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For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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(Securities Code: 8966)

Asset Management Company

HEIWA REAL ESTATE Asset Management CO., LTD.

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Notice Concerning Transfer of Domestic Asset

HEIWA REAL ESTATE Asset Management CO., LTD. (the “Asset Management Company”), the asset management company of HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”), announced today the following decision to transfer an asset, as described below.

Details

1. Overview of the Transfer

(1)	Property number Property name	Of-14 KCA Building
(2)	Type of specified asset	Real estate
(3)	Transfer value (Note 1)	¥1,200,000 thousand
(4)	Book value (Note 2)	¥1,727,493thousand
(5)	Difference between transfer value and book value	(¥527,493 thousand)
(6)	Scheduled agreement execution date	March 10,2015
(7)	Scheduled transfer date	March 10,2015
(8)	Transferee (Note 3)	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 November 30, 2014. Furthermore, amounts below a thousand yen have been rounded off.

(Note 3) Undisclosed as consent cannot be obtained from the transferee.

(Note 4) The above asset for transfer shall be referred to as the “Property.”

2. Reason for the Transfer

With the theme of a “Trajectory for Stable Growth” the Investment Corporation is aiming to expand its asset size through ongoing property acquisitions in order to steadily expand assets under management and secure stable

earnings over the medium and long term.

In addition, the Investment Corporation aims to improve the quality and profitability of its portfolios by replacing assets under management, among other things, after comprehensive consideration of such matters as real estate market trends, future profitability and portfolio construction policies. The transfer is part of this strategy of replacing assets under management.

The transfer value is below the book value as of November 30, 2014, but the transfer was decided today because it is above the appraisal value as of November 30, 2014, and because various criteria, including prices as submitted by multiple transferee candidates, were determined to be ideal and appropriate, given the current real estate market environment. In addition, improved profitability and quality will be realized through an enhanced NOI yield and the age of buildings in the portfolio after the transfer of this property.

The sale of the property is expected to result in 560 million yen in loss on transfer, but distribution per unit for the fiscal period ending May 2015 (27th Fiscal Period) will not be revised at this point in time because retained earnings are planned to be applied. Please refer to the press release “Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2015 (27th Fiscal Period)” dated today for details on management status forecasts.

The Investment Corporation will continue to aim to steadily expand assets under management and secure stable earnings over the medium and long term, while aiming for external growth by improving portfolio profitability and quality from the standpoint of enhanced investor value.

3. Transfer Asset Details

Of-14 KCA Building

Property name		KCA Building
Type of asset		Real Estate
Location (Note 1)		(Residential address) 1-7-11 Kajicho Nishi, Chiyoda-ku, Tokyo (Lot number) 1-5 (2 lots) Kajicho Nishi, Chiyoda-ku, Tokyo
Use (Note 1)		Office, Retail
Area (Note 1)	Land	224.17 m ² (area calculated by multiplying the size of the land (393.57 m ²) by the portion of common areas owned)
	Building	1,562.30 m ² (area calculated by multiplying the total floor space of one building by the percentage of exclusively used area)
Structure / floors (Note 1)		Steel frame, steel-frame reinforced concrete flat-roofed 9-story structure with 1 underground level
Construction completion date (Note 1)		November 1987
Form of ownership	Land	Property (Share)
	Building	Classification ownership
Transfer value		¥1,200,000 thousand
Book value (Note 2)		¥1,727,493 thousand
Difference between transfer value and book value		(¥527,493thousand)
Appraisal value (Note 3)		¥1,086,000 thousand
Appraiser		The Tanizawa Sogo Appraisal Co.,Ltd.
Tenant details (Note 4)		

Total number of tenants	7				
Total rent income	¥63,843 thousand				
Leasehold and security deposits	¥51,235 thousand				
Total leased floor space	1,032.87 m ²				
Total leasable floor space	1,256.59 m ²				
Occupancy rates	Nov 2012	May 2013	Nov 2013	May 2014	Nov 2014
	89.5%	82.2%	82.2%	82.2%	82.2%
Other items of special note	None				

(Note 1) “Location (excluding indication of residential address),” “Use,” “Area,” “Structure / floors” and “Construction completion date” are as stated in the real estate registry.

(Note 2) “Book value” is as of November 30, 2014. Furthermore, amounts below a thousand yen have been rounded off.

(Note 3) “Appraisal value” is as of November 30, 2014

(Note 4) Figures in “Tenant details” are as of November 30, 2014

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 November 30, 2014, 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 rounded off.

4. Transferee Profile

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.

5. Broker Profile

(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 December 31, 2014)
(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 (14.28% of total investment units issued) of the Investment Corporation’s investment units as of December 31, 2014. 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, two persons (excluding part-time directors) are dispatched from Heiwa Real Estate as of March 9, 2015.
	Business relationship	Acquisitions of assets (four properties) were conducted with Heiwa Real Estate as the seller in the fiscal period ended May 2015.
	Whether or not a related party	As described above, Heiwa Real Estate is a major unitholder of the Investment Corporation, and falls under the category of interested persons, etc. of the Asset Management Company.

(8)	Brokerage fees	¥30,000 thousand (excluding consumption tax)
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6. 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.

Since Heiwa Real Estate, the broker for the Property, falls under the scope of the interested party category, the Board of Directors meeting held today decided on the transaction after obtaining unanimous approval at the Asset Management Company’s Investment Committee, Compliance Committee and the Board of Directors, pursuant to the internal regulations of the Asset Management Company.

7. Method of Settlement

Settlement will be in lump-sum at the time of execution of the transfer agreement.

8. Schedule of the Transfer

Transfer decision date	March 9, 2015
Transfer agreement execution date	March 10, 2015 (Planned)
Proceeds payment date	March 10, 2015 (Planned)
Property delivery date	March 10, 2015 (Planned)

9. Use of Transfer Proceeds

A portion of the proceeds from the transfer of the property will be applied toward a partial and early loan repayment.

(For details, please refer to the press release “Partial Early Repayment of Loans” separately announced today.)

10. Future Outlook

Please refer to the “Notice Concerning Revision of Management Status Forecasts for Fiscal Period Ending May 2015 (27th Fiscal Period)” dated today for the impact of the transfer of this property on management status forecasts in the “26th Fiscal Period Financial Report” covering the fiscal period ended November 2014 dated January 21, 2015. The management status forecasts for the fiscal period ending November 2015 (28th Fiscal Period) will not be revised at this point in time as the effect will be negligible.

11. Overview of the appraisal report

Property name	KCA Building
Appraisal value (Note 3)	¥1,086,000 thousand
Appraiser	The Tanizawa Sogo Appraisal Co.,Ltd.
Value date	November 30, 2014

Item	Content (1,000 yen) (Note 1)	Overview, etc.
Value	1,086,000	Calculation 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)	1,086,000	
Effective gross income	72,584	
Potential total profits	76,387	Assessment based on past and current rent levels as well as market rental prices, etc., by referring to rental listings, etc., in the surrounding area.
Losses from vacancies, etc.	3,803	Assessment based on the mean value of vacancies over a medium- to long-term time frame.
Operating expenses	18,721	
Management fees	8,627	Assessment based on management policies and income and expenditure statements.
Property management fee	(Note 2)	
Utilities expenses	512	Assessment based on actual expenses.
Maintenance and repair cost	1,579	Assessment based on ER, similar cases.
Tenant advertisement expenses, etc.	462	Assessment based on the property management contract, actual past expenses paid.
Public charges and taxes	7,114	Assessment based on public charges and taxes for fiscal 2014.
Casualty insurance premiums	60	Assessment based on actual payments
Other expenses	362	Assessment based on actual payments
Net operating income (NOI)	53,862	
Interest on lump-sum payments	1,055	Assessed based on 2.0% yield on investment
Capital expenditures	3,861	Assessment based on ER, similar cases.
Net cash flow (NCF)	51,056	
Capitalization rate	4.7%	Assessment made by taking volatility risks in the principle as well as the discount rate for profit
Value indicated by the income approach (discounted cash flow method)	1,086,000	
Discount rate	4.6%	Assessment made by taking into account individual

			risks for this building in addition to the base yield for office buildings
	Terminal capitalization rate	4.9%	Assessment made by taking into account future uncertainties regarding forecasts based on the capitalization rate
	Value indicated by the cost approach using the cost accounting method	929,000	
	Percentage of land	84.3%	
	Percentage of building	15.7%	

Other notable items regarding the appraisal as stated by the appraiser	None
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(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.

(Note 2) The Asset management company do not obtain the consent about to be disclosed the amount of PM fee. Also, if the Asset management company discloses the amount of PM fee of the property, it may have effects on other transactions PM subcontractors and there is a risk of harm to unitholder interests. Therefore, it is described by summing the maintenance costs and PM fee.

* 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) Portfolio List after the Transfer of the Property

(Attachment 1) Portfolio List After the Transfer of the Property

	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	0.83	
	Of-05	Suitengu Heiwa Building	Chuo-ku, Tokyo	I	1,550	1.00	
	Of-06	HF MONZENNAKACHO BUILDING	Koto-ku, Tokyo	I	2,500	1.61	
	Of-07	HF Hamamatsucho Building	Minato-ku, Tokyo	I	1,530	0.99	
	Of-08	Kokusai Tameike Building	Minato-ku, Tokyo	I	2,700	1.74	
	Of-09	Grace Building Sengakujimae	Minato-ku, Tokyo	I	1,220	0.79	
	Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	II	1,550	1.00	
	Of-11	Nihonbashi Daiichi Building	Chuo-ku, Tokyo	I	2,150	1.39	
	Of-12	Hatchobori SF Building	Chuo-ku, Tokyo	I	3,092	1.99	
	Of-13	Shibuya AX Hills	Shibuya-ku, Tokyo	I	1,860	1.20	
	Of-15	HF NAKAMEGURO BUILDING	Meguro-ku, Tokyo	I	2,870	1.85	
	Of-16	Anwa Tsukasacho Building	Chiyoda-ku, Tokyo	I	1,385	0.89	
	Of-17	Hatchobori MF Building	Chuo-ku, Tokyo	I	1,110	0.72	
	Of-18	M2 Harajuku	Shibuya-ku, Tokyo	I	3,418	2.20	
	Of-20	Funabashi Face Building	Funabashi-shi, Chiba	II	3,900	2.52	
	Of-21	Adesso Nishiazabu	Minato-ku, Tokyo	I	640	0.41	
	Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	I	1,675	1.08	
	Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	I	1,314	0.85	
	Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	I	1,434	0.92	
	Of-25	Kayabacho Heiwa Building	Chuo-ku, Tokyo	I	4,798	3.09	
	Of-26	Hirokoji Aqua Place	Nagoya-shi, Aichi	III	2,930	1.89	
	Of-27	Kobe Kyukyoryuchi Heiwa Building	Kobe-shi, Hyogo	III	2,310	1.49	
	Of-28	Mita Heiwa Building (leasehold land)	Minato-ku, Tokyo	I	2,230	1.44	
	Of-29	Sakae Minami Heiwa Building	Nagoya-shi, Aichi	III	1,580	1.02	
	Of-30	HF SAKURADORI BUILDING	Nagoya-shi, Aichi	III	4,900	3.16	
	Of-31	HF Nihonbashi Hanacho Building	Chuo-ku, Tokyo	I	1,900	1.23	
	Of-32	HF Sendai Honcho Building	Sendai-shi, Miyagi	III	2,700	1.74	
	Of-33	DAIWA UENO BUILDING	Taito-ku, Tokyo	I	3,400	2.19	
	Of-34	KOJIMACHI HF BUILDING	Chiyoda-ku, Tokyo	I	1,350	0.87	
	Of-35	HF KUDAN MINAMI BUILDING	Chiyoda-ku, Tokyo	I	2,720	1.75	
	Office Subtotal					68,006	43.86
	Residence	Re-03	HF ICHIKAWA RESIDENCE	Ichikawa-shi, Chiba	II	430	0.28
		Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	I	660	0.43
		Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	I	650	0.42
		Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	3,610	2.33

Residence	Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	I	1,560	1.01
	Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	I	1,370	0.88
	Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	I	1,260	0.81
	Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	I	1,000	0.64
	Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	I	1,100	0.71
	Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,210	0.78
	Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	I	690	0.45
	Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	I	4,030	2.60
	Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	I	1,070	0.69
	Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,130	0.73
	Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	I	950	0.61
	Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	I	1,100	0.71
	Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	I	5,940	3.83
	Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	II	3,350	2.16
	Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	I	2,350	1.52
	Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	I	1,630	1.05
	Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	I	1,650	1.06
	Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	I	1,050	0.68
	Re-34	HF TANASHI RESIDENCE	Nishitokyo-shi, Tokyo	II	911	0.59
	Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	I	836	0.54
	Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	I	1,080	0.70
	Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	I	749	0.48
	Re-38	LA RESIDENCE DE SHIROKANEDAI	Minato-ku, Tokyo	I	730	0.47
	Re-39	HF GINZA RESIDENCE EAST II	Chuo-ku, Tokyo	I	1,460	0.94
	Re-40	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	I	1,890	1.22
	Re-41	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	I	793	0.51
	Re-42	HF GINZA RESIDENCE	Chuo-ku, Tokyo	I	944	0.61
	Re-43	HF KOMAZAWA-KOEN RESIDENCE TOWER	Setagaya-ku, Tokyo	I	6,520	4.21
Re-44	HF UMEDA RESIDENCE TOWER	Osaka-shi, Osaka	III	1,920	1.24	
Re-45	HF NAKANOSHIMA RESIDENCE	Osaka-shi, Osaka	III	453	0.29	
Re-46	HF AWAZA RESIDENCE	Osaka-shi, Osaka	III	577	0.37	
Re-47	HF MARUNOUCHI RESIDENCE	Nagoya-shi, Aichi	III	624	0.40	
Re-48	HF HIRAO RESIDENCE	Fukuoka-shi, Fukuoka	III	1,780	1.15	

Residence	Re-49	HF KAWARAMACHI NIJO RESIDENCE	Kyoto-shi, Kyoto	III	534	0.34
	Re-52	HF TENJINHIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	III	502	0.32
	Re-53	HF SHIJO KAWARAMACHI RESIDENCE	Kyoto-shi, Kyoto	III	1,820	1.17
	Re-54	LA RESIDENCE DE SENDAGI	Bunkyo-ku, Tokyo	I	820	0.53
	Re-55	HF SENDAGI RESIDENCE	Bunkyo-ku, Tokyo	I	870	0.56
	Re-56	HF KOMAZAWA-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	615	0.40
	Re-57	HF MUSASHIKOYAMA RESIDENCE	Shinagawa-ku, Tokyo	I	842	0.54
	Re-58	HF KOKUBUNJI RESIDENCE	Kokubunji-shi, Tokyo	II	839	0.54
	Re-59	HF HISAYAODORI RESIDENCE	Nagoya-shi, Aichi	III	1,080	0.70
	Re-60	HF KARASUMA KURAMAGUCHI RESIDENCE	Kyoto-shi, Kyoto	III	572	0.37
	Re-61	HF NISHI-SHINJUKU RESIDENCE WEST	Shinjuku-ku, Tokyo	I	1,990	1.28
	Re-62	HF NISHI-SHINJUKU RESIDENCE EAST	Shinjuku-ku, Tokyo	I	1,170	0.75
	Re-63	HF HIGASHI-SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	I	1,360	0.88
	Re-64	HF HIGASHI-SHINSAIBASHI RESIDENCE	Osaka-shi, Osaka	III	566	0.37
	Re-65	HF KITA-YOBANCHO RESIDENCE	Sendai-shi, Miyagi	III	809	0.52
	Re-66	HF ATAGOBASHI RESIDENCE	Sendai-shi, Miyagi	III	684	0.44
	Re-67	HF KYUDAIBYOIN-MAE RESIDENCE	Fukuoka-shi, Fukuoka	III	426	0.27
	Re-68	HF ASAKUSABASHI RESIDENCE	Taito-ku, Tokyo	I	771	0.50
	Re-69	HF ICHIBANCHO RESIDENCE	Sendai-shi, Miyagi	III	834	0.54
	Re-70	HF HIGASHI-NAKANO RESIDENCE	Nakano-ku, Tokyo	I	942	0.61
Re-72	HF WASEDA RESIDENCE	Shinjuku-ku, Tokyo	I	2,090	1.35	
Re-73	HF WASEDA RESIDENCE II	Shinjuku-ku, Tokyo	I	872	0.56	
Re-74	HF WAKAMATSU KAWATA RESIDENCE	Shinjuku-ku, Tokyo	I	1,158	0.75	
Re-75	HF SENDAI RESIDENCE EAST	Sendai-shi, Miyagi	III	1,630	1.05	
Residence Subtotal					82,853	53.44
Hotel	Ho-01	Super Hotel Osaka Tennoji	Osaka-shi, Osaka	III	1,080	0.70
	Ho-02	Super Hotel Kyoto Karasumagojyo	Kyoto-shi, Kyoto	III	900	0.58
	Ho-03	Super Hotel Saitama Omiya	Saitama-shi, Saitama	II	1,050	0.68

	Ho-04	Super Hotel Sendai Hirose-dori	Sendai-shi, Miyagi	III	1,150	0.74
		Hotel Subtotal			4,180	2.70
		Portfolio Total			155,039	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.