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For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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(Securities Code: 8966)

Asset Management Company

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Notice Concerning Borrowing of Funds and Partial Early Repayment of Loans

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced today the following decision to borrow funds and make partial early repayment of loans along with the acquisition and transfer of assets announced in the press release “Notice Concerning Acquisition and Transfer of Trust Beneficiary Interests in Domestic Real Estate and Loan Cancellation Associated with the Transfer” dated today, as described below

Details

1. Borrowing of Funds

(1) Reason for Borrowing

To apply it as a portion of funds to purchase new specified assets.

(2) Details of Borrowing

Term Loan²⁷ Tranche A (Note 1)

(a) Lenders	Syndicated lending group with the Sumitomo Mitsui Banking Corporation as the lead arranger
(b) Loan Amount	¥850 million (upper limit)
(c) Interest Rate	Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.25% (Note 2)
(d) Drawdown Date	October 29, 2015
(e) Borrowing Method	Borrowing based on the individual loan agreements with the above lenders scheduled to be concluded on October 27, 2015
(f) Interest Payment Date	The first interest payment date shall be the last day of November 2015, for subsequent payments, the last day of every month and the principal repayment date (however, in the event that one of these days is not a business day, the business day immediately preceding it)
(g) Principal Repayment Date	October 31, 2018
(h) Principal Repayment Method	Lump-sum repayment on the principal repayment date

(i) Collateral and Guarantee	Unsecured and unguaranteed
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(Note 1) An announcement will be made when it is finalized as some terms of the borrowing, aside from the lenders, have yet to be finalized.

(Note 2) The base interest rate applicable to the calculation period for the interest payable on an interest payment date is the 1-month Japanese Yen TIBOR released by JBA TIBOR Administration (the "JBATA") two business days preceding the first day of each interest calculation period. For JBA's Japanese Yen TIBOR, please check with JBATA's website (<http://www.jbatibor.or.jp/english/rate/>).

Term Loan27 Tranche B (Note 1)

(a) Lenders	Syndicated lending group with the Sumitomo Mitsui Banking Corporation as the lead arranger
(b) Loan Amount	¥4,700 million (upper limit)
(c) Interest Rate	Base interest rate (JBA 1-month Japanese Yen TIBOR) + 0.75% (Note 2)
(d) Drawdown Date	October 29, 2015
(e) Borrowing Method	Borrowing based on the individual loan agreements with the above lenders scheduled to be concluded on October 27, 2015
(f) Interest Payment Date	The first interest payment date shall be the last day of November 2015, for subsequent payments, the last day of every month and the principal repayment date (however, in the event that one of these days is not a business day, the business day immediately preceding it)
(g) Principal Repayment Date	October 31, 2023
(h) Principal Repayment Method	Lump-sum repayment on the principal repayment date
(i) Collateral and Guarantee	Unsecured and unguaranteed

(Note 1) An announcement will be made when it is finalized as some terms of the borrowing, aside from the lenders, have yet to be finalized.

(Note 2) The base interest rate applicable to the calculation period for the interest payable on an interest payment date is the 1-month Japanese Yen TIBOR released by JBA TIBOR Administration (the "JBATA") two business days preceding the first day of each interest calculation period. For JBA's Japanese Yen TIBOR, please check with JBATA's website (<http://www.jbatibor.or.jp/english/rate/>).

(3) Use of funds

The aforementioned loan amount (5,550 million yen) will be applied to partially pay for funds as well as various expenses that accompany the acquisition of trust beneficiary interests in specified assets, namely the Kanda Ogawamachi TOSEI Building II, HF Nishikoen Residence and HF Bansuidori Residence.

*For details, please refer to the "Notice Concerning Acquisition and Transfer of Trust Beneficiary Interests in Domestic Real Estate and Loan Cancellation Associated with the Transfer" today.

2. Partial and early loan repayment

(1) Details of the partial and early loan repayment

Term Loan G

(a) Lenders	Aozora Bank, Ltd., Resona Bank, Ltd., Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited
(b) Loan balance	¥3,300 million
(c) Early repayment amount	¥950 million
(d) Loan balance after repayment	¥2,350 million
(e) Interest rate	2.14200% (Fixed interest rate)
(f) Drawdown date	May 31, 2011
(g) Scheduled date of early repayment	November 16, 2015
(h) Principal repayment date	May 31, 2016
(i) Principal repayment	Lump-sum repayment on the principal repayment date

method	
(j) Collateral and guarantee	Unsecured and unguaranteed

Term Loan 13 Tranche D

(a) Lenders	Sumitomo Mitsui Banking Corporation、 Aozora Bank, Ltd.、 Resona Bank, Ltd.
(b) Loan balance	¥3,500 million
(c) Early repayment amount	¥400 million
(d) Loan balance after repayment	¥3,100 million
(e) Interest rate	1.37182% (Base interest rate (JBA 1-month Japanese Yen TIBOR)+1.20%) (Note)
(f) Drawdown date	October 25, 2012
(g) Scheduled date of early repayment	November 16, 2015
(h) Principal repayment date	October 31, 2017
(i) Principal repayment method	Lump-sum repayment on the principal repayment date
(j) Collateral and guarantee	Unsecured and unguaranteed

(Note) Applicable interest rate as of today is indicated.

Term Loan 14

(a) Lenders	Aozora Bank, Ltd.、 Resona Bank, Ltd.
(b) Loan balance	¥6,130 million
(c) Early repayment amount	¥2,050 million
(d) Loan balance after repayment	¥4,080 million
(e) Interest rate	1.89206% (Fixed interest rate)
(f) Drawdown date	May 31, 2012
(g) Scheduled date of early repayment	November 16, 2015
(h) Principal repayment date	October 31, 2017
(i) Principal repayment method	Lump-sum repayment on the principal repayment date
(j) Collateral and guarantee	Unsecured and unguaranteed

Term Loan 19

(a) Lenders	Sumitomo Mitsui Banking Corporation、 Resona Bank, Ltd.、 Mizuho Trust and Banking Co., Ltd.
(b) Loan balance	¥6,070million
(c) Early repayment amount	¥550million
(d) Loan balance after repayment	¥5,520million
(e) Interest rate	1.07182% (Base interest rate (JBA 3-month Japanese Yen TIBOR)+0.900%) (Note)
(f) Drawdown date	March 29, 2013
(g) Scheduled date of early repayment	November 16, 2015
(h) Principal repayment date	March 31, 2020
(i) Principal repayment method	Lump-sum repayment on the principal repayment date
(j) Collateral and guarantee	Unsecured and unguaranteed

(Note) Applicable interest rate as of today is indicated.

Term Loan 21 Tranche B

(a) Lenders	Sumitomo Mitsui Banking Corporation、 Aozora Bank, Ltd.、 Resona Bank, Ltd.、 The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(b) Loan balance	¥4,500 million
(c) Early repayment amount	¥550 million
(d) Loan balance after repayment	¥3,950 million
(e) Interest rate	1.20000% (Base interest rate (JBA 3-month Japanese Yen TIBOR)+0.700%) (Note)
(f) Drawdown date	October 31, 2013
(g) Scheduled date of early repayment	November 16, 2015
(h) Principal repayment date	October 30, 2020
(i) Principal repayment method	Lump-sum repayment on the principal repayment date
(j) Collateral and guarantee	Unsecured and unguaranteed

(Note) The borrowing carries a variable interest rate, and an interest-rate swap transaction has been executed as a way to hedge interest rate volatility risks. Thus, the interest rate stated is that for after the interest-rate swap transaction (to obtain a fixed interest rate).

(2) Loan repayment

A portion of the proceeds from the transfer, in association with the transfer of four hotels as of October 30, 2015, will be applied toward an early and partial loan repayment.

*For details, please refer to the “Notice Concerning Acquisition and Transfer of Trust Beneficiary Interests in Domestic Real Estate and Loan Cancellation Associated with the Transfer” today.

3. Status of Interest-Bearing Liabilities after Borrowing of Funds and Repayment

(1) Status of Interest-Bearing Liabilities after Borrowing of Funds

(Unit: million yen, fractions of 1 unit have been rounded off)

	Before Repayment	After Repayment	Change
Short-term loans	—	—	—
Long-term loans due within 1 year	11,620	11,620	—
Long-term loans	59,691	65,241	5,550
Total loans	71,311	76,861	5,550
Investment corporation bonds	—	—	—
Total interest-bearing liabilities	71,311	76,861	5,550

(2) Status of Interest-Bearing Liabilities after Partial Early Repayment of Loans

(Unit: million yen, fractions of 1 unit have been rounded off)

	Before Repayment	After Repayment	Change
Short-term loans	—	—	—
Long-term loans due within 1 year	11,620	10,670	Δ950
Long-term loans	65,241	61,691	Δ3,550
Total loans	76,861	72,361	Δ4,500
Investment corporation bonds	—	—	—
Total interest-bearing liabilities	76,861	72,361	Δ4,500

(Note) The status as of today is stated for loans that are due for repayment on October 30, 2015.

4. Other

The risks associated with the borrowing of funds and the early repayment of loans as described above do not change from those detailed in “Investment Risks” in the securities registration statement (*yuka shoken hokokusho*) for the 27th fiscal period (ended May 2015) submitted on August 26, 2015.

* 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/>