

November 28, 2013

For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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Masaaki Higashihara, Executive Director

(Securities Code: 8966)

Asset Management Company

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Notice Concerning Issuance of New Investment Units and Secondary Offering

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced that a resolution was made at the Board of Directors meeting held on November 28, 2013 concerning the issuance of new investment units and secondary offering, as described below.

## Details

## 1. Issuance of new investment units through public offering (primary offering)

- (1) Number of new investment units to be issued: 81,900 units
- (2) Amount to be paid in (purchase price): To be determined

The amount to be paid in (purchase price) shall be determined at a Board of Directors meeting to be held on a date between December 9, 2013 (Mon) to December 12, 2013 (Thu) (the “Pricing Date”) in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association.

- (3) Total amount to be paid in (total purchase price): To be determined
- (4) Offering method:

The offering shall be a primary offering in which all investment units subject to the primary offering shall be purchased and underwritten by SMBC Nikko Securities Inc. and Daiwa Securities Co. Ltd. (the two companies will be collectively referred to as the “Joint Managing Underwriters”) as well as Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., SMBC Friend Securities Co. Ltd., Okasan Securities Co., Ltd., Tokai Tokyo Securities Co., Ltd., Mito Securities Co., Ltd., Aizawa Securities, Co., Ltd. Ichiyoshi Securities, Co., Ltd., Iwai Cosmo Securities Co., Ltd., Takagi Securities Co., Ltd. and Toyo Securities Co., Ltd. and (the Joint Managing Underwriters and these 12

companies will together be referred to as the “Underwriters”).

Furthermore, the issue price (offer price) shall be determined in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association by taking the price arrived at when the closing price in regular trading of the investment units of the Investment Corporation (the “Investment Units”) on the Tokyo Stock Exchange, Inc. on the Pricing Date (when there is no closing price on that day, the closing price on the most recent day preceding that day) is multiplied by a factor between 0.90 and 1.00 (price shall be rounded down to the nearest oneyen) as the provisional condition, then taking the demand conditions and other factors into account.

- (5) Underwriting agreement details: The Underwriters shall pay in the total amount to be paid in (total purchase price) on the payment date stated in (9) below, and the difference between the total issue price (offer price) and total amount to be paid in (total purchase price) shall be the proceeds of the Underwriters. The Investment Corporation shall not pay an underwriting fee to the Underwriters.
- (6) Subscription unit: 1 unit or more in multiples of 1 unit
- (7) Subscription period: The subscription period shall be between the business day following the Pricing Date and the date that marks two business days after the Pricing Date.
- (8) Advances on subscription: Advances on subscription shall be the same amount as the issue price.
- (9) Payment date: The payment date shall be the between December 16, 2013 (Mon) to December 19, 2013 (Thu). It shall be the date five business days after the Pricing Date.
- (10) Delivery date: The delivery date shall be the business day following the payment day.
- (11) The issue price (offer price), amount to be paid in (purchase price) and other matters necessary for this issuance of new investment units shall be determined at a future Board of Directors meeting. However, any changes before final determination, etc. are judged at the discretion of the Executive Director.
- (12) Each of the items above is subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

## 2. Secondary offering (secondary offering through over-allotment)

- (1) Seller: SMBC Nikko Securities Inc.
- (2) Number of investment units to be offered: 4,100 units

The number of investment units to be offered indicates the maximum number of investment units of the secondary offering through over-allotment conducted by SMBC Nikko Securities Inc. taking the demand conditions and other factors into account, upon the primary offering. There may be cases where the number is reduced in light of demand conditions and other factors, or there may be cases where the secondary offering through over-allotment itself is cancelled. The number of investment units to be offered shall be determined on the Pricing Date, taking the demand conditions and other factors into account.

- (3) Offer price: To be determined  
(The offer price shall be determined on the Pricing Date. The selling price shall be the same price as the issue price (offer price) of the primary offering.)

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- (4) Total offer price: To be determined
- (5) Offering method: Upon the primary offering, taking the demand conditions and other factors of the primary offering into account, SMBC Nikko Securities Inc. will conduct, separate from the primary offering, a secondary offering of the Investment Units that it is to borrow from the Investment Corporation's unitholder, Heiwa Real Estate Co., Ltd. ("Heiwa Real Estate"), with 4,100 units as the maximum number (the "Borrowed Investment Units").
- (6) Subscription unit: 1 unit or more in multiples of 1 unit
- (7) Subscription period: The subscription period shall be the same as the subscription period of the primary offering as indicated in 1. (7) above.
- (8) Advances on subscription: Advances on subscription shall be the same amount as the offer price.
- (9) Delivery date: The delivery date shall be the same as the delivery date of the primary offering as indicated in 1. (10) above.
- (10) The offer price and other matters necessary for this secondary offering of the Investment Units through over-allotment shall be determined at a future Board of Directors meeting. However, any changes before final determination, etc. are judged at the discretion of the Executive Director.
- (11) Each of the items above is subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

### 3. Issuance of new investment units by way of third-party allotment

- (1) Number of new investment units to be issued: 4,100 units
- (2) Amount to be paid in (purchase price): To be determined  
(The amount to be paid in (purchase price) shall be determined on the Pricing Date. The amount paid in (purchase price) shall be the same price as the amount to be paid in (purchase price) of the primary offering.)
- (3) Total amount to be paid in amount (total purchase price): To be determined
- (4) Allottee and number of investment units to be allotted: SMBC Nikko Securities Inc.  
4,100 units
- (5) Subscription unit: 1 unit or more in multiples of 1 unit
- (6) Subscription period (subscription date): January 14, 2014 (Tue)
- (7) Payment date: January 15, 2014 (Wed)
- (8) If some or all of the investment units are not applied for by the end of the subscription period (subscription date) set forth in (6) above, the issuance of those units not applied for shall be cancelled.
- (9) The amount to be paid in (purchase price) and other matters necessary for this issuance of new investment units by way of third-party allotment shall be determined at a future Board of Directors meeting. However, any changes before final determination, etc. are judged at the discretion of the Executive Director.
- (10) Each of the items above is subject to the condition that the securities registration statement filed in accordance with the Financial Instruments and Exchange Act takes effect.

### <Reference>

#### 1. Secondary offering through over-allotment

- (1) Upon the primary offering, taking the demand conditions and other factors of the primary offering into account, SMBC Securities Inc. may offer investment units (the "Borrowed Investment Units") by borrowing a maximum of 4,100 units from the Investment Corporation's unitholder, Heiwa Real Estate,

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(secondary offering through over-allotment). A total of 4,100 units have been currently scheduled for the offering through the over-allotment, but this is the maximum number of issuance and it may decrease or secondary offering through over-allotment will not take place at all depending on the conditions.

In association with this secondary offering through over-allotment, the Investment Corporation resolved to issue new investment units of 4,100 by way of the third-party allotment (the “Third-Party Allotment”), at the Board of Directors meeting held on November 28, 2013 to grant SMBC Nikko Securities Inc. an option to purchase new investment units through over-allotment to return the Borrowed Investment Units. The payment date of the Third-Party Allotment shall be January 15, 2014 (Wed).

In order to return the Borrowed Investment Units, there may be cases where SMBC Nikko Securities Inc. may also acquire the Investment Units up to the number of investment units for the secondary offering through the over-allotment at the Tokyo Stock Exchange (the “Syndicated Cover Transaction”) during the period from the day following the close of the subscription period for the primary offering and the secondary offering through over-allotment until January 9, 2014 (Thu) (the “Syndicated Cover Transaction Period”). All of the Investment Units acquired by SMBC Nikko Securities Inc. through the Syndicated Cover Transaction will be used for returning the Borrowed Investment Units. There may be cases where SMBC Nikko Securities Inc. does not conduct the Syndicated Cover Transaction at all or completes the Syndicated Cover Transaction with the number of investment units which are less than the number of investment units offered through the secondary offering through over-allotment, at its own discretion.

Furthermore, SMBC Nikko Securities Inc. may engage in stabilizing transactions in relation to the primary offering and issuance of the Investment Units through over-allotment. All or a part of the Investment Units purchased through such stabilizing transactions may be used for returning the Borrowed Investment Units.

For the number of investment units as a result of reducing the number of investment units acquired through the stabilizing transactions and Syndicated Cover Transaction and used to return the Borrowed Investment Units from the number of investment units for the secondary offering through over-allotment, SMBC Nikko Inc. intends to accept the allotment of the Third-Party Allotment and acquire the Investment Units. Thus, there may be the case where there will be no subscription to the Investment Units offered in the Third-Party Allotment in whole or in part, and the final number of investment units placed by the Third-Party Allotment decrease to that extent due to forfeiture, or such allotment itself will not take place at all.

Whether the offering of investment units through over-allotment or not, or the number of investment units to be offered, if offering through the over-allotment takes place, will be determined on the Pricing Date. If the offering through the over-allotment does not take place, SMBC Nikko Securities Inc. will not borrow the Investment Units from Heiwa Real Estate. As a result, SMBC Nikko Securities Inc. neither

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cope with the issuance of the investment units through the Third-Party Allotment nor subscribes, and the issuance of new investment units through the Third-Party Allotment will not take place at all due to forfeiture. Moreover, the Syndicate Cover Transaction will not take place at the Tokyo Stock Exchange.

(2) The transaction in (1) above will be conducted upon consultation between SMBC Nikko Securities Inc. and Daiwa Securities Co. Ltd.

## 2. Number of investment units issued and outstanding after new issuance

Number of investment units issued and outstanding	795,447 units
Increase in investment units through primary offering	81,900 units
Total number of investment units issued and outstanding after primary offering	877,347 units
Increase in investment units through third-party allotment	4,100 units (Note)
Total number of investment units issued and outstanding after third-party allotment	881,447 units (Note)

(Note) The above is the number of units when SMBC Nikko Securities Inc. subscribes to all of the new investment units issued by way of third-party allotment and the issuance is conducted.

## 3. Purpose and rationale of issuance

The decision to issue new investment units was made after considering trends in the real estate transaction market, trends in the investment unit market, the distribution level, the total asset-to-debt ratio (LTV), etc., in order to achieve steady growth of the asset size, construct a strategic portfolio and increase the stability of the financial base through the new acquisition of specified assets with funds procured through the issuance of the new investment units.

## 4. Amount of funds to be procured, use of funds and scheduled expenditure date

### (1) Amount of funds to be procured (approximate net proceeds)

¥6,283,000,000 (maximum)

(Note) The sum total of the proceeds of ¥5,984,000,000 the Investment Corporation will receive from the primary offering and the maximum amount of proceeds of ¥299,000,000 by the issuance of new investment units through the Third-Party Allotment is indicated. The amount is the forecast calculated with the closing price of the regular transaction of the Investment Units at Tokyo Stock Exchange dated November 15, 2013 (Fri).

### (2) Specific use of funds to be procured and scheduled expenditure date

Proceeds of ¥5,984,000,000 through the primary offering will be allocated to part of funds to acquire specified assets. Remaining proceeds, if any, will be retained as cash on hand and allocated to part of funds to acquire specified assets in the future. The maximum amount of ¥299,000,00 to be procured by the issuance of new investment units through the Third-Party Allotment will be allocated to expenses related to the acquisition of specified assets, and expenses related to the issuance of new investment units through primary offering and

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third-party allotment. Remaining proceeds, if any, will be retained as cash on hand and will be used for part of funds to acquire specified assets in the future. For details on the specified assets, please refer to the press release “Acquisition of Assets (HF SAKURADORI BUILDING and 2 Other Properties)” dated today.

(Note) The funds to be procured are scheduled to be deposited in financial institutions until their expenditure.

#### 5. Designated destination of distribution

N/A

#### 6. Management status outlook

No change will be made to the management status forecast for the fiscal period ending November 2013 (the 24th fiscal period from June 1, 2013 to November 30, 2013) in the financial report for the fiscal period ended May 2013 dated July 17, 2013 as a result of the issuance of new investment units. As for the management status forecast following the issuance of new investment units, please refer to “Management Status Forecasts for Fiscal Period Ending May 2014 (25th Fiscal Period) and Fiscal Period Ending November 2014 (26th Fiscal Period)” announced today.

#### 7. Operating results of the last three fiscal terms and status of the equity finance, etc.

##### (1) Operating results of past three fiscal terms

	Period ended May 2012	Period ended November 2012	Period ended May 2013
Net income per unit (Notes 1 and 2)	¥1,541	¥1,507	¥1,535
Distributions per unit (Note 2)	¥1,550	¥1,560	¥1,640
Actual payment ratio (Note 3)	100.5%	103.4%	107.8%
Net asset per unit	¥102,138	¥102,077	¥96,146

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

(Note 2) Of the ¥10,026 million of gain on negative goodwill from the period ended November 2010, ¥5 million was used for distributions for the period ended May 2012, ¥36 million to the period ended November 2012 and ¥93 million to the period ended May 2013 with the aim of maintaining and increasing stable distributions.

(Note 3) As for the actual payment ratio, figures smaller than what are indicated have been rounded off.

Actual payment ratio = Total amount of distributions / Net income × 100

##### (2) Recent status of investment unit price

###### a) Status of the recent three fiscal terms

	Period ended May 2012	Period ended November 2012	Period ended May 2013
Opening price	¥37,200	¥43,000	¥54,100
High	¥49,250	¥56,400	¥94,300
Low	¥35,850	¥40,000	¥53,100
Closing price	¥43,300	¥54,000	¥68,500

(Note 1) Opening price indicates the price for regular transactions of the Investment Units at the Tokyo Stock Exchange at 9 A.M. of the first transaction date of each period (if the price is not determined at that time, the price when it is determined is indicated).

(Note 2) High and low are based on the closing price of the Investment Units for regular transactions at the Tokyo Stock Exchange.

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b) Status of the recent six months

	June 2013	July	August	September	October	November
Opening price	¥67,800	¥69,300	¥67,100	¥64,100	¥79,100	¥77,800
High	¥69,400	¥70,200	¥69,900	¥79,400	¥78,900	¥79,800
Low	¥62,700	¥67,000	¥63,700	¥64,000	¥72,800	¥75,200
Closing price	¥69,400	¥67,400	¥64,000	¥79,400	¥78,300	¥75,600

(Note 1) Opening price indicates the price for regular transactions of the Investment Units at the Tokyo Stock Exchange at 9 A.M. of the first transaction date of each period (if the price is not determined at that time, the price when it is determined is indicated).

(Note 2) High and low are based on the closing price of the Investment Units for regular transactions at the Tokyo Stock Exchange.

(Note 3) The investment unit price for November 2012 is for that of November 27, 2013.

c) Investment unit price on the business day preceding the resolution day of issuance

	November 27, 2012
Opening price	¥75,200
High	¥76,400
Low	¥75,200
Closing price	¥75,600

(3) Status of the equity finance for the recent three fiscal terms

• Public offering

Issue date	December 11, 2012
Amount of funds procured	¥4,763,920,000
Paid-in amount (purchase price):	¥52,640
Number of investment units issued and outstanding before public offering	695,897 units
Number of investment units issued in the public offering	90,500 units
Number of investment units issued and outstanding after public offering	786,397 units
Initial use of funds at issuance	Allocated to part of funds to acquire specified assets
Scheduled expenditure period at issuance	After December 2012
Current situation of allocation	Fully allocated in the above scheduled expenditure period

• Third-party allotment

Issue date	January 9, 2013
Amount of funds procured	¥476,392,000
Paid-in amount (purchase price):	¥52,640
Number of investment units issued and outstanding before the allotment	786,397 units
Number of investment units issued in the allotment	9,050 units
Number of investment units issued and outstanding after the allotment	795,447 units
Allottee	SMBC Nikko Securities Inc.
Initial use of funds at issuance	Allocated to part of funds to acquire specified assets and, remaining proceeds, if any, shall be used for expenses associated with the acquisition of

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	specified assets, expenses associated with the primary offering and the issuance of new investment units through the Third-Party Allotment and repayment of loans, in that order.
Scheduled expenditure period at issuance	After January 2013
Current situation of allocation	Fully allocated in the above scheduled expenditure period

8. Restrictions on disposition, additional issuance, etc.

- (1) As of November 28, 2013, Heiwa Real Estate and the Asset Management Company, unitholders of the Investment Units, own 135,845 units and 3,334 units respectively. Upon the primary offering, both companies have agreed with the Joint Managing Underwriters not to sell, etc. the Investment Units they own as of the Pricing Date (however, excluding the lending of the Investment Units upon the offering through over-allotment, etc.), for the period of 180 days after the delivery date starting from the Pricing Date, without prior written approval of the Joint Managing Underwriters.
- (2) Upon the primary offering, the Investment Corporation has agreed with the Joint Managing Underwriters not to issue, etc. the Investment Units (however, excluding cases of issuance, etc. such as the primary offering, the third-party allotment and split of the Investment Units), for the period of 90 days after the delivery date starting from the Pricing Date, without prior written approval of the Joint Managing Underwriters.
- (3) For (1) and (2) above, the Joint Managing Underwriters retain the right to terminate part or all of the aforementioned agreement at their own discretion during the restriction period, or to shorten the restriction period.

\* 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/>

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