

Translation Purposes Only

October 27, 2011

For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

2-5-1 Atago, Minato-ku, Tokyo

Masaaki Higashihara, Executive Director

(Securities Code: 8966)

Asset Management Company

HEIWA REAL ESTATE Asset Management CO., LTD.

Takaya Ichikawa, President & Representative Director

Inquiries: Shinya Ito, General Manager, IR Department

TEL. +81-3-5402-8731

Borrowing of Funds, Repayment and Early Repayment of Loan, and Cancellation of Existing Agreements on Grant of Security Interest and Execution of New Agreements on Grant of Security Interests

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced today the following decisions to borrow funds, repay borrowings including an early repayment, cancel existing agreements on grant of security interests and execute new agreements on grant of security interests.

Details

1. Borrowing of Funds

(1) Reason for Borrowing

The funds to be procured will be allocated as repayment funds for Term Loan 5 (loan balance: ¥4,508 million) and Term Loan 7 (loan balance: ¥6,607 million), whose principal repayment dates are October 31, 2011, as well as to Term Loan I (loan balance ¥519.6 million), whose principal repayment date is May 31, 2012.

Since merging with Japan Single-residence REIT Inc. (“JSR”) in October 2010, the Investment Corporation has been pursuing reduction of financial costs and improvement of borrowing terms and conditions, as well as striving to establish a stable financial base through such means as fixing interest rates, lengthening borrowing periods, diversifying repayment dates and strengthening the bank formation. The Investment Corporation will conduct the borrowings and repayments as part of such efforts.

(2) Details of Borrowing

Term Loan 10

(a) Lenders	Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd., Mizuho Trust and Banking Co., Ltd., The Norinchukin Bank, The Bank of Fukuoka, ORIX Bank Corporation and Sampo Japan Insurance Inc.
(b) Loan Amount	¥5,777 million
(c) Interest Rate	Base interest rate (JBA 3-month Japanese Yen TIBOR) + 1.00% (note)
(d) Drawdown Date	October 31, 2011
(e) Borrowing Method	Borrowing based on individual loan agreement with the above lender scheduled to be concluded on October 27, 2011
(f) Interest Payment Dates	The last day of every January, April, July and October and the principal repayment date (the first interest payment date shall be the last day of January 2012; however, in the event that one of these days is not a business day, the business day immediately preceding it)
(g) Principal Repayment Date	October 31, 2014 (however, in the event that this day is not a business day, the business day immediately preceding it)
(h) Principal Repayment Method	Lump-sum repayment on the principal repayment date
(i) Collateral and Guarantee	Collateralized and unguaranteed

(Note) The base interest rate applicable to the calculation period for the interest payable on an interest payment date is the 3-month Japanese Yen TIBOR published by JBA two business days preceding the interest payment date. For JBA's Japanese Yen TIBOR, please check with JBA's website (<http://www.zenginkyo.or.jp/en/tibor/>).

Term Loan 11

(a) Lenders	Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd. and Resona Bank, Ltd.
(b) Loan Amount	¥5,857 million
(c) Interest Rate	Base interest rate (JBA 3-month Japanese Yen TIBOR) + 1.20% (note)
(d) Drawdown Date	October 31, 2011
(e) Borrowing Method	Borrowing based on individual loan agreement with the above lender scheduled to be concluded on October 27, 2011
(f) Interest Payment Dates	The last day of every January, April, July and October and the principal repayment date (the first interest payment date shall be the last day of January 2012) (however, in the event that one of these days is not a business day, the business day immediately preceding it)
(g) Principal Repayment Date	October 31, 2016 (however, in the event that this day is not a business day, the business day immediately preceding it)
(h) Principal Repayment Method	Lump-sum repayment on the principal repayment date
(i) Collateral and Guarantee	Collateralized and unguaranteed

(Note) The base interest rate applicable to the calculation period for the interest payable on an interest payment date is the 3-month Japanese Yen TIBOR published by JBA two business days preceding the interest payment date. For JBA's Japanese Yen TIBOR, please check with JBA's website (<http://www.zenginkyo.or.jp/en/tibor/>).

(3) Use of Funds

The total amount of funds that will be procured (¥11,634 million) will be allocated to repayment funds for the loans mentioned in the below 2. Repayment of Loans.

2. Repayment of Loans

(1) Borrowings to be repaid upon arrival of principal repayment dates

Term Loan 5

(a) Lenders	Aozora Bank, Ltd.
(b) Loan Amount	¥4,508 million
(c) Drawdown Date	March, 5, 2010
(d) Principal Repayment Date	October 31, 2011

Term Loan 7

(a) Lenders	Aozora Bank, Ltd., Sumitomo Mitsui Banking Corporation, Resona Bank, Ltd., The Norinchukin Bank, The Nishi-Nippon City Bank, Ltd., Sampo Japan Insurance Inc. and The Hokkaido Bank, Ltd.
(b) Loan Amount	¥6,607 million
(c) Drawdown Date	October 27, 2010
(d) Principal Repayment Date	October 31, 2011

(2) Borrowings to be repaid in advance of the principal repayment dates

Term Loan I

(a) Lenders	The Musashino Bank, Ltd.
(b) Loan Amount	¥519.6 million
(c) Drawdown Date	May 31, 2011
(d) Principal Repayment Date	May 31, 2012
(e) Scheduled Date of Early Repayment	October 31, 2011

3. Status of Interest-Bearing Liabilities after Drawdown and Repayment of Existing Loans

(Units: million yen)

	Before Drawdown and Repayment	After Drawdown and Repayment	Change
Short-term loans	6,650	6,130	-519
Long-term loans	45,390	45,909	519
Total Loans	52,039	52,039	—
Investment corporation bonds	10,000	10,000	—
Total loans and investment corporation bonds	62,039	62,039	—
Other interest-bearing liabilities	—	—	—
Total interest-bearing liabilities	62,039	62,039	—

4. Other

The risks associated with the repayment of the borrowings, etc. described above do not change from those detailed in “Investment Risks” in the periodic securities report (*yuka shoken hokokusho*) for the fiscal period ended May 2011 (19th Fiscal Period).

5. Cancellation and Execution of Agreements on Grant of Security Interests

(1) Reason for Cancellation of Existing Agreements on Grant of Security Interests and Execution of New Agreement

With the above borrowings and early repayment of existing loans, the agreement on grant of security interests (nonrecourse loan agreement) previously executed between JSR and the lenders with each borrowing will be reviewed and agreements on grant of security interests (nonrecourse loan agreement) between the Investment Corporation and all lenders will be newly executed in order to enable smooth fund procurement and stable financial management.

(2) Agreement to be Canceled

All agreements on grant of security interests executed by the Investment Corporation will be canceled.

(3) Major Details of Agreements to be Executed

Execution date: October 31, 2011

Security interest holder: All lenders relating to the Investment Corporation's borrowings in (4) below

Assets to be collateralized: The assets previously pledged as collateral (79 properties) will again be pledged as collateral. Concerning the asset in (5) below, real estate will be granted security interest of fixed collateral (provisional registration), etc., and trust beneficiary rights will be granted security interest of fixed collateral, etc. There will be no pledge for collateral with regard to the assets (8 properties) which were previously not pledged as collateral.

(4) Details of Borrowings Which Will Become Secured Claims

(Units: million yen)

	Lenders	Borrowing Date	Repayment Date	Loan Amount
Term Loan H	Aozora Bank, Ltd. Resona Bank, Ltd.	May 31, 2011	May 31, 2012	6,130
Term Loan 2	Aozora Bank, Ltd. Resona Bank, Ltd.	October 31, 2007	October 31, 2012	7,840
Term Loan 6	Aozora Bank, Ltd. Resona Bank, Ltd.	March 29, 2010	October 31, 2012	1,970
Term Loan 8	Aozora Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Ltd.	October 27, 2010	October 31, 2013	4,900
Term Loan 9	Aozora Bank, Ltd. Sumitomo Mitsui Banking Corporation Resona Bank, Ltd.	October 27, 2010	October 31, 2015	2,940
Term Loan E	Sumitomo Mitsui Banking Corporation Resona Bank, Ltd. Mizuho Trust & Banking Co., Ltd.	March 31, 2011	March 31, 2013	6,070
Term Loan F	Aozora Bank, Ltd. Resona Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Trust & Banking Co., Ltd. The Chuo Mitsui Trust & Banking Company, Limited, The Bank of Tokyo-Mitsubishi UFJ, Ltd.	May 31, 2011	May 30, 2014	6,555
Term Loan G	Aozora Bank, Ltd. Resona Bank, Ltd. Sumitomo Mitsui Banking Corporation The Chuo Mitsui Trust & Banking Company, Limited,	May 31, 2011	May 31, 2016	4,000
Term Loan 10	Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Mizuho Trust & Banking Co., Ltd. The Norinchukin Bank The Bank of Fukuoka ORIX Bank Corporation Sompo Japan Insurance Inc.	October 31, 2011	October 31, 2014	5,777
Term Loan 11	Sumitomo Mitsui Banking Corporation Aozora Bank, Ltd. Resona Bank, Ltd.	October 31, 2011	October 31, 2016	5,857

(5) Assets to be Collateralized

Assets subject to grant of security interest are the below real estate properties, trust beneficiary rights and assets associated to such (fire insurance claims, etc.).

(Units: million yen)

Investment Category	Property Name		Asset Format	Appraisal Value (Note)
Office	Of-01	Asahi Life Insurance Gotanda Bldg	Trust beneficial interest	1,398
	Of-05	Suitengu Heiwa Bldg	Trust beneficial interest	1,297
	Of-06	NV Tomioka Bldg	Trust beneficial interest	2,330
	Of-07	Hamamatsucho SS Bldg	Trust beneficial interest	1,530
	Of-08	Kokusai Tameike Bldg	Trust beneficial interest	2,570
	Of-09	Grace Building Sengakujimae	Trust beneficial interest	1,430
	Of-10	Nisso Dai 15 Bldg	Real estate	1,460
	Of-11	Nihonbashi Daiichi Bldg	Trust beneficial interest	1,970
	Of-12	Hatchobori SF Bldg	Real estate	2,310
	Of-13	Shibuya AX Hills	Real estate	1,420
	Of-14	KCA Bldg	Real estate	1,082
	Of-15	Daiwa Nakameguro Bldg	Real estate	2,190
	Of-16	Anwa Tsukasacho Bldg	Real estate	1,080
	Of-17	Hatchobori MF Bldg	Real estate	925
	Of-20	Funabashi Face Bldg	Real estate	3,000
	Of-22	CIC Toranomom Bldg	Real estate	1,299
	Of-23	Aria Ikebukuro	Real estate	1,080
	Of-25	Kayabacho HEIWA Bldg	Trust beneficial interest	5,080
Residence	Re-03	Concord Ichikawa	Trust beneficial interest	441
	Re-09	Regulus Higashikasai	Trust beneficial interest	630
	Re-11	Mirum Wakabayashi Koen	Trust beneficial interest	3,357
	Re-12	Mirum Himonya	Trust beneficial interest	1,405
	Re-14	Main Stage Minami Azabu III	Trust beneficial interest	1,179
	Re-15	Cosmos Gracia Azabujuban	Trust beneficial interest	1,060
	Re-17	Hermitage Higashikanda	Trust beneficial interest	1,080
	Re-18	Hermitage Higashinohonbashi	Trust beneficial interest	1,220
	Re-19	Hermitage Nerima	Trust beneficial interest	670
	Re-20	Landstage Shirokanetakanawa	Real estate	3,920
	Re-21	Urbyl Berger Meidaimae	Real estate	891
	Re-23	Grefas Kamishakujii	Real estate	873
	Re-24	T&G Kinshicho Mansion	Real estate	1,000
	Re-26	Glenpark Shin-yokohama	Real estate	2,330
	Re-29	Residence Mukogaoka	Real estate	1,590
	Re-30	Residence Higashimagome	Real estate	1,130
	Re-33	Advance Kameido	Real estate	988
	Re-34	Vante Tanashi	Real estate	834
Re-35	Single-residence Shiba-koen	Trust beneficial interest	845	
Re-36	Single-residence Mita	Trust beneficial interest	1,090	
Re-37	Single-residence Takanawa	Trust beneficial interest	728	
Re-38	La Residence de Shirokanedai	Trust beneficial interest	737	

Residence	Re-39	Single-residence Ginzahigashi	Trust beneficial interest	1,450
	Re-40	Single-residence Hatchobori II	Trust beneficial interest	1,840
	Re-41	Single-residence Hatchobori III	Trust beneficial interest	793
	Re-42	Single-residence Ginza	Trust beneficial interest	939
	Re-43	TOUR JAUNE Komazawa-koen	Trust beneficial interest	6,480
	Re-44	Single-residence Umeda TOWER	Trust beneficial interest	1,920
	Re-45	Single-residence Nakanoshima	Trust beneficial interest	453
	Re-46	Single-residence Awaza	Trust beneficial interest	575
	Re-47	Single-residence Marunouchi	Trust beneficial interest	624
	Re-48	Single-residence Hirao	Trust beneficial interest	1,740
	Re-49	Single-residence Kawaramachi Nijo	Trust beneficial interest	520
	Re-50	Single-residence Minami 6 Jyo	Trust beneficial interest	232
	Re-51	Single-residence Tenjinminami	Trust beneficial interest	622
	Re-52	Single-residence Tenjinhigashi	Trust beneficial interest	501
	Re-53	Single-residence Shijyo Kawaramachi	Trust beneficial interest	1,820
	Re-54	La Residence de Sendagi	Trust beneficial interest	826
	Re-55	Single-residence Sendagi	Trust beneficial interest	876
	Re-56	Single-residence Komazawa-koen	Trust beneficial interest	616
	Re-57	Single-residence Musashikoyama	Trust beneficial interest	854
	Re-58	Single-residence Kokubunji	Trust beneficial interest	847
	Re-59	Single-residence Hisayadori	Trust beneficial interest	1,080
	Re-60	Single-residence Karasuma Kuramaguchi	Trust beneficial interest	566
	Re-61	Single-residence Nishishinjuku WEST	Trust beneficial interest	2,010
	Re-62	Single-residence Nishishinjuku EAST	Trust beneficial interest	1,180
	Re-63	Single-residence Higashshinjuku	Trust beneficial interest	1,360
	Re-64	Single-residence Higashishinsaibashi	Trust beneficial interest	566
	Re-65	Single-residence Kitayobancho	Trust beneficial interest	795
	Re-66	Single-residence Atagobashi	Trust beneficial interest	667
	Re-67	Single-residence Kyudaiyoin-mae	Trust beneficial interest	424
	Re-68	Single-residence Asakusabashi	Trust beneficial interest	770
	Re-69	Single-residence Ichibancho	Trust beneficial interest	821
	Re-70	Single-residence Higashinakano	Trust beneficial interest	946
	Re-71	Single-residence Minami 5 Jyo	Trust beneficial interest	407
Re-72	Single-residence Waseda First Square	Trust beneficial interest	2,070	
Re-73	Single-residence Waseda Second Square	Trust beneficial interest	860	
Hotel	Ho-01	Super Hotel Osaka Tennoji	Trust beneficial interest	1,080
	Ho-02	Super Hotel Kyoto Karasumagojyo	Trust beneficial interest	900
	Ho-03	Super Hotel Saitama Omiya	Trust beneficial interest	1,050
	Ho-04	Super Hotel Sendai Hirose-dori	Trust beneficial interest	1,130
Total				104,659

(Note) Appraisal values are as of the end the 19th fiscal period (May 31, 2011). The appraisal value for Of-12 Hatchobori SF Bldg is as of August 25, 2011.

*Distribution: Kabuto Club, Ministry of Land, Infrastructure, Transport and Tourism Press Club, and
Ministry of Land, Infrastructure, Transport and Tourism Press Club for Construction Publications

*Investment Corporation Website: <http://www.heiwa-re.co.jp/english/>