

December 1, 2016

For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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Masaaki Higashihara, Executive Director

(Securities Code: 8966)

Asset Management Company

HEIWA REAL ESTATE Asset Management CO., LTD.

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Notice Concerning Asset Acquisition and Transfer

HEIWA REAL ESTATE REIT, Inc. (hereinafter referred to as the “Investment Corporation”) announced today that HEIWA REAL ESTATE Asset Management CO., LTD. (hereinafter referred to as the “Asset Management Company”), the company to which the Investment Corporation entrusts its asset management operations, decided to execute the acquisition and transfer of assets (hereinafter referred to as the “Acquisition” and “Transfer,” respectively, and collectively as the “Transactions”). The details are as follows.

Details

1. Overview of the transaction

(1) Overview of the acquisition

(1) Property number Property name	Of-39 SENJU MILDIX II BANKAN
(2) Type of specified asset	Trust beneficial interest (in real estate in Japan)
(3) Investment Category	Office
(4) Investment Area	Primary Investment Area (Adachi-ku, Tokyo)
(5) Proposed acquisition price (Note 1)	1,650,000 thousand yen
(6) Date of signing the Agreement on Succession to Status under the Agreement on Transfer of Beneficial Interest in Trust	December 1, 2016
(7) Scheduled Acquisition date	December 15, 2016
(8) Seller (Note 2)	Undisclosed
(9) Acquisition financing	Cash on hand
(10) Payment method	Lump-sum payment at time of delivery
(11) Trustee (Planned)	Mitsubishi UFJ Trust and Banking Corporation
(12) Trust Term (Planned)	From December 15, 2016 to December 31, 2026

(13) Other	The Investment Corporation will sign the agreement to succeed to the status of the buyer under the Agreement on the Transfer of Beneficial Interest in Trust concerning the property signed between the seller and Heiwa Real Estate Co., Ltd. as of the date of signing the Agreement on Succession to Status under the Agreement on Transfer of Beneficial Interest in Trust in (6) above. See section “8. Transactions with Interested Parties” below for details.
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(Note 1) “Proposed acquisition price” is the price described in the trust beneficial interest transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) Undisclosed as consent cannot be obtained from the seller.

(2) Overview of the transfer

(1)	Property number Property name	Of-15 HF NAKAMEGURO BUILDING
(2)	Type of specified asset	Real Estate
(3)	Transfer value (Note 1)	2,200,000 thousand yen
(4)	Book value (Note 2)	2,868,000 thousand yen
(5)	Difference between transfer value and book value (Note 3)	(668,000 thousand yen)
(6)	Scheduled agreement execution date	December 1, 2016
(7)	Scheduled transfer date	December 19, 2016
(8)	Transferee (Note 4)	Undisclosed

(Note 1) “Transfer value” is the price described in the real estate transaction agreement (consumption tax excluded), and does not include the amounts of settlement for fixed property tax, city planning tax, etc.

(Note 2) “Book value” is as of November 30, 2016. Furthermore, amounts below a thousand yen have been rounded off.

(Note 3) “Difference between transfer value and book value” represents the pro forma value calculated as the difference between the estimated transfer value and book value. It differs from the actual gain (loss) on transfer.

(Note 4) Not disclosed as consent cannot be obtained from the transferee.

2. Reason for the transaction

Under the theme of the “Stable Growth Trajectory of HEIWA REAL ESTATE REIT, Inc.,” the Investment Corporation is working to improve the quality of the portfolio over the medium to long term through portfolio replacement. It is also pursuing conventional external growth driven by the acquisition of properties, thereby maximizing unitholder value.

The Investment Corporation also aims to increase portfolio profitability and quality by replacing investment assets, taking the trends in the real estate market, future profitability, and portfolio development policy comprehensively into account. The Transactions will be performed as part of the replacement strategy that continues from the acquisition of ACROSS SHINKAWA BUILDING and the transfer of SHIBUYA AX HILLS announced in “Notice Concerning Asset Acquisition and Transfer” released as of October 17, 2016.

The property to be acquired was constructed in February 2004 as part of the Kita-Senju Station West Exit area urban redevelopment project and consists of two buildings, SENJU MILDIX I BANKAN and SENJU MILDIX II BANKAN. It occupies part of a large building complex and includes retail, office, medical, and residence areas. The property is located in an extremely convenient area that is a two-minute walk from Kita-Senju Station, one of the busiest stations in Japan, via a pedestrian deck. Additionally, the property’s return on investment exceeds that of the existing portfolio, and an unrealized gain can be expected from the time of acquisition. These are the major reasons for the decision to acquire the property.

Meanwhile, the property to be transferred was acquired by what was then Crescendo Investment Corporation on June 29, 2007, prior to the change of sponsorship for the Asset Management Company to Heiwa Real Estate Co.,

Ltd. (“Heiwa Real Estate”) during the period of high real estate prices and rent level, and the purchase price of the property to be transferred was also higher than the current market price. The investment in the property therefore involves an unrealized loss and a consequent low yield, and room for a future increase in profitability is considered to be limited; we have therefore been making efforts to sell the property. The transfer price is the optimal condition among the offers from multiple transferee candidates, which exceeds the appraisal value as of May 31, 2016 but is below the estimated book value as of November 30, 2016. Further, the age of the portfolio property is expected to improve after the Transfer, the net asset value (NAV) per unit is expected to increase due to reduced unrealized losses, and the return on investment is expected to rise. These are the major reasons for the decision to transfer the property.

The impact of the Transactions on the dividend per unit is expected to be 14 yen (from the 32nd fiscal period) based on the assumed operation. For the 31st fiscal period, however, the dividend per unit is expected to be 15 yen due to factors such as the non-recognition of part of fixed property tax, etc. While the Transfer is expected to result in a loss on transfer of 733 million yen, the dividend per unit for the fiscal period ended November 2016 (the 30th fiscal period) will not be revised for now, as part of the profit brought forward and reserve for temporary difference adjustment will be used to cover the loss of net income on the transfer and impairment loss for the purpose of stable distribution. (Note)

We will continuously aim to attain further external growth and increase the profitability and quality of the portfolio from the perspective of increasing unitholder value, thereby ensuring steady growth in the operating assets and stable earnings over the medium to long term.

(Note) See “Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2016 (30th fiscal Period)” dated December 1, 2016 for the impact of the Transfer on business performance.

3. Details of the property acquisitions

The characteristics of the property to be acquired are as per below.

Of-39 SENJU MILDIX II BANKAN

(1) Location	<ul style="list-style-type: none"> · The property to be acquired is located a two-minute walk from Kita-Senju Station on the JR Joban Line via a pedestrian deck, offering excellent access to the nearest station. In addition to the JR Joban Line, four other rail routes, including the Tokyo Metro Chiyoda Line and Hibiya Line, Tobu Skytree Line, and Tsukuba Express, are available. · The area where the property to be acquired is located is a station-front redevelopment district where high-rise condominiums and large commercial facilities are being built and the population and households are increasing thanks to the traffic and living convenience. Demand as a business base for Adachi-ku of Tokyo, Saitama Prefecture, and Ibaraki Prefecture and as a back office is growing. In addition to the above, the station-front area where the property to be acquired is located may be in demand from tenants such as technical schools, travel agencies, real estate lease and sale companies, etc. that will attract customers.
(2) Building	<ul style="list-style-type: none"> · The property to be acquired is a 26-story building surrounded by low-rise buildings, offering high visibility and a very high overall grade compared with the exteriors and entrances, etc. in the area. · The facility building consists of two buildings, and SENJU MILDIX I BANKAN containing Kita-Senju Marui and Theatre 1010 is a commercial and public office building with 13 floors above ground and four floors underground. The property to be acquired, SENJU MILDIX II BANKAN, is a housing and business building with 26 floors above ground and three floors underground. · The standard floor area for office space is approx. 316 tsubo, which can be partitioned. The facilities also have sufficient appeal for tenants with features such as an approx. 2.6-meter high ceiling, OA floor, two elevators, and a parking lot, exceeding the standard facility level in the area.

Property number / Property name	Of-39 SENJU MILDIX II BANKAN
Type of asset	Trust beneficial interest
Location (Note 1)	(Building address on real estate registry) 3-98 Senju Adachi-ku, Tokyo

		(Lot Number) 3-98,3-99,3-100 Senju Adachi-ku, Tokyo
Land	Form of ownership	Ownership
	Area (Note 1)	Total Area 4,560.55 m ² Right of site 549.85 m ²
	Use District (Note 2)	Neighborhood commercial district
	Building Coverage Ratio (Note 3)	70%
	Floor Area Ratio (Note 3)	500%
Building	Form of ownership	Classification ownership
	Use (Note 1)	Residence, Office, Service shop, Clinics, Retail and Car garages
	Structure/Floors (Note 1)	Steel beam/steel-framed reinforced concrete, flat roof, 26 floors above ground with 3 floors in the basement
	Total Floor Space (Note 1,5)	Total Floor Space 26,466.67 m ² Classification ownership 2,905.48 m ²
	Construction Completion Date (Note 1)	February 1, 2004
	Construction Client	Kita-Senju Station West Exit Area Urban Redevelopment Union
	Constructor	Shimizu, Kumagaya, Sumitomo Mitsui, Sato and Wataki Kita-Senju Station West Exit Type1 Urban Redevelopment Project Facility Building Construction Project (2Blocks) Consortium Representative Shimizu Corporation
	Architect	Azusa Sekkei Co., Ltd.
	Structural Designer	Azusa Sekkei Co., Ltd.
	Building Certification	The Building Center of Japan
Property Management Company	Heiwa Real Estate Co., Ltd.	
Master Lease Company	Heiwa Real Estate Co., Ltd.	
Master Lease Type	Pass through	
Collateral	None	
Tenant details (Note 6)		
	Total number of tenants	8
	Total rent income	128,766 thousand yen
	Leasehold and security deposits	91,555 thousand yen
	Total leased floor space	2,099.98 m ²
	Total leasable floor space	2,099.98 m ²
	Occupancy rates (Based on Floor Space)	100%
NOI Yield (Note 7)	5.9%	
Outline of the engineering report	Survey Company	Tokyo Bldg.-Tech Center Co., Ltd.
	Survey Date	September 16, 2016
	Replacement Value	772,000 thousand yen
	Probable Maximum Loss (PML)	0.7%
	Long-term repairs (next 15years)	64,440 thousand yen
Overview of Real Estate Appraisal Report	Appraiser	Daiwa Real Estate Appraisal Co., Ltd
	Value Date	September 30, 2016
	Appraisal Value	1,820,000 thousand yen
Other items of special note	N/A	

(Note1) "Location (excluding indication of residential address)," "Area," "Use," "Structure/Floor" "Total Floor Space" and "Construction Completion Date" are as stated in the real estate registry.

(Note 2) "Use District" is the type of use district as listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.

(Note 3) “Building Coverage Ratio” is the ratio of the building area of the building to the site area as stipulated in Article 53 of the Building Standards Act. The “Floor Area Ratio” is the ratio of the total floor space of the building to the site area as stipulated in Article 52 of the Building Standards Act. In addition, the property to be acquired satisfies the requirements for modifying the setback regulation from the road width, the setback regulation from the site boundary, and the floor area ratio limit because it is a building that allows for the application of an integrated design system. The values presented are those after modification.

(Note 4) The portion that the Investment Corporation plans to acquire is the office space on the 4th and 5th floors, and the exclusive site area is approximately 10.98% of the exclusive space of the entire building.

(Note 5) Ownership portion is the value calculated by multiplying the total floor space of the one building by 10.98% which is the ratio of the site area.

(Note 6) Figures in “Tenant details” are as of September 30, 2016.

Furthermore, “Total rent income” is the annualized figure (multiplied by 12) of the monthly rent (including common expenses but not including fees for the usage of parking, storage rooms and such as well as consumption tax) as of August 31, 2016, based on lease agreements and sub-leasing agreements concluded between the trustee or the Investment Corporation and the master lease company or end tenants, with amounts below a thousand yen round off.

(Note 7) “NOI Yields” indicates the NOI yield calculated by using the net operating income (NOI) for the 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 for the property, and is rounded to the first decimal place.

(Note 8) “Replacement value” is the value calculated by multiplying the replacement value of the building indicated in the Building Condition Evaluation Report by 10.98%.

(Note 9) “Long-term repair expense” is the value for the portion to be acquired indicated in the Building Condition Evaluation Report.

4. Transfer Asset Details

Property number / Property name		Of-15 HF NAKAMEGURO BUILDING				
Type of asset		Real Estate				
Location (Note 1)		(Building address on real estate registry) 4-6-1 Nakameguro Meguro-ku, Tokyo (Lot Number) 4-709-7 Nakameguro Meguro-ku, Tokyo				
Land	Form of ownership	Ownership				
	Area (Note 1)	1,078.04 m ²				
	Use District (Note 2)	Commercial district	Category 1 exclusive high and medium building residential district			
	Building Coverage Ratio (Note 3)	80%	60%			
	Floor Area Ratio (Note 3)	500%	200%			
Building	Form of ownership	Ownership				
	Use (Note 1)	Office				
	Structure/Floors (Note 1)	Steel-framed reinforced concrete, flat roof, 8 floors above ground with 1 floor in the basement				
	Total Floor Space (Note 1)	4,040.53 m ²				
	Construction Completion Date (Note 1)	February 29, 1988				
Transfer value		2,200,000 thousand yen				
Book value (Note 4)		2,868,000 thousand yen				
Difference between transfer value and book value		(668,000 thousand yen)				
Tenant details (Note 5)						
	Total number of tenants	7				
	Total rent income	100,431 thousand yen				
	Leasehold and security deposits	103,201 thousand yen				
	Total leased floor space	2,015.22 m ²				
	Total leasable floor space	2,614.22 m ²				
	Occupancy rates	May 2014	Nov 2014	May 2015	Nov 2015	May 2016

		88.6%	88.6%	100.0%	100.0%	77.1%
Overview of Real Estate Appraisal Report	Appraiser	Daiwa Real Estate Appraisal Co., Ltd.				
	Value Date	May 31, 2016				
	Appraisal Value	2,180,000 thousand yen				
Other items of special note	<ul style="list-style-type: none"> · Part of the fence foundation crosses the border of the adjacent land on the south side of the property. A confirmation document concerning the border crossing has been signed. · A storage space wall, block foundation, etc. cross the border of the adjacent land on the southeast side of the property. A memorandum, etc. concerning the border crossing has been signed. 					

(Note 1) "Location (excluding indication of residential address)," "Area," "Use," "Structure/Floor" "Total Floor Space" and "Construction Completion Date" are as stated in the real estate registry.

(Note 2) "Use District" is the type of use district as listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.

(Note 3) "Building Coverage Ratio" is the ratio of the building area of the building to the site area as stipulated in Article 53 of the Building Standards Act. The "Floor Area Ratio" is the ratio of the total floor space of the building to the site area as stipulated in Article 52 of the Building Standards Act. The weighted average of the Building Coverage Ratios of the property to be transferred is 85.09% or higher, and the weighted average of the Floor Area Ratios is 350.97% or higher.

(Note 4) "Book value" is as of November 30, 2016. Furthermore, amounts below a thousand yen have been rounded off.

(Note 5) Figures in "Tenant details" are as of October 31, 2016.

Furthermore, "Total rent income" is the annualized figure (multiplied by 12) of the monthly rent (including common expenses but not including fees for the usage of parking, storage rooms and such as well as consumption tax) as of October 31, 2016, based on lease agreements and sub-leasing agreements concluded between the trustee or the Investment Corporation and the master lease company or end tenants, with amounts below a thousand yen round off.

5. Overview of the acquisition and the transfer

(The property to be acquired) Of-39 SENJU MILDIX II BANKAN

The seller of property is a domestic business company but is undisclosed due to the wishes of the seller. The seller is not a party that has a special interest relationship with the Investment Corporation or the Asset Management Company.

(The property to be transferred) Of-15 HF NAKAMEGURO BUILDING

The transferee of property is a domestic business company but is undisclosed due to the wishes of the transferee. The transferee is not a party that has a special interest relationship with the Investment Corporation or the Asset Management Company.

6. Status of previous owner, etc. of the property to be acquired

(The property to be acquired) Of-39 SENJU MILDIX II BANKAN

The acquisition of the property is not acquisition from any persons having a special interest in the Investment Company or the Asset Management Company.

7. Broker Profile

(The property to be acquired) Of-39 SENJU MILDIX II BANKAN

N/A

(The property to be transferred) Of-15 HF NAKAMEGURO BUILDING

(1)	Name	Heiwa Real Estate Co., Ltd.
(2)	Head office address	1-10 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo
(3)	Name and title of representative	Hiroyuki Iwakuma, Representative Director and President

(4) Line of business	1. Leasing 2. Real estate development 3. Housing development 4. Other businesses
(5) Capital stock	21,492 million yen (as of September 30, 2016)
(6) Date of incorporation	July 1947
(7) Relationship with the Investment Corporation and the Asset Management Company and the Company	
Capital relationship	Heiwa Real Estate Co., Ltd. owns 135,845 units (13.39% of total investment units issued) of the Investment Corporation's investment units as of May 31, 2016. In addition, Heiwa Real Estate owns 4,968 shares (100% of total shares issued) of the Asset Management Company's shares, and falls within the scope of interested persons, etc. as defined in the Financial Instruments and Exchange Act ("Financial Instruments Act") and the Act on Investment Trusts and Investment Corporations ("Investment Trusts Act").
Personnel relationship	Of the officers and employees of the Asset Management Company, 2 persons (excluding part-time directors) is dispatched from Heiwa Real Estate as of October 17, 2016.
Business relationship	In the fiscal period ended May 31, 2016 (29th fiscal period), we engaged in asset acquisitions (3 properties) with Heiwa Real Estate, which acted as the seller. In the fiscal period ended November 30, 2016 (30th fiscal period), we engaged in asset transfer with Heiwa Real Estate, which acted as an intermediary.
Whether or not a related party	Heiwa Real Estate falls under related party of the Investment Corporation and the Asset Management Company. In addition, Heiwa Real Estate falls under interested party of the Asset Management Company.
(8) Brokerage fees	55,000 thousand yen

8. Transactions with Interested Parties

In addition to interested persons, etc. as defined in the Financial Instruments Act and the Investment Trusts Act, the Asset Management Company regulates transactions involving conflicts of interest with interested parties, stipulating in its internal regulations that an "interested party" shall refer collectively to:

- (i) A company, etc. that holds more than 10% of the voting rights of all shareholders of the Asset Management Company;
- (ii) A company, etc. in which more than 50% of the voting rights of all its shareholders are held by (i); or
- (iii) A company, etc. to which (i) or (ii) provides advice, etc. on the management and administration of its assets.

Because Heiwa Real Estate the company that will be the outsource for the property management of the property to be acquired and the intermediary for the property, falls under the interested party, the above transactions were resolved at the meeting of the Investment Corporation's Board of Directors held today based on the unanimous approval of the Investment Committee, Compliance Committee, and the Board of Directors of the Asset Management Company according to its internal rules.

Signing the Agreement on Succession to Status under the Agreement on Transfer of Beneficial Interest in Trust

The Agreement on Transfer of Beneficial Interest in Trust dated October 31, 2016 for the property to be acquired (hereinafter, the "Transfer Agreement") has been signed between Heiwa Real Estate, the sponsor of the Asset Management Company, and the Seller. As part of the sponsorship, the Investment Corporation, Heiwa Real Estate, and the Seller have decided to sign the Agreement on Succession to Status dated today. Based on this, the Investment Corporation plans to succeed to the status of Heiwa Real Estate under the Transfer Agreement. The Investment Corporation plans to pay 24,750,000 yen to Heiwa Real Estate in exchange for the succession to the status pursuant to the Agreement on Succession to Status. The compensation for the status succession is considered appropriate,

taking the level of risk taken by Heiwa Real Estate prior to the succession, the range of compensation for intermediation specified in the Building Lots and Buildings Transaction Business Act, the total amount of the scheduled acquisition price and the compensation for the status succession that is below the appraised value of the property (1,820 million yen) comprehensively into account, along with other factors.

9. Method of Settlement

Please refer to the aforementioned “1. Overview of the transaction.”

10. Schedule for the acquisition and the transfer

Please refer to the aforementioned “1. Overview of the transaction.”

11. Outlook

See “Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending November 2016 (30th fiscal Period)” dated today for the forecast of investment status based on the Transactions in the fiscal period ended November 30, 2016 (30th fiscal period), which was announced in the financial summary for the term ended May 31, 2016 dated July 15, 2016.

The funds obtained from the Transfer will be retained as money on hand and allocated to the future acquisition of property, debt repayment, capital expenditure for property, etc.

12. Overview of the appraisal report

Property number/ Property name	Of-39 SENJU MILDIX II BANKAN	
Appraisal value	1,820,000 thousand yen	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Value date	September 30, 2016	
Item	Content (1,000 yen) (Note 1)	Overview, etc.
Value	1,820,000	The value of earnings posted based on a calculation that was done by verifying the value using the income approach under the direct capitalization method and utilizing the income approach using the discounted cash flow method as the standard.
Value indicated by the income approach (direct capitalization method)	1,850,000	
Effective gross income	142,235	
Potential total profits	149,721	Assessment based on current rental levels in contract, new rental levels for comparable real estate in the same area with the same demand and supply as well as their trends, and taking into account the medium- to long-term competitiveness of the target real estate.
Losses from vacancies, etc.	7,486	Assessed the vacancy rate that is recognized to be stable over the medium to long term.
Operating expenses	44,917	
Management fees	25,538	Assessment based on actual payments.
Property Management fee	2,133	Posted after having determined that the details of the planned contract are broadly standard, and verifying the levels of the PM fees for comparable real estate.
Utilities expenses	-	Not posted, as these are included in the management fees.
Maintenance and repair cost	6,396	30% of the scheduled special repair expenses in the final fiscal year that have been resolved are posted.
Tenant advertisement	974	Posted by assessing one month’s expenses for new tenants, taking

	expenses, etc.		into account the tenant advertisement expenses for comparable real estate, etc.
	Public charges and taxes	7,147	Assessed based on actual payments, taking into account the level of payment.
	Casualty insurance premiums	123	Assessment based on actual payments.
	Other expenses	2,605	Posted reserve expenses and parking lot usage fees.
	Net operating income (NOI)	97,317	
	Interest on lump-sum payments	965	Assessment based on interest income that is thought to be appropriate after taking into account investment as well as interest rate levels of both procuring parties, among other factors.
	Capital expenditures	14,924	70% of the scheduled special repair expenses in the final fiscal year that have been resolved are posted.
	Net cash flow (NCF)	83,359	
	Capitalization rate	4.5%	Assessment made after comprehensively taking into account criteria of the location, building and other factors of the target real estate as well as examples of transactions of comparable real estate.
	Value indicated by the income approach (discounted cash flow method)	1,800,000	
	Discount rate	4.3%	Assessment based on referring to investment returns on comparable real estate and comprehensively taking into account factors including the individual characteristics of the target real estate.
	Terminal capitalization rate	4.7%	Assessment based on comprehensively taking into account factors such as examples of transactions of comparable real estate, future trends in returns on investment, risks of the target real estate, economic growth forecasts going forward as well as trends in real estate prices.
	Value indicated by the cost approach using the cost accounting method	1,310,000	
	Percentage of land	61.0%	
	Percentage of building	39.0%	
	Other notable items regarding the appraisal as stated by the appraiser	—	

(Note 1) The balance above is based on that in the appraisal report and is not that of the Investment Corporation or the Asset Management Company.

Property number/ Property name	Of-15 HF NAKAMEGURO BUILDING		
Appraisal value	2,180,000 thousand yen		
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.		
Value date	May 31, 2016		
Item	Content (1,000 yen) (Note 1)	Overview, etc.	
Value	2,180,000	The value of earnings posted based on a calculation that was done by verifying the value using the income approach under the direct capitalization method and utilizing the income approach using the discounted cash flow method as the standard.	
	Value indicated by the income approach (direct capitalization method)	2,230,000	
	Effective gross income	153,105	
	Potential total profits	162,048	Assessment based on current rental levels in contract, new rental levels for comparable real estate in the same area with the same demand and supply as well as their trends, and taking into account the medium- to long-term competitiveness of the target real estate.
	Losses from vacancies, etc.	8,942	Assessed the vacancy rate that is recognized to be stable over the medium to long term.

	Operating expenses	44,956	
	Management fees	11,386	Assessment based on levels of management fees of comparable real estate and actual amount of contract.
	Property Management fee	2,789	Assessment based on existing contract.
	Utilities expenses	13,948	Assessment based on levels of utilities expenses of comparable real estate and actual levels.
	Maintenance and repair cost	957	Of the renewed maintenance and repair costs stated in ER, posted the portion equal to the 15-year average for maintenance and repair costs.
	Tenant advertisement expenses, etc.	901	Posted by assessing one month's expenses for new tenants, taking into account the tenant advertisement expenses for comparable real estate, etc.
	Public charges and taxes	14,172	Assessment based on actual payments.
	Casualty insurance premiums	201	Assessed and posted the amount equivalent to 0.02% of the building replacement cost.
	Other expenses	600	Assessment based on actual payments.
	Net operating income (NOI)	108,148	
	Interest on lump-sum payments	1,697	Assessment based on interest income that is thought to be appropriate after taking into account investment as well as interest rate levels of both procuring parties, among other factors.
	Capital expenditures	9,423	Posted the average amount, among other factors, of renewal fees in ER.
	Net cash flow (NCF)	100,423	
	Capitalization rate	4.5%	Assessment made after comprehensively taking into account criteria of the location, building and other factors of the target real estate as well as examples of transactions of comparable real estate.
	Value indicated by the income approach (discounted cash flow method)	2,160,000	
	Discount rate	4.3%	Assessed based on discount rates in comparable real estate transactions, comparison with yields of other financial instruments, etc.
	Terminal capitalization rate	4.7%	Assessed by taking into account the marketability, etc. of the real estate concerned as of the end of the period of cap rate analysis.
	Value indicated by the cost approach using the cost accounting method	1,740,000	
	Percentage of land	85.0%	
	Percentage of building	15.0%	
	Other notable items regarding the appraisal as stated by the appraiser	—	

(Note 1) The balance above is based on that in the appraisal report and is not that of the Investment Corporation or the Asset Management Company.

* 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/>

【Attachment】

(Attachment 1) Photo of the acquired assets and map

(Attachment 2) Portfolio list after the property transaction

【Attachment】

(Attachment 1) Photo of the acquired assets and map

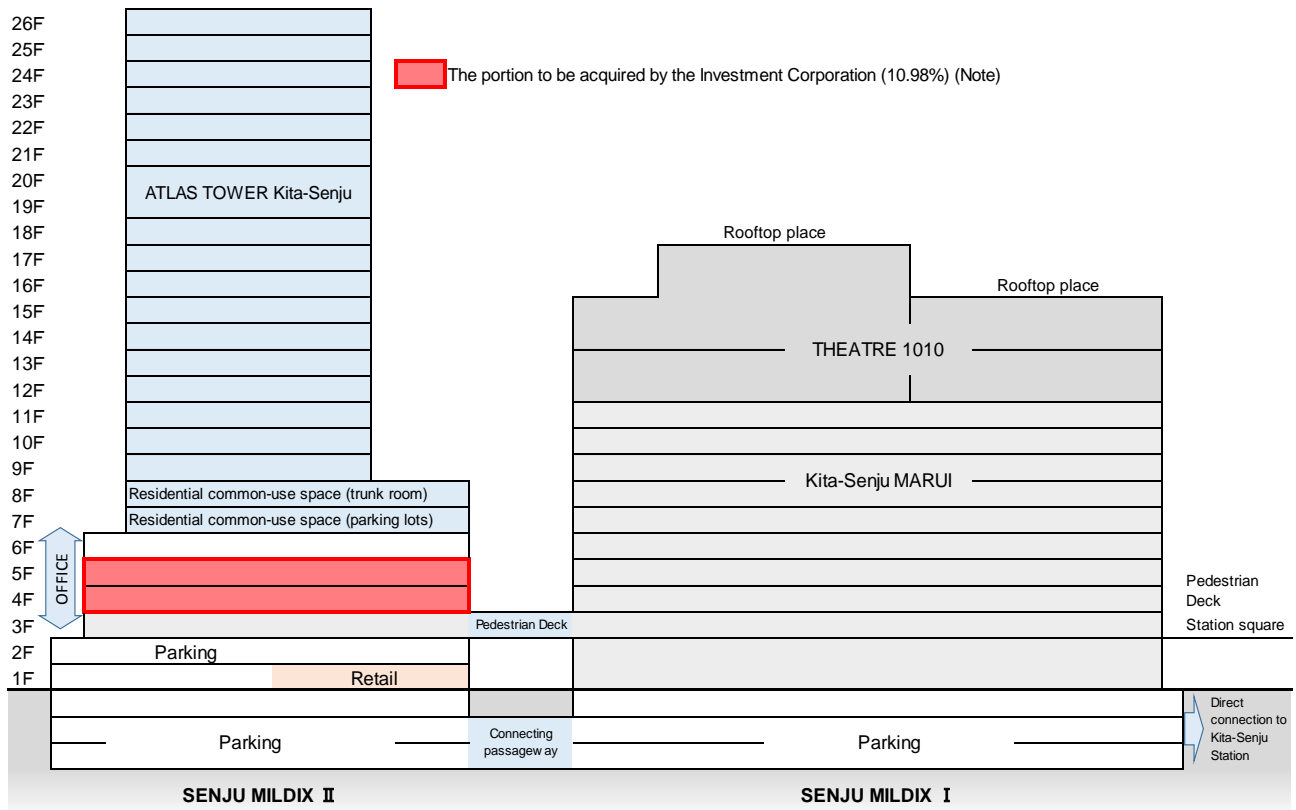
Of-39 SENJU MILDIX II BANKAN



(MAP)



(Acquisition Area)



Note: The portion to be acquired by the Investment Corporation is 10.98% of the exclusive area of the entire SENJU MILDIX II

(Attachment 2) Portfolio list after the property transaction

	Property No.	Property Name	Location	Investment Area (Note 1)	Acquisition Price (Note 2) (million yen)	Investment Ratio (Note 2) (%)	
Office	Of-01	HF GOTANDA BUILDING	Shinagawa-ku, Tokyo	I	1,290	0.78	
	Of-05	SUITENGU HEIWA BUILDING	Chuo-ku, Tokyo	I	1,550	0.94	
	Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	I	2,500	1.52	
	Of-07	HF HAMAMATSUCHO BUILDING	Minato-ku, Tokyo	I	1,530	0.93	
	Of-08	KOKUSAI TAMEIKE BUILDING	Minato-ku, Tokyo	I	2,700	1.64	
	Of-09	GRACE BUILDING SENGAKUJIMAE	Minato-ku, Tokyo	I	1,220	0.74	
	Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	II	1,550	0.94	
	Of-11	NIHONBASHI DAIICHI BUILDING	Chuo-ku, Tokyo	I	2,150	1.30	
	Of-12	HF HATCHOBORI BUILDING	Chuo-ku, Tokyo	I	3,092	1.87	
	Of-15	HF NAKAMEGURO BUILDING	Meguro-ku, Tokyo	I	-	-	
	Of-16	ANWA TSUKASAXHO BUILDING	Chiyoda-ku, Tokyo	I	1,385	0.84	
	Of-17	HATCHOBORI MF BUILDING	Chuo-ku, Tokyo	I	1,110	0.67	
	Of-18	M2 HARAJUKU	Shibuya-ku, Tokyo	I	3,418	2.07	
	Of-20	FUNABASHI FACE BUILDING	Funabashi-shi, Chiba	II	3,900	2.36	
	Of-21	ADESSO NISHIAZABU	Minato-ku, Tokyo	I	640	0.39	
	Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	I	1,675	1.02	
	Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	I	1,314	0.80	
	Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	I	1,434	0.87	
	Of-25	KAYABACHO HEIWA BUILDING	Chuo-ku, Tokyo	I	4,798	2.91	
	Of-26	HIROKOJI AQUA PLACE	Nagoya-shi, Aichi	III	2,930	1.78	
	Of-27	KOBE KYUKYORYUCHI HEIWA BUILDING	Kobe-shi, Hyogo	III	2,310	1.40	
	Of-28	MITA HEIWA BUILDING (leasehold land)	Minato-ku, Tokyo	I	2,230	1.35	
	Of-29	SAKAE MINAMI BUILDING	Nagoya-shi, Aichi	III	1,580	0.96	
	Of-30	HF SAKURADORI BUILDING	Nagoya-shi, Aichi	III	4,900	2.97	
	Of-31	HF NIHONBASHI HAMACHO BUILDING	Chuo-ku, Tokyo	I	1,900	1.15	
	Of-32	HF SENDAI HONCHO BUILDING	Sendai-shi, Miyagi	III	2,700	1.64	
	Of-33	HF UENO BUILDING	Taito-ku, Tokyo	I	3,400	2.06	
	Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	I	1,350	0.82	
	Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	I	2,720	1.65	
	Of-36	HF KANDA OGAWAMACHI BUILDING	Chiyoda-ku, Tokyo	I	3,150	1.91	
	Of-37	NISSO 5 BUILDING	Yokohama-shi, Kanagawa	II	3,100	1.88	
	Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	I	3,250	1.97	
	Of-39	SENJU MILDIX II BANKAN	Adachi-ku, Tokyo	I	1,650	1.00	
	Office Subtotal					74,426	45.13
	Residence	Re-03	HF ICHIKAWA RESIDENCE	Ichikawa-shi, Chiba	II	430	0.26
		Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	I	660	0.40
		Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	I	650	0.39
		Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	3,610	2.19
		Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	I	1,560	0.95

Property No.	Property Name	Location	Investment Area (Note 1)	Acquisition Price (Note 2) (million yen)	Investment Ratio (Note 2) (%)
Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	I	1,370	0.83
Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	I	1,260	0.76
Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	I	1,000	0.61
Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	I	1,100	0.67
Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,210	0.73
Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	I	690	0.42
Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	I	4,030	2.44
Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	I	1,070	0.65
Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,130	0.69
Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	I	950	0.58
Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	I	1,100	0.67
Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	I	5,940	3.60
Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	II	3,350	2.03
Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	I	2,350	1.43
Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	I	1,630	0.99
Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	I	1,650	1.00
Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	I	1,050	0.64
Re-34	HF TANASHI RESIDENCE	Nishitokyo-shi, Tokyo	II	911	0.55
Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	I	836	0.51
Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	I	1,080	0.65
Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	I	749	0.45
Re-38	LA RESIDENCE DE SHIROKANEDAI	Minato-ku, Tokyo	I	730	0.44
Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	I	1,460	0.89
Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	I	1,890	1.15
Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	I	793	0.48
Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	I	944	0.57
Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	I	6,520	3.95
Re-44	HF UMEDA RESIDENCE TOWER	Osaka-shi, Osaka	III	1,920	1.16
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka-shi, Osaka	III	453	0.27
Re-46	HF AWAZA RESIDENCE	Osaka-shi, Osaka	III	577	0.35
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya-shi, Aichi	III	624	0.38
Re-48	HF HIRAO RESIDENCE	Fukuoka-shi, Fukuoka	III	1,780	1.08
Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto-shi, Kyoto	III	534	0.32
Re-52	HF TENJINHIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	III	502	0.30
Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto-shi, Kyoto	III	1,820	1.10
Re-54	LA RESIDENCE DE SENDAGI	Bunkyo-ku, Tokyo	I	820	0.50
Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	I	870	0.53
Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	615	0.37
Re-57	HF MUSASHIKOYAMA RESIDENCE	Shinagawa-ku, Tokyo	I	842	0.51
Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji-shi, Tokyo	II	839	0.51

Property No.	Property Name	Location	Investment Area (Note 1)	Acquisition Price (Note 2) (million yen)	Investment Ratio (Note 2) (%)
Re-59	HF HISAYAODORI RESIDENCE	Nagoya-shi, Aichi	III	1,080	0.65
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto-shi, Kyoto	III	572	0.35
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	I	1,990	1.21
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	I	1,170	0.71
Re-63	HF HIGASHI-SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	I	1,360	0.82
Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka-shi, Osaka	III	566	0.34
Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai-shi, Miyagi	III	809	0.49
Re-66	HF ATAGOBASHI RESIDENCE	Sendai-shi, Miyagi	III	684	0.41
Re-67	HF KYUDAIBYOIN-MAE RESIDENCE	Fukuoka-shi, Fukuoka	III	426	0.26
Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	I	771	0.47
Re-69	HF ICHIBANCHO RESIDENCE	Sendai-shi, Miyagi	III	834	0.51
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	I	942	0.57
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	I	2,090	1.27
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	I	872	0.53
Re-74	HF WAKAMATSU KAWATA RESIDENCE	Shinjuku-ku, Tokyo	I	1,158	0.70
Re-75	HF SENDAI RESIDENCE EAST	Sendai-shi, Miyagi	III	1,638	0.99
Re-76	HF NISHIKOEN RESIDENCE	Sendai-shi, Miyagi	III	1,310	0.79
Re-77	HF BANSUI-DORI RESIDENCE	Sendai-shi, Miyagi	III	790	0.48
Re-78	HF KANNAI RESIDENCE	Yokohama-shi, Kanagawa	II	1,800	1.09
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya-shi, Aichi	III	2,160	1.31
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo-sh, Hokkaido	III	1,560	0.95
Residence Subtotal				90,482	54.87
Portfolio Total				164,908	100.00

(Note 1) The Investment Area column entries are in accordance with the following basis:

Investment in the Primary Investment Area (Tokyo 23 Wards) is entered as “I,” investment in the Secondary Investment Area (Tokyo (other than the Primary Investment Area), and major urban areas of Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture) is entered as “II,” and investment in the Regional Investment Area (major urban areas of government-ordinance-designated cities other than the Primary and Secondary Investment Area) is entered as III.”

(Note 2) Figures for the acquisition price are rounded off to the nearest specified unit, and figures for the investment ratio are rounded to the second decimal place. Accordingly, the figures may not necessarily add up to the figures in the total columns.