

October 17, 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-38 ACROSS SHINKAWA BUILDING
(2) Type of specified asset	Trust beneficial interests (in real estate in Japan)
(3) Investment Category (Note 1)	Office
(4) Investment Area	Primary Investment Area (Chuo-ku, Tokyo)
(5) Proposed acquisition price (Note 2)	¥3,250,000 thousand
(6) Agreement Execution date	October 17, 2016
(7) Scheduled Acquisition date	January 20, 2017
(8) Seller	Heiwa Real Estate Co., Ltd.
(9) Acquisition financing	Own funds and borrowing
(10) Payment method	Lump-sum payment at time of delivery
(11) Trustee (Planned)	Sumitomo Mitsui Trust Bank, Limited
(12) Trust Term (Planned)	From March 20, 2003 to January 31, 2027

(Note 1) Although this property consists of offices and residences, it is classified as an office because the total leasable floor space for offices is greater than that for residences.

(Note 2) Acquisition prices are the prices described in the trust beneficial interest transaction agreement (consumption tax not included), and excludes acquisition costs, fixed property tax, city planning tax, etc.

(2) Overview of the transfer

(1)	Property number Property name	Of-13 Shibuya AX Hills
(2)	Type of specified asset	Real Estate
(3)	Transfer value (Note 1)	¥1,820,000 thousand
(4)	Book value (Note 2)	¥1,815,139 thousand
(5)	Difference between transfer value and book value (Note 3)	¥4,861 thousand
(6)	Scheduled agreement execution date	October 17, 2016
(7)	Scheduled transfer date	October 27, 2016
(8)	Transferee (Note 4)	Undisclosed

(Note 1) “Transfer value” 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) “Book value” is as of August 31, 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.

As a result of the Transfer, a loss on transfer is expected to be recorded, reflecting transfer-related expenses such as the brokerage fees described below.

(Note4) 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.

In the Shibuya area where the property to be transferred is located, large-scale urban redevelopment projects are currently underway around Shibuya Station. The occupancy rate and rents of office buildings in this area are recovering, while the Cap Rate is declining. Although the property to be transferred did have large unrealized losses and very low yields, we decided to transfer the property because progress has been made in efforts to improve the occupancy rate and rents. As a result, the scheduled transfer value is now much higher than the appraisal value as well as the book value.

On the other hand, we decided to acquire the following property through the use of the warehousing function provided by HEIWA REAL ESTATE CO., LTD., a sponsor company of HEIWA REAL ESTATE REIT, Inc. The property to be acquired is a multipurpose building for offices and residences located in Chuo-ku, Tokyo. The reasons for our decision to acquire this property include the fact that the property is of a size and quality which exceed those of the average properties in the existing portfolio, that unrealized gains may be expected at the time it is acquired, and that a boost in the earnings of the portfolio may be expected.

These transactions are expected to bring about an improvement in the portfolio quality and amplification, an increase in NAV attributable to an improvement in unrealized gain (loss), and help enhance earnings momentum and investment yields resulting from an increase in income gain.

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

3. Details of the property acquisitions

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

Of-38 ACROSS SHINKAWA BUILDING

(1) Location	<ul style="list-style-type: none"> • The property to be acquired is located on Eitai Street, a five-minute walk from Kayabacho Station on the Tokyo Metro Tozai Line and Hibiya Line, offering excellent access to the nearest station. • The area where the property to be acquired is located is a commercial district that is home to many medium- and small-sized office buildings, etc. along the Eitai Street. There is a certain level of demand from securities business operators, futures brokers, and operators of other financial businesses because Tokyo Stock Exchange is located in Nihonbashi Kabutocho, while there will also be demand from manufacturers for use as business offices and from rural enterprises for use as Tokyo branches (business offices) because of the property characteristics of being located in an area adjacent to Nihonbashi, Yaesu and Kyobashi areas, and being close to other major areas in central Tokyo. With respect to residential use, there is high level of demand to rent in the area from corporate employees, etc. who commute to central Tokyo. Demand from corporate businesses for use as company housing can also be expected due to excellent access to major business areas that the area offers.
(2) Building	<ul style="list-style-type: none"> • Because the property to be acquired is located on Eitai Street, it has a high level of visibility and subdued atmosphere with impressive exteriors and entrances, etc., rendering the entire building a higher grade compared to other properties in the area. • The standard floor area for office space is about 260 tsubo, and the shape of the space enables easy layout. In regards to facilities, it has sufficient appeal to tenants with features such as an OA floor, 24-hour availability, and an automatic security system. • In regards to the residential space, it can accommodate DINKS or families with floor areas ranging between 50 m² to 83 m². The residences have impressive first-class exteriors and indoor hallways, and facilities and equipment that fully satisfy the needs of prospective residents.

Property number / Property name		Of-38 ACROSS SHINKAWA BUILDING
Type of asset		Trust beneficial interests
Location (Note 1)		(Building address on real estate registry) 1-8-8, 1-8-15 Shinkawa Chuo-ku, Tokyo (Lot Number) 1-6-6, 1-6-40 Shinkawa Chuo-ku, Tokyo
Land	Form of ownership	Share Ownership
	Area (Note 1)	Total Area 2,133.42 m ²
		Share Ownership 492.14 m ²
	Use District (Note 2)	Commercial district
	Building Coverage Ratio (Note 3)	80%
Floor Area Ratio (Note 3)	800.3%	
Building	Form of ownership	Classification ownership
	Use (Note 1)	Office, Residence and Store
	Structure/Floors (Note 1)	Steel beam/steel-framed reinforced concrete, flat roof, 14 floors above ground with 2 floors in the basement
	Total Floor Space (Note 1)	Total Floor Space 17,817.98 m ²
		Classification ownership 5,138.70 m ²
	Construction Completion Date (Note 1)	June 27, 2008
	Construction Client	YAMABOSHI KANEBOSHI CO., LTD., Makihara Honten Co., Ltd., Towa Real Estate Development Co., Ltd.
	Constructor	Joint venture of Fujita Corporation, Takenaka Corporation, SHIMIZU CORPORATION and Matsui Construction Co., Ltd.
	Architect	RUI SEKKEISHITSU co., ltd.
Structural Designer	RUI SEKKEISHITSU co., ltd.	

	Building Certification	Tokyo	
	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 4)		
	Total number of tenants	10	
	Total rent income	¥ 171,103 thousand	
	Leasehold and security deposits	¥ 105,202 thousand	
	Total leased floor space	3,128.03 m ²	
	Total leasable floor space	3,204.21 m ²	
	Occupancy rates (Based on Floor Space)	97.6% (Office Area: 100%, Residence Area 89.5%)	
	NOI Yield	5.0%	
Outline of the engineering report	Survey Company	Tokyo Bldg.-Tech Center Co., Ltd.	
	Survey Date	June 20, 2016	
	Replacement Value	¥ 1,362,978 thousand	
	Probable Maximum Loss (PML)	2.3%	
	Long-term repairs (next 15years)	¥ 127,040 thousand	
Overview of Real Estate Appraisal Report	Appraiser	Daiwa Real Estate Appraisal Co., Ltd	
	Value Date	September 30, 2016	
	Appraisal Value	¥ 3,520,000 thousand	
Other items of special note	Other items of special note		

(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. In addition, the property to be acquired satisfies the requirements for modifying the setback regulation from road width, setback regulation from site boundary, and the floor area ratio limit because it is a building that allows for the application of an integrated design system. In regards to the property's floor area ratio, an increased floor area ratio of up to 800.30% is applied compared to the statutory floor area ratio of 700%.

(Note 4) The portion that the Investment Corporation plans to acquire is part of the office space on the 2nd floor, the office space on the 4th floor, the office space on the 5th floor, the office space on the 6th floor, and part of the residential space on the 14th floor. The site area is about 28.84% of the floor space of the exclusive space for the entire building.

(Note 5) Ownership portion is the value calculated by multiplying the total floor space of the one building by 28.84% which is the ratio of the site area.

(Note 6) Figures in "Tenant details" are as of August 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 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 28.84%.

(Note 9) "Long-term repair expense" is the value for the site area, which takes up 28.84% of the entire building as indicated in the Building Condition Evaluation Report.

4. Transfer Asset Details

Property number / Property name		Of-13 Shibuya AX Hills				
Type of asset		Real Estate				
Location (Note 1)		(Residential address) 1-18-5 Dogenzaka, Shibuya-ku, Tokyo (Lot number) 1-28-1 (2 lots) Dogenzaka, Shibuya-ku, Tokyo-				
Land	Form of ownership	Ownership				
	Area (Note 1)	160.42 m ²				
	Use District (Note 2)	Commercial district				
	Building Coverage Ratio (Note 3)	80%				
	Floor Area Ratio (Note 3)	800%				
Building	Form of ownership	Ownership				
	Use (Note 1)	Office and Retail				
	Structure/Floors (Note 1)	Steel beam/steel-framed reinforced concrete, flat roof, 10 floors above ground with 1 floor in the basement				
	Total Floor Space(Note 1)	1,071.22 m ²				
	Construction Completion Date (Note 1)	March, 2006				
Transfer value		¥ 1,820,000 thousand				
Book value (Note 2)		¥ 1,815,139 thousand				
Difference between transfer value and book value		¥ 4,861 thousand				
Tenant details (Note 4)						
	Total number of tenants	9				
	Total rent income	¥ 69,385 thousand				
	Leasehold and security deposits	¥ 52,841 thousand				
	Total leased floor space	928.23 m ²				
	Total leasable floor space	928.23 m ²				
	Occupancy rates	May 2014	Nov 2014	May 2015	Nov 2015	May 2016
		97.5%	97.5%	100.0%	100.0%	100.0%
Overview of Real Estate Appraisal Report	Appraiser		EnRiX Corporation			
	Value Date		May 31, 2016			
	Appraisal Value		¥ 1,500,000 thousand			
Other items of special note		A memorandum has been concluded with the owner of the adjacent land on the west side of the property to the effect that the landowner can use the path between the property and the adjacent land as an evacuation route in case of emergency, with each party managing and maintaining the gates, etc. for the path.				

(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. In addition, the Building Coverage Ratio is mitigated to 100% because the property to be acquired is located in a commercial district and is a fire-resistant building in a fire prevention zone.

(Note 4) "Book value" is as of August 31, 2016. Furthermore, amounts below a thousand yen have been rounded off.

(Note 5) Figures in "Tenant details" are as of August 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 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.

5. Overview of the acquisition and the transfer

(The property to be acquired) Of-38 ACROSS SHINKAWA 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 (as of June 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. ("Heiwa Real Estate") 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, we have engaged in asset acquisitions (3 properties) with Heiwa Real Estate, which acted as the seller.
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.

(The property to be transferred) Of-13 Shibuya AX Hills

The transferee of this 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 (* only in the case of party-in-interest transactions)

Of-38 ACROSS SHINKAWA BUILDING

	Previous owner	Owner prior to the owner
Name	Heiwa Real Estate Co., Ltd.	Person other than specially-interested party
Relationship with specially-interested party	Please refer to (7) Relationship with the Investment Corporation and the Asset Management Company and the Company, 5. Overview of the acquisition and the transfer	—
Course, reason, etc. leading to acquisition	Acquisition for use in the warehousing function	—
Acquisition price	3,100,000,000 yen	—
Time of acquisition	July 29, 2016	—

7. Broker Profile

(The property to be acquired) Of-38 ACROSS SHINKAWA BUILDING

None

(The property to be transferred) Of-13 Shibuya AX Hills

Heiwa Real Estate Co., Ltd

For the overview of the interested parties, please refer to the aforementioned “5. Overview of the acquisition and the transfer.”

Brokerage Fee is ¥54,600 thousand.

8. Matters concerning forward commitment, etc.

The Agreement on the Sale and Purchase, etc. of Beneficial Interest in Trust regarding the Acquisition (hereinafter referred to as the “Agreement”) falls under forward commitments, etc. (see note) as stipulated in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. issued by the Financial Services Agency. Under the Agreement, if the Agreement is canceled due to a cause attributable to the Investment Corporation or the counterparty, the defaulting party shall pay a cancellation penalty charge equal to 10% of the transaction price of the beneficial interest in trust subject to the sale and purchase.

In addition, the completion by the Investment Corporation of the procurement of funds that are necessary to pay the transaction price is prescribed as a prerequisite condition to fulfilling the Investment Corporation’s obligation to pay the transaction price. Therefore, there would be no obligation to pay the cancellation penalty charge above if the Investment Corporation is unable to procure the funds that are necessary to pay the transaction price. Accordingly, even in the case where the fund procurement is not completed and forward commitments, etc. are not executed, we believe that it is unlikely to have a significant impact on the financial condition of the Investment Corporation, distributions, etc.

(Note) Forward commitment, etc. is defined as “forward dated sales contract in which the settlement and delivery of the property will be made at least one month after the date of contract or other similar contracts.

9. 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.

As Heiwa Real Estate Co., Ltd., the company which will be the outsources for the property management of the property to be acquired, the acquirer of the property and intermediary for the property, which 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.

10. Method of Settlement

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

We will give notice of the details concerning the borrowing of funds for the acquisition of Of-38 ACROSS SHINKAWA BUILDING as soon as they are determined.

11. Schedule for the acquisition and the transfer

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

12. Outlook

The impact of the Transactions on the forecast of the operating results for period ending on November 30, 2016 (the 30th term) that was announced in the financial summary for the term ended on May 31, 2016 is minimal. Therefore, the forecast of operating results for the period remains unchanged.

13. Overview of the appraisal report

Property number/ Property name	Of-38 ACROSS SHINKAWA BUILDING	
Appraisal value	¥3,520,000 thousand	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
価格時点	September 30, 2016	
Item	Content (1,000 yen) (Note 1)	Overview, etc.
Value	3,520,000	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)	3,680,000	
Effective gross income	225,271	
Potential total profits	236,661	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.	11,390	Assessed the vacancy rate that is recognized to be stable over the medium to long term.
Operating expenses	63,873	
Management fees	27,778	Assessment based on management bylaw.
Property Management fee	4,914	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	10,468	Assessment based on levels of utilities expenses of comparable real estate and actual levels.
Maintenance and repair cost	1,266	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.	1,746	Posted by assessing the anticipated turnover rate, and taking into account actual numbers from past fiscal years as well as levels for comparable real estate.
Public charges and taxes	16,954	Assessment based on actual payments.
Casualty insurance premiums	164	Assessment based on actual payments.
Other expenses	582	Assessment based on actual payments.
Net operating income (NOI)	161,398	
Interest on lump-sum payments	2,390	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	9,434	Posted the average amount, among other factors, of renewal fees in ER.
Net cash flow (NCF)	154,354	
Capitalization rate	4.2%	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)	3,450,000	
Discount rate	4.0%	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	4.4%	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	5,620,000	
	Percentage of land	90.5%	
	Percentage of building	9.5%	
	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-13 Shibuya AX Hills	
Appraisal value	¥1,500,000 thousand	
Appraiser	Enrix Corporation	
Value date	May 31, 2016	
Item	Content (1,000 yen) (Note 1)	Overview, etc.
Value	1,500,000	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)	1,560,000	
Effective gross income	77,932	
Potential total profits	80,316	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.	2,384	Assessed the vacancy rate that is recognized to be stable over the medium to long term.
Operating expenses	18,851	
Management fees	5,136	Assessment based on the levels of the management fees for comparable real estate and actual payments.
Property Management fee	1,411	Assessment based on the levels of the PM fees for comparable real estate and actual payments.
Utilities expenses	5,430	Assessment based on levels of utilities expenses of comparable real estate and actual levels.
Maintenance and repair cost	249	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.	941	Assessment taking into account the leasing cost and the turnover based on the level of similar properties, and leasing costs in the previous years as a reference.
Public charges and taxes	5,641	Assessment based on actual payments.
Casualty insurance premiums	43	Assessment based on levels of insurance premiums of comparable real estate and actual payments.
Other expenses	-	
Net operating income (NOI)	59,081	
Interest on lump-sum payments	516	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	1,926	Of the renewed maintenance and repair costs stated in ER, posted the portion equal to large-scale maintenance and repair costs as well as the portion equal to the 15-year average for maintenance and repair costs.
Net cash flow (NCF)	57,671	
Capitalization rate	3.7%	Assessment by adjusting the spread caused by the location, building and other criteria attached to the target real estate, and transaction yields associated with comparable real estate.
Value indicated by the income approach (discounted cash flow method)	1,500,000	
Discount rate	3.7%	
Terminal capitalization rate	3.8%	

Value indicated by the cost approach using the cost accounting method	1,490,000	
Percentage of land	85.3%	
Percentage of building	14.7%	
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

(Attachment 2) Portfolio list after the property transaction

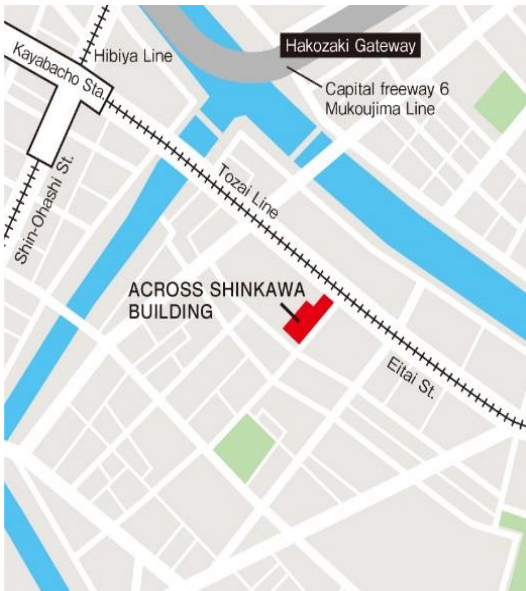
【Attachment】

(Attachment 1) Photo of the acquired assets and map

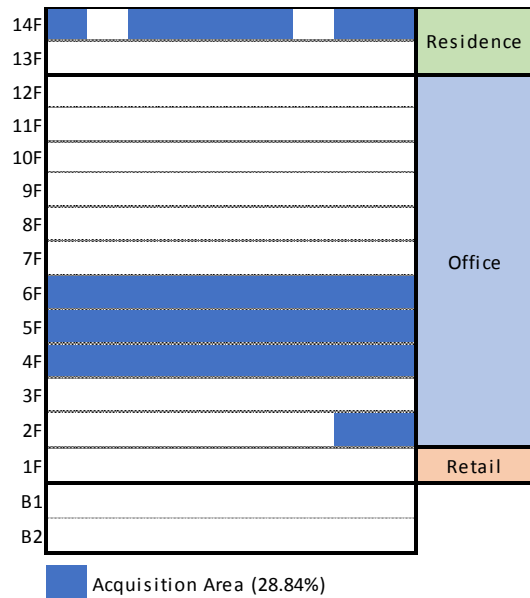
Of-38 ACROSS SHINKAWA BUILDING



< MAP >



< MAP of Acquisition Area >



(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	0.93	
	Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	I	2,500	1.50	
	Of-07	HF Hamamatsucho Building	Minato-ku, Tokyo	I	1,530	0.92	
	Of-08	Kokusai Tameike Building	Minato-ku, Tokyo	I	2,700	1.63	
	Of-09	Grace Building Sengakujimae	Minato-ku, Tokyo	I	1,220	0.73	
	Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	II	1,550	0.93	
	Of-11	Nihonbashi Daiichi Building	Chuo-ku, Tokyo	I	2,150	1.29	
	Of-12	HF HATCHOBORI BUILDING	Chuo-ku, Tokyo	I	3,092	1.86	
	Of-15	HF NAKAMEGURO BUILDING	Meguro-ku, Tokyo	I	2,870	1.73	
	Of-16	Anwa Tsukasacho Building	Chiyoda-ku, Tokyo	I	1,385	0.83	
	Of-17	Hatchobori MF Building	Chuo-ku, Tokyo	I	1,110	0.67	
	Of-18	M2 Harajuku	Shibuya-ku, Tokyo	I	3,418	2.06	
	Of-20	Funabashi Face Building	Funabashi-shi, Chiba	II	3,900	2.35	
	Of-21	Adesso Nishiazabu	Minato-ku, Tokyo	I	640	0.39	
	Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	I	1,675	1.01	
	Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	I	1,314	0.79	
	Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	I	1,434	0.86	
	Of-25	Kayabacho Heiwa Building	Chuo-ku, Tokyo	I	4,798	2.89	
	Of-26	Hirokoji Aqua Place	Nagoya-shi, Aichi	III	2,930	1.76	
	Of-27	Kobe Kyukyoryuchi Heiwa Building	Kobe-shi, Hyogo	III	2,310	1.39	
	Of-28	Mita Heiwa Building (leasehold land)	Minato-ku, Tokyo	I	2,230	1.34	
	Of-29	Sakae Minami Heiwa Building	Nagoya-shi, Aichi	III	1,580	0.95	
	Of-30	HF SAKURADORI BUILDING	Nagoya-shi, Aichi	III	4,900	2.95	
	Of-31	HF Nihonbashi Hanacho Building	Chuo-ku, Tokyo	I	1,900	1.14	
	Of-32	HF Sendai Honcho Building	Sendai-shi, Miyagi	III	2,700	1.63	
	Of-33	HF UENO BUILDING	Taito-ku, Tokyo	I	3,400	2.05	
	Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	I	1,350	0.81	
	Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	I	2,720	1.64	
	Of-36	HF Kanda Ogawamachi Building	Chiyoda-ku, Tokyo	I	3,150	1.90	
	Of-37	NISSO 5 BUILDING	Yokohama-shi, Kanagawa	II	3,100	1.87	
	Of-38	ACROSS SHINKAWA BUILDING	Chuo-ku, Tokyo	I	3,250	1.96	
	Office Subtotal					74,646	45.53
	Residential	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	2.17
		Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	I	1,560	0.94
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	0.60	
Re-17		HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	I	1,100	0.66	
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	

	Property No.	Property Name	Location	Investment Area (Note 1)	Acquisition Price (Note 2) (million yen)	Investment Ratio (Note 2) (%)
Residential	Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	I	4,030	2.43
	Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	I	1,070	0.64
	Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,130	0.68
	Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	I	950	0.57
	Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	I	1,100	0.66
	Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	I	5,940	3.58
	Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	II	3,350	2.02
	Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	I	2,350	1.41
	Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	I	1,630	0.98
	Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	I	1,650	0.99
	Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	I	1,050	0.63
	Re-34	HF TANASHI RESIDENCE	Nishitokyo-shi, Tokyo	II	911	0.55
	Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	I	836	0.50
	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	0.88
	Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	I	1,890	1.14
	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	3.92
	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	1.07
	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	0.49
	Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	I	870	0.52
	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
	Re-59	HF HISAYAODORI RESIDENCE	Nagoya-shi, Aichi	III	1,080	0.65
Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto-shi, Kyoto	III	572	0.34	
Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	I	1,990	1.20	
Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	I	1,170	0.70	
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	

Property No.	Property Name	Location	Investment Area (Note 1)	Acquisition Price (Note 2) (million yen)	Investment Ratio (Note 2) (%)
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	0.46
Re-69	HF ICHIBANCHO RESIDENCE	Sendai-shi, Miyagi	III	834	0.50
Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	I	942	0.57
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	I	2,090	1.26
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	I	872	0.52
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	1.08
Re-79	HF MEIEKI-KITA RESIDENCE	Nagoya-shi, Aichi	III	2,160	1.30
Re-80	HF HIGASHI-SAPPORO RESIDENCE	Sapporo-sh, Hokkaido	III	1,560	0.94
Residence Subtotal				90,482	54.47
Portfolio Total				166,128	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.