the properties is recorded. ・Emergency costs may arise as a result of unforeseeable factors, and actual operating expenses may therefore vary significantly from the forecast.
Non-operating expenses	・Interest expenses (including interest on investment corporation bonds) and related borrowing expenses are estimated to be 735 million yen for the fiscal period ending November 2025 (48th Fiscal Period) and 763 million yen for the fiscal period ending May 2026 (49th Fiscal Period). Amortization of investment unit issuance expenses and investment corporation bond issuance expenses are estimated to be 25 million yen for the fiscal period ending November 2025 (48th Fiscal Period) and 25 million yen for the fiscal period ending May 2026 (49th Fiscal Period).

Note: This press release was prepared to make an announcement to the revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and forecasts for fiscal period ending May 2026 (49th Fiscal Period) by the Investment Corporation. It has not been prepared to solicit investment whether in or outside Japan. The Investment Corporation requests that prospective investors be sure to read the prospectus for the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by the Investment Corporation, and note that the investment decisions are made at their discretion and responsibility.

Interest-bearing liabilities	・The outstanding balance of interest-bearing liabilities is 125,887 million yen as of today. ・It is assumed that the long-term debt (4,850 million yen in total) will be repaid in advance on June 30 2025, and that all interest-bearing debt maturing by the end of May 2026 will be refinanced.
Distributions per unit	・Distributions per unit are calculated based on the policy on the distribution of monies prescribed in the Article of Incorporation. ・Regarding distributions for the fiscal period ending November 2025 (48th Fiscal Period), it is assumed that a total of 4,943 million yen will be distributed (distribution of 3,950 yen per unit), which is calculated by adding 250 million yen of the planned reversal amount of the reserve for adjustment of temporary differences (expected reserve reversal of 200 yen per unit) to the expected net income of 5,149 million yen and posting 456 million yen as internal reserves (365 yen per unit). ・Regarding distributions for the fiscal period ending May 2026 (49th Fiscal Period), it is assumed that a total of 4,962 million yen will be distributed (distribution of 3,965 yen per unit), which is calculated by adding 250 million yen of the planned reversal amount of the reserve for adjustment of temporary differences (expected reserve reversal of 200 yen per unit) and 1,540 million yen (1,231 yen per unit) of a portion of the retained earnings brought forward allocated to the expected net income of 3,171 million yen. ・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	・Distributions in excess of earnings are not planned as of today.
Other	・We assume no amendments to laws, the tax system, accounting standards, Tokyo Stock Exchange, Inc. 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.

Note: This press release was prepared to make an announcement to the revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and forecasts for fiscal period ending May 2026 (49th Fiscal Period) by the Investment Corporation. It has not been prepared to solicit investment whether in or outside Japan. The Investment Corporation requests that prospective investors be sure to read the prospectus for the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by the Investment Corporation, and note that the investment decisions are made at their discretion and responsibility.

【Attachment 2】Changes in DPU



(note1) "Expenses related to value-adding investments" refers to expenses related to investments that contribute to improvement of future cashflow, such as investments to increase value of common areas of office buildings based on plans to enhance added value of entire buildings, furnished offices in exclusive areas, and replacement of various facilities and changes in the specifications including layout changes in exclusive areas of residential properties. In the 47th fiscal year (May 2025), "expenses related to value-adding investments" will include not only the value-adding related expenses defined above but also advance repair costs utilizing gain on sales.
(note2) The "distributions per unit" for the forecasts of the 47th, 48th, and 49th fiscal years mentioned above are projections by HFR as of the date of this document and does not guarantee or commit the realization. For details regarding the assumptions underlying the calculation of these figures, please refer to the "Notes" section below, the announcement titled "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2025 (47th Fiscal Period) and November 2025 (48th Fiscal Period)" published on April 10, 2025, and the announcement titled "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2025 (48th Fiscal Period) and Forecasts for Fiscal Period Ending May 2026 (49th Fiscal Period)" published on May 19, 2025.

(Note 1) DPU forecast for the fiscal period ending May 2025 (47th fiscal period) and for the fiscal period ending November 2025 (48th fiscal period) announced on April 10, 2025 are the DPU forecasts for the 47th and the 48th fiscal periods announced in "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2025 (47th Fiscal Period) and Fiscal Period Ending November 2025 (48th Fiscal Period)" dated April 10, 2025. The DPU forecasts for the fiscal period ending November 2025 (48th fiscal period) and for the fiscal period ending May 2026 (49th fiscal period) in the revised forecast are the DPU forecasts announced in "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2025 (48th Fiscal Period) and Announcement of Management Status Forecasts for Fiscal Period Ending May 2026 (49th Fiscal Period)" dated May 19, 2025. The DPU for the forecast of 47th, 48th, and 49th fiscal periods is the estimated value as of the date of this document and does not guarantee or promise its realization. For details of the assumptions underlying the calculation of such figures, please refer to the "Notice Regarding the Revision of Forecasts for the Operating Results for the Fiscal Period Ending May 2025 (47th Fiscal Period) and the Fiscal Period Ending November 2025 (48th Fiscal Period)" published on April 10, 2025, and the "Attachment1 Main assumptions for management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and May 2026 (49th Fiscal Period)".

(Note 2) "Offering" refers to the primary offering (hereinafter referred to as the "Primary Offering") and third-party allotment (the "Third-Party Allotment"), each to be conducted in accordance with the securities registration statement submitted on May 19, 2025. Hereinafter the same applies.

"Effect on DPU of gain on sales" for each fiscal period was calculated using the following formula:

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Effect on DPU of gain on sales for the 47th fiscal period (forecast announced on April 10, 2025) = (Gain on sales of the assets disposed in the 47th fiscal period + Estimated gain on sales of the assets to be disposed in the 47th fiscal period) / Number of outstanding investment units as of the date of this document

Effect on DPU of gain on sales for the 48th fiscal period (forecast announced on April 10, 2025) = Estimated gain on sales of the assets disposed in the 48th fiscal period / Number of outstanding investment units as of the date of this document

Effect on DPU of gain on sales for the 48th fiscal period (revised forecast) = Estimated gain on sales of the assets to be disposed in the 48th fiscal period / Number of outstanding investment units after the Offering

Among the "number of outstanding investment units after the Offering", all units issued in the Third-Party Allotment are assumed to be subscribed by the lead underwriter. Hereinafter the same applies.

(Note 3) "Internal reserves" refers to the portion of profits that is accumulated within an investment corporation without outflowing in the form of dividends, etc. Internal reserve by a J-REIT are usually made only within the scope of special exceptions to the taxation system, such as all or part of gains from the dispositions. Hereinafter the same applies.

"Effect on DPU of amount allotted to internal reserve" for each fiscal period was calculated using the following formula. Additionally, the "amount allotted to internal reserve" included the expected reserve for temporary difference adjustments per unit, as indicated in the premise of the forecasts for the 47th fiscal period (announced on April 10, 2025), the 48th fiscal period (announced on April 10, 2025), the 48th fiscal period (revised forecast) and the 49th fiscal period (revised forecast).

Effect on DPU of amount allotted to internal reserve for the 47th fiscal period (announced on April 10, 2025) = DPU forecast for the 47th fiscal period (announced on April 10, 2025) – Estimated net income per unit for the 47th fiscal period (announced on April 10, 2025)

Effect on DPU of amount allotted to internal reserve for the 48th fiscal period (announced on April 10, 2025) = DPU forecast for the 48th fiscal period (announced on April 10, 2025) – Estimated net income per unit for the 48th fiscal period (announced on April 10, 2025)

Effect on DPU of amount allotted to internal reserve for the 48th fiscal period (revised forecast) = DPU forecast for the 48th fiscal period (revised forecast) – Estimated net income per unit for the 48th fiscal period (revised forecast)

Effect on DPU of amount allotted to internal reserve for the 49th fiscal period (revised forecast) = DPU forecast for the 49th fiscal period (revised forecast) – Estimated net income per unit for the 49th fiscal period (revised forecast)

(Note 4) "Effect on DPU of expenses related to value-adding investments" for each fiscal period was calculated as follows:

Effect on DPU of expenses related to value-adding investments for the 47th fiscal period (announced on April 10, 2025) and the 48th fiscal period (announced on April 10, 2025) was calculated by dividing the expenses related to value-up explained below* by the number of outstanding units as of the date of this document.

Note: This press release was prepared to make an announcement to the revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and forecasts for fiscal period ending May 2026 (49th Fiscal Period) by the Investment Corporation. It has not been prepared to solicit investment whether in or outside Japan. The Investment Corporation requests that prospective investors be sure to read the prospectus for the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by the Investment Corporation, and note that the investment decisions are made at their discretion and responsibility.

*The expenses for advance repairs implemented or scheduled to be implemented in the 47th fiscal period using the expenses related to value-up with regards to those assumed to be implemented in the fiscal period ending May 2025 (47th fiscal period), of the value-adding investments (which refers to the measures aimed at increasing added value by performing various equipment upgrades and specification changes in exclusive and common areas. Hereinafter the same applies.) aimed at achieving the internal growth targets set forth in "NEXT VISION II+," of the maintenance and repair fee and depreciation costs accounted for the assumptions for management status forecasts for each fiscal period, as described in the "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2025 (47th Fiscal Period) and November 2025 (48th Fiscal Period)" dated April 10, 2025, and the gain on sales.

Effect on DPU of expenses related to value-adding investments for the 48th fiscal period (revised forecast) and 49th fiscal period (revised forecast) was calculated by dividing the expenses related to value-up explained below** by the number of outstanding units after the Offering.

**The expenses related to value-adding investments with regards to those which are assumed to be implemented in the fiscal period ending November 2025 (48th fiscal period) or the fiscal period ending May 2026 (49th fiscal period) in the management status forecasts, of the expenses related to value-adding investments to achieve the internal growth targets set forth in "NEXT VISION II+", of the maintenance and repair fee and depreciation stated under the assumptions for management status forecasts described in "Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2025 (48th Fiscal Period) and Announcement of Management Status Forecasts for Fiscal Period Ending May 2026 (49th Fiscal Period)" dated May 19, 2025.

(Note 5) "Effect on DPU of expenses related to dispositions" for each fiscal period was calculated as follows:

Effect on DPU of expenses related to disposition for the 47th fiscal period (announced on April 10, 2025) was calculated by dividing the estimated amount of the expenses incurred for disposition of the assets disposed in the 47th fiscal period and the assets to be disposed in the 47th fiscal period by the number of outstanding units as of the date of this document.

Effect on DPU of expenses related to disposition of for the 48th fiscal period (announced on April 10, 2025) was calculated by dividing the estimated amount of the expenses incurred for disposition of the assets to be disposed in the 48th fiscal period by the number of outstanding units as of the date of this document.

Effect on DPU of expenses related to disposition of for the 48th fiscal period (current forecast) was calculated by dividing the estimated amount of the expenses incurred for disposition of the assets to be disposed in the 48th fiscal period by the number of outstanding units after the Offering.

Note: This press release was prepared to make an announcement to the revision of management status forecasts for fiscal period ending November 2025 (48th Fiscal Period) and forecasts for fiscal period ending May 2026 (49th Fiscal Period) by the Investment Corporation. It has not been prepared to solicit investment whether in or outside Japan. The Investment Corporation requests that prospective investors be sure to read the prospectus for the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by the Investment Corporation, and note that the investment decisions are made at their discretion and responsibility.