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REIT Issuer

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Acquisition of Asset (Additional Acquisition of Condominium Unit Ownership Interest in Hatchobori SF Building), and Execution of Agreements on Additional Grant of Security Interests

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced today the following decision to additionally acquire condominium unit ownership interest in and execute agreements on additional grant of security interests for Of-12 Hatchobori SF Building.

Details

I. Acquisition of Asset

1. Overview of the Acquisition

(1) Property Name	Of-12 Hatchobori SF Building (the “Property”) However, the additional acquisition of condominium unit ownership interest (additional acquisition of 1.14% of total condominium unit ownership interest; the “Additional Acquisition”)
(2) Type of Specified Asset	Real estate
(3) Investment Category	Office; Central Tokyo office building
(4) Investment Area	Primary Investment Area (Tokyo 23 Wards)
(5) Acquisition Price (Note)	¥32,000,000
(6) Agreement Execution Date	August 25, 2011
(7) Acquisition Date	August 25, 2011
(8) Sellers	2 individuals
(9) Acquisition Financing	Cash on hand
(10) Settlement Method	Settlement in lump-sum at time of execution of agreement
(11) Other	The Investment Corporation has already acquired part of the Property. The Additional Acquisition will result in the Investment Corporation having full ownership of the one building. The Investment Corporation’s form of ownership before the Additional Acquisition for the land is partly ownership and partly ownership (co-ownership), where the parcel area of the portion under the Investment Corporation’s ownership and ownership (co-ownership)

	is 475.21m ² and 68.10m ² (co-ownership interest: 57,850 out of 68,100), respectively. Furthermore, the building is a building under condominium unit ownership, where the Investment Corporation owns 98.86% (of the exclusive-use floor space) of the one building.
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(Note) Acquisition price is excluding acquisition costs, fixed property tax, city planning tax, consumption tax and local consumption tax.

2. Reasons for the Acquisition

The Investment Corporation decided on the Additional Acquisition in view of ensuring steady growth in assets under management and stable medium- to long-term profits pursuant to the “Asset Management Target and Policy” set forth in the Investment Corporation’s bylaws. Please note that the Investment Corporation has already acquired part of the Property on May 31, 2007. The Additional Acquisition will result in the Investment Corporation having full ownership of the one building, which is expected to enhance the asset value and increase the operational efficiency of the Property.

3. Acquisition Asset Outline

(1) Acquisition Asset Details

Property Name		Of-12 Hatchobori SF Building
Name of Building of Exclusive-Use Portion	(Note 1)	102
Type of Specified Asset	(Note 1)	Real estate
Location (Note 2)	Parcel Number	3-103-2 Hatchobori, Chuo-ku, Tokyo; and 1 other parcel
	Indication of Residential Address	3-12-8 Hatchobori, Chuo-ku, Tokyo
Land	Form of Ownership	Ownership
	Parcel Area	(Note 2) 543.31m ²
	Use District	(Note 3) Commercial district
	Building Coverage Ratio	(Note 4) 80%
	Floor Area Ratio	(Note 4) 600%
Building	Form of Ownership	Condominium unit ownership
	Use	(Note 2) Office, garage and residence
	Structure / Floors	(Note 2) Steel-reinforced concrete structure with flat roof; B1F/8F
	Total Floor Space	(Note 2) 3,425.91m ²
	Construction Completion Date	(Note 2) October 25, 1991
Acquisition Price	(Note 1)	¥32,000,000
Appraisal Value	(Note 1)	¥34,900,000
Valuation Date	(Note 1)	May 31, 2011
Appraiser		Aoi Sogo Appraisal Co., Ltd.
Earthquake PML	(Note 5)	12.5%
Grant of Security Interests		Yes

(Note 1) “Name of Building of Exclusive-Use Portion,” “Type of Specified Asset,” “Acquisition Price,” “Appraisal Value” and “Valuation Date” are stated for the Additional Acquisition asset, while the other items are stated for the one entire building after the Additional Acquisition.

(Note 2) “Location (excluding Indication of Residential Address),” “Parcel Area,” “Use,” “Structure/Floors,” “Total Floor Space” and “Construction Completion Date” are as stated in the real estate registry.

(Note 3) “Use District” is the type of use district as listed in Article 8, Paragraph 1, Item 1 of the City Planning Act.

(Note 4) “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, and “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.

(Note 5) “PML” (probable maximum loss) refers to the loss that may result from an earthquake of the maximum size that has 10% or higher probability of occurring within the general useful life of a building (50 years) expressed as a percentage of the reproduction cost.

(2) Tenant Details (for the Additional Acquisition portion)

Total Number of Tenants	1				
Total Rent Income (Note)	¥181,660 per month				
Leasehold and Security Deposits (Note)	¥1,816,600				
Total Leased Floor Space	38.72m ²				
Total Leasable Floor Space	38.72m ²				
Past Occupancy Rates	March 2011	April 2011	May 2011	June 2011	July 2011
	100%	100%	100%	100%	100%

(Note) "Total Rent Income" and "Leasehold and Security Deposits" are stated according to the terms of the lease agreement executed between the sellers and tenant. Furthermore, it is stated in the amount excluding consumption tax and local consumption tax.

4. Seller Profile

The sellers in the Additional Acquisition are two individuals, but the individuals have not consented to the disclosure. Please note that, as of today, there are no capital ties, personnel ties and business ties to state between the Investment Corporation or Asset Management Company and the individuals. In addition, there are no capital ties, personnel ties and business ties of special note between the affiliated persons and affiliated companies of the Investment Corporation or Asset Management Company and the individuals or the affiliated persons and affiliated companies of the individuals.

5. Transactions with Interested Persons, etc.

In addition to interested persons, etc. as defined in the Financial Instruments and Exchange Act and Act on Investment Trusts and Investment Corporations, 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.

The two individuals that are the sellers in the Additional Acquisition do not constitute an interested party.

6. Broker Profile

N/A

7. Settlement Method

Settlement will be in lump-sum at the time of acquisition of the acquisition asset.

8. Acquisition Schedule

Acquisition Decision: August 25, 2011

Execution of Purchase/Sale Agreement: August 25, 2011

Transfer of Ownership: August 25, 2011

II. Additional Grant of Security Interests

1. Reasons for Execution of Agreements

For the condominium unit ownership interest in the Property that it has already acquired (over 98% of the one entire building), the Investment Corporation executed agreements on grant of revolving mortgage (provisional registration) and other security interests on October 27, 2009 (Please refer to the “Execution of Agreements on Grant of Security Interests” press release dated October 21, 2009 for the content and other details of the grant of security interests.).

Accordingly, the Investment Corporation has decided to similarly grant security interests for the Additional Acquisition portion, too. The concerned grant of security interests is thought to be beneficial for also smooth fund procurement and stable financial management going forward.

2. Pledged Assets

The assets that are to be pledged for the additional grant of security interests are the following assets.

(Unit: yen)

Investment Category	Property Name		Type of Specified Asset	Appraisal Value at Time of Acquisition (Reference)
Office	Of-12	Hatchobori SF Building	Real estate	¥34,900,000

3. Security Interest Holders of the Property

The security interest holders of the Property are as follows:

Aozora Bank, Ltd.; Resona Bank, Ltd.; Sumitomo Mitsui Banking Corporation; The Norinchukin Bank; The Nishi-Nippon City Bank, Ltd.; Sompo Japan Insurance Inc.; and The Hokkaido Bank, Ltd.

III. Management Status Outlook

The Additional Acquisition and additional grant of security interests will have minimal impact on the Investment Corporation’s earnings performance, and no change is made to the management status forecast for the fiscal period ending November 2011 (from June 1, 2011 to November 30, 2011).

*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/>

[Attachment]

- (Attachment 1) Summary of Real Estate Appraisal Report
- (Attachment 2) Income and Expenditures Projection
- (Attachment 3) Façade and Map of Location of the Property
- (Attachment 4) Portfolio List After the Additional Acquisition

(Attachment 1) Summary of Real Estate Appraisal Report

(Unit: yen)

Appraiser	Aoi Sogo Appraisal Co., Ltd.
Valuation date	May 31, 2011
Appraisal value (Note)	34,900,000
Value indicated by the income approach	34,900,000
Value indicated by the income approach (direct capitalization method)	36,600,000
Effective gross income	2,201,000
Potential gross income	1,777,000
Other income	424,000
Operating expenses	422,000
Net operating income (NOI)	1,779,000
Interest on refundable security deposits	36,000
Capital expenditures	58,000
Net cash flow (NCF)	1,757,000
Capitalization rate	4.80%
Value indicated by the income approach (discounted cash flow method)	34,900,000
Discount rate	4.80%
Terminal capitalization rate	4.90%
Value indicated by the cost approach	24,100,000

(Note) The above is the market value based on special consideration of the Additional Acquisition portion.

(Attachment 2) Income and Expenditures Projection

(Unit: thousand yen)

Income	2,114
Expenses (excluding depreciation)	358
Net operating income (NOI)	1,756

Premises of the income and expenditures projection

1. The above figures are the estimated figures for the year after eliminating special factors of the acquisition fiscal year for the additional acquisition portion of the Property (not the forecast figures for the period under review).
2. For income, the occupancy rate of rental units is projected to be 97.0% based on a weighted average.

(Attachment 3) Façade and Map of Location of the Property
Of-12 Hatchobori SF Building

Façade



Map of Location



(Attachment 4) Portfolio List After the Additional Acquisition

	Property Name	Location	Investment Area (Note 1)	Acquisition Price (million yen)	Investment Ratio (%)		
Offices	Of-01	Asahi Life Insurance Gotanda Building	Shinagawa-ku, Tokyo	I	1,290	1.00	
	Of-05	Suitengu Heiwa Building	Chuo-ku, Tokyo	I	1,550	1.20	
	Of-06	NV Tomioka Building	Koto-ku, Tokyo	I	2,500	1.93	
	Of-07	Hamamatsucho SS Building	Minato-ku, Tokyo	I	1,530	1.18	
	Of-08	Kokusai Tameike Building	Minato-ku, Tokyo	I	2,700	2.09	
	Of-09	Grace Building Sengakujimae	Minato-ku, Tokyo	I	1,220	0.94	
	Of-10	Nisso Dai 15 Building	Kohoku-ku, Yokohama-shi, Kanagawa	II	1,550	1.20	
	Of-11	Nihonbashi Daiichi Building	Chuo-ku, Tokyo	I	2,150	1.66	
	Of-12	Hatchobori SF Building	Chuo-ku, Tokyo	I	(Note 2) 3,092	2.39	
	Of-13	Shibuya AX Hills	Shibuya-ku, Tokyo	I	1,860	1.44	
	Of-14	KCA Building	Chiyoda-ku, Tokyo	I	1,730	1.34	
	Of-15	Daiwa Nakameguro Building	Meguro-ku, Tokyo	I	2,870	2.22	
	Of-16	Anwa Tsukasacho Building	Chiyoda-ku, Tokyo	I	1,385	1.07	
	Of-17	Hatchobori MF Building	Chuo-ku, Tokyo	I	1,110	0.86	
	Of-18	M2 Harajuku	Shibuya-ku, Tokyo	I	3,418	2.64	
	Of-20	Funabashi Face Building	Funabashi-shi, Chiba	II	3,900	3.02	
	Of-21	Adesso Nishiazabu	Minato-ku, Tokyo	I	640	0.50	
	Of-22	CIC Toranomom Building	Minato-ku, Tokyo	I	1,675	1.30	
	Of-23	Aria Ikebukuro	Toshima-ku, Tokyo	I	1,314	1.02	
	Of-24	CIC Yushima Building	Bunkyo-ku, Tokyo	I	1,434	1.11	
	Of-25	Kayabacho Heiwa Building	Chuo-ku, Tokyo	I	4,798	3.71	
	Offices Subtotal				43,716	33.83	
	Residences	Re-03	Concord Ichikawa	Ichikawa-shi, Chiba	II	430	0.33
		Re-05	CIC Meguro	Meguro-ku, Tokyo	I	660	0.51
		Re-09	Regulus Higashikasai	Edogawa-ku, Tokyo	I	650	0.50
Re-11		Mirum Wakabayashi Koen	Setagaya-ku, Tokyo	I	3,610	2.79	
Re-12		Mirum Himonya	Meguro-ku, Tokyo	I	1,560	1.21	
Re-14		Main Stage Minami Azabu III	Minato-ku, Tokyo	I	1,370	1.06	
Re-15		Cosmos Gracia Azabujuban	Minato-ku, Tokyo	I	1,260	0.98	
Re-16		Advantage Gakugeidaigaku	Meguro-ku, Tokyo	I	1,000	0.77	
Re-17		Hermitage Higashikanda	Chiyoda-ku, Tokyo	I	1,100	0.85	
Re-18		Hermitage Higashinohonbashi	Chuo-ku, Tokyo	I	1,210	0.94	
Re-19		Hermitage Nerima	Nerima-ku, Tokyo	I	690	0.53	
Re-20		Landstage Shirokane Takanawa	Minato-ku, Tokyo	I	4,030	3.12	
Re-21		Urbyl Berger Meidaimae	Setagaya-ku, Tokyo	I	1,070	0.83	
Re-22		Joy City Nihonbashi	Chuo-ku, Tokyo	I	1,130	0.87	
Re-23		Grefas Kamishakujii	Nerima-ku, Tokyo	I	950	0.74	
Re-24		T&G Kinshicho Mansion	Sumida-ku, Tokyo	I	1,100	0.85	
Re-25		Glenpark Ginza EAST	Chuo-ku, Tokyo	I	5,940	4.60	
Re-26		Glenpark Shin-yokohama	Yokohama-shi, Kanagawa	II	3,350	2.59	
Re-29		Residence Mukogaoka	Bunkyo-ku, Tokyo	I	2,350	1.82	
Re-30		Residence Higashimagome	Ota-ku, Tokyo	I	1,630	1.26	
Re-31	Glenpark Gakugeidaigaku	Meguro-ku, Tokyo	I	1,650	1.28		
Re-33	Advance Kameido	Koto-ku, Tokyo	I	1,050	0.81		
Re-34	Vante Tanashi	Nshitokyo-shi, Tokyo	II	911	0.70		
Re-35	Single-residence Shiba-koen	Minato-ku, Tokyo	I	836	0.65		
Re-36	Single-residence Mita	Minato-ku, Tokyo	I	1,080	0.84		
Re-37	Single-residence Takanawa	Minato-ku, Tokyo	I	749	0.58		

Residences	Re-38	La Residence de Shirokanedai	Minato-ku, Tokyo	I	730	0.56
	Re-39	Single-residence Ginzahigashi	Chuo-ku, Tokyo	I	1,460	1.13
	Re-40	Single-residence Hatchobori II	Chuo-ku, Tokyo	I	1,890	1.46
	Re-41	Single-residence Hatchobori III	Chuo-ku, Tokyo	I	793	0.61
	Re-42	Single-residence Ginza	Chuo-ku, Tokyo	I	944	0.73
	Re-43	TOUR JAUNE Komazawa-koen	Setagaya-ku, Tokyo	I	6,520	5.05
	Re-44	Single-residence Umeda TOWER	Osaka-shi, Osaka	III	1,920	1.49
	Re-45	Single-residence Nakanoshima	Osaka-shi, Osaka	III	453	0.35
	Re-46	Single-residence Awaza	Osaka-shi, Osaka	III	577	0.45
	Re-47	Single-residence Marunouchi	Nagoya-shi, Aichi	III	624	0.48
	Re-48	Single-residence Hirao	Fukuoka-shi, Fukuoka	III	1,780	1.38
	Re-49	Single-residence Kawaramachi Nijo	Kyoto-shi, Kyoto	III	534	0.41
	Re-50	Single-residence Minami 6 Jyo	Sapporo-shi, Hokkaido	III	229	0.18
	Re-51	Single-residence Tenjinminami	Fukuoka-shi, Fukuoka	III	631	0.49
	Re-52	Single-residence Tenjinhigashi	Fukuoka-shi, Fukuoka	III	502	0.39
	Re-53	Single-residence Shijyo Kawaramachi	Kyoto-shi, Kyoto	III	1,820	1.41
	Re-54	La Residence de Sendagi	Bunkyo-ku, Tokyo	I	820	0.63
	Re-55	Single-residence Sendagi	Bunkyo-ku, Tokyo	I	870	0.67
	Re-56	Single-residence Komazawa-koen	Setagaya-ku, Tokyo	I	615	0.48
	Re-57	Single-residence Musashikoyama	Shinagawa-ku, Tokyo	I	842	0.65
	Re-58	Single-residence Kokubunji	Kokubunji-ku, Tokyo	II	839	0.65
	Re-59	Single-residence Hisayaodori	Nagoya-shi, Aichi	III	1,080	0.84
	Re-60	Single-residence Karasuma Kuramaguchi	Kyoto-shi, Kyoto	III	572	0.44
	Re-61	Single-residence Nishishinjuku WEST	Shinjuku-ku, Tokyo	I	1,990	1.54
	Re-62	Single-residence Nishishinjuku EAST	Shinjuku-ku, Tokyo	I	1,170	0.91
	Re-63	Single-residence Higashishinjuku	Shinjuku-ku, Tokyo	I	1,360	1.05
	Re-64	Single-residence Higashishinsaibashi	Osaka-shi, Osaka	III	566	0.44
	Re-65	Single-residence Kitayobancho	Sendai-shi, Miyagi	III	809	0.63
	Re-66	Single-residence Atagobashi	Sendai-shi, Miyagi	III	684	0.53
	Re-67	Single-residence Kyudaibyoin-mae	Fukuoka-shi, Fukuoka	III	426	0.33
	Re-68	Single-residence Asakusabashi	Taito-ku, Tokyo	I	771	0.60
	Re-69	Single-residence Ichibancho	Sendai-shi, Miyagi	III	834	0.65
	Re-70	Single-residence Higashinakano	Nakano-ku, Tokyo	I	942	0.73
Re-71	Single-residence Minami 5 Jyo	Sapporo-shi, Hokkaido	III	408	0.32	
Re-72	Single-residence Waseda First Square	Shinjuku-ku, Tokyo	I	2,090	1.62	
Re-73	Single-residence Waseda Second Square	Shinjuku-ku, Tokyo	I	872	0.67	
Residences Subtotal					81,333	62.94
Hotels	Ho-01	Super Hotel Osaka Tennoji	Osaka-shi, Osaka	III	1,080	0.84
	Ho-02	Super Hotel Kyoto Karasumagojyo	Kyoto-shi, Kyoto	III	900	0.70
	Ho-03	Super Hotel Saitama Omiya	Saitama-shi, Saitama	II	1,050	0.81
	Ho-04	Super Hotel Sendai Hirose-dori	Sendai-shi, Miyagi	III	1,150	0.89
Hotels Subtotal					4,180	3.23
Portfolio Total					129,229	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 Areas) is entered as “III.”

(Note 2) Acquisition price for Of-12 Hatchobori SF Building is stated for the one entire building after the additional acquisition of condominium unit ownership interest.